

Witness Name: Richard Callard

Statement No.: WITN00140100

Exhibits:

Dated: 14 June 2024

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF RICHARD CALLARD

I, Richard Callard, will say as follows:

1. I am employed by UK Government Investments ("UKGI") as an Executive Director, a position I have held since 2012 having joined the Shareholder Executive ("ShEx") (UKGI's predecessor organisation) in March 2007, which was at the time a part of the Department for Trade and Industry ("DTI").
2. I make this statement in response to a Rule 9 Request made by the Inquiry dated 9 May 2024 and I have sought to address all of the matters raised by the Inquiry in as much detail as possible given the passage of time since the events with which the Inquiry is concerned. In making this statement, I have been assisted by Eversheds Sutherland (International) LLP, the recognised legal representative for UKGI, a Core Participant (as defined in paragraph 5(a) of the Inquiry's Protocol on Witness Statements) in the Inquiry.

3. Before turning to the issues raised in the Rule 9 request I wish to start this statement by acknowledging the hardship and suffering endured by so many sub-postmasters and their families as a result of the matters with which this Inquiry is concerned. I have been following the Inquiry and I wish to convey my deepest sympathy to those who have lost so much, and I welcome the opportunity to be able to contribute to this vitally important Inquiry.

Background / Work History

4. I qualified as a Chartered Accountant in 2001. I completed my training at Pannell Kerr Forster and joined Arthur Anderson in 2002, shortly before it became Deloitte, where I remained working in their Government and Infrastructure team until 2007.
5. In March 2007, I was offered an 18-month secondment to ShEx. As part of this, I assisted Stephen Lovegrove (now former UK National Security Adviser and former ShEx Chief Executive) who was, at the time, the Director responsible for Royal Mail and also Post Office Limited ("POL"). The relevant teams within Royal Mail and POL were separate and I was almost entirely dedicated to Royal Mail and had very limited contact with POL until 2014.
6. I remained in this role when I became employed by ShEx as a permanent employee in March 2009. As part of my Assistant Director role, I was within the ShEx team dealing with Royal Mail which was responsible for overseeing the Government's shareholding in the company. Apart from a 10 month period from the summer of 2009 until the General Election in 2010, when I worked in the

office of the Enterprise Champion, my main activities during the period between 2007 and 2010 were analysing Royal Mail's five-year strategic plan in light of the declining mail volumes, dealing with the state aid implications of Government's then recent investment in to the company, and undertaking activities to ready HMG's attempts to bring a minority private sector stake in to the company. My interaction with POL during that time was limited to two specific matters, namely assisting with ShEx's preparation for and response to the National Audit Office investigation into the Post Office Network Change Programme in 2007 and 2008, and a value for money analysis of the Post Office Card Account contract in around 2009.

7. In around May 2012, I was promoted and took on a role as Executive Director leading the team that oversaw the Government's shareholding in the Green Investment Bank ("GIB"), which I had helped to set up whilst an Assistant Director in 2011. GIB was an Arm's Length Body ("ALB") of the Department for Business, Innovation and Skills the predecessor of the Department for Business, Energy & Industrial Strategy ("BEIS") and which is now the Department of Business and Trade ("DBT") (collectively referred to as "the Department"), specialising in green infrastructure investment and the management of a portfolio of green financial assets. GIB was a relatively innovative form of Government intervention for its time (which has been copied since in the form of the British Business Bank and the UK Infrastructure Bank), which meant there was a constant stream of new issues arising throughout my oversight of it.

8. At the same time, I continued to work as an Executive Director for the ShEx team dealing with Royal Mail. During this period, I led the design and implementation of the employee share scheme and also led on the state aid work to obtain approval for Government's relief of the company's substantial pension deficit. I stayed working on Royal Mail until it was privatised in October 2013 and the employee share scheme went live. As a result of the privatisation, around 50% of my time was 'freed-up' and as such I was available when the opportunity arose to become involved with POL.

9. I was officially appointed as the Shareholder Non-Executive Director ("Shareholder NED") for POL in March 2014, having started to lead the POL Shareholder Team from around January 2014. As I describe further below, from 2014 until the end of 2017, I was required to divide my time 50:50 between the GIB and POL. This division of responsibilities was difficult to balance at times and I therefore had to develop an understanding of how to meet the competing demands of both roles.

10. My POL Shareholder NED role differed from that of my predecessor, Susannah Storey, as I was both the Shareholder NED on the POL Board (as she had been), but also the head of the POL Shareholder Team within ShEx (which had previously been undertaken by Will Gibson). I was conscious of the potential for a conflict of interest to arise from the combination of the two roles, particularly in relation to funding, and it was necessary for me to try to find a way to balance the two aspects of my involvement with POL in a way that enabled me to fulfil my obligations to both the Board and the Department. As I

describe further below, sometimes that would involve me absenting myself from certain parts of a Board meeting, particularly where funding was discussed, and managing this tension was a difficult and challenging part of my role.

11. When I first started working on POL it felt, at times, overwhelming, and this was a common feature of my tenure throughout. I was very pressed in my new role which had previously been split between two people (and as I recall the Shareholder Team lead had generally worked solely on POL), whilst I was splitting my time between POL and GIB. I cannot now recall all of the detail, or the precise chronology, but I do have a clear recollection of frequently feeling that I was skirting over the top of all of the issues without getting into them in any great depth. In relation to POL, I would have an overarching view as to the activities of the team and would dip in and out of the variety of issues we were dealing with at the time as and when my direct input was required, whilst giving my team autonomy to handle their areas of responsibility.

12. I held the Board role in relation to POL until March 2018, and stepped down from the Shareholder Team in May 2018, having ended my involvement with GIB in or about December 2017 after the National Audit Office's ("NAO") inquiry into its sale, after which I then helped set up the Geospatial Commission. Following my tenure with POL, I moved to UKGI's joint unit with the Ministry of Defence ("MOD"), which provides corporate finance and governance advice on a range of issues facing the MOD. Work there has included leading the nationalisation of Sheffield Forgemasters and then, for a period afterwards, leading its Shareholder Team. Separate to my Defence work I also lead the team that oversees UK Export Finance, the UK's export credit agency.

ShEx/UKGI and my role as NED*Appointment and Handover*

13. I did not apply for the role of POL's Shareholder NED but was asked to take it on. I am not aware of any nomination process leading up to the request and I do not know whether any other candidates were considered. I had no prior experience of discharging the duties of a NED, although I had supported Anthony Odgers in his NED role on the GIB. It is not unusual for ShEx or UKGI officials to be appointed to a Board without prior NED experience (experienced NEDs tend to already maintain a portfolio career and are less attracted to becoming a full time government employee). It was plainly a challenging role, but I took the position because I felt it was a good opportunity and a great privilege. I was naturally apprehensive about the NED aspect of the role itself, and how I would be able manage my time and responsibilities alongside my GIB role, which was also demanding. The role of Shareholder Team lead for POL was already both big and complex, but to have a seat on the Board in addition felt like a step up for me. I continued to be an Executive Director for the GIB Shareholder Team and I was therefore responsible for two very significant assets.
14. I believe I was brought in to take over the shareholder role partly because I was available following the privatisation of Royal Mail and the completion of the employee share scheme, but also because POL's new Board required a diplomatic and measured approach as the predominantly private sector NEDs of POL's relatively new Board got used to the notion of a 100% Government shareholder. As such, I felt that I was a good fit for the role. I like to think I have

a collaborative style of working which I thought would be beneficial as the new POL Board continued to find its feet. I have always felt that one of the key tasks of a Shareholder Team lead, and/or the Shareholder NED, is to act as interpreter given the unique insight that that person and team is exposed to. This means being there to explain Government's position to the company concerned, and to explain the company's perspectives and concerns to Government. This has been true of all assets that I have been involved with.

15. Around the time of my appointment, having a Shareholder NED on the Boards of assets was increasingly becoming the standard model within ShEx, although that had not always been the case. When I first joined ShEx, the general policy was that ShEx should not be on any Boards because of the perceived conflict between the two roles (for example there was no Government NED on the Royal Mail Board). ShEx had to tread a fine line of providing oversight, whilst at the same time allowing an ALB's management and Board to operate independently. But gradually, over time, ShEx started to appoint NEDs to the Boards of assets such as POL. At the time I took up my appointment to the POL Board, there was relatively limited institutional experience and guidance within UKGI as to how to approach the Shareholder NED role. As I recall my only formal training was to attend a course run by the Institute of Company Secretaries and Administrators, now the Chartered Governance Institute.
16. On reflection, I think it would have been difficult to have a Shareholder NED who formed part of the Shareholder Team on the POL Board prior to my appointment because at that time there were a number of sensitive issues at that time (including funding discussions and the separation of POL from Royal

Mail) which could potentially have created a conflict of interest. It was also something new for POL, who were already getting used to having a full fiduciary Board. I understood later that, when POL first separated from Royal Mail, the Chair of the new POL Board refused to have anyone from the Shareholder Team on the Board because of the perceived conflict in relation to the funding discussions, which is why (as I understand it) Susannah Storey was appointed, who was a former ShEx employee by that point and institutionally separate from the Shareholder Team.

17. Over time, I think it came to be recognised at ShEx that having separate individuals filling the roles of the Shareholder Team lead and Shareholder NED had significant disadvantages because, despite the regular communication of Board business to the Shareholder Team by the Shareholder NED, it is difficult for the Shareholder Team to understand fully what was happening at Board level and for the Shareholder NED to understand fully the detailed work and issues of the Shareholder Team. In my view, on balance, I think that having a Shareholder NED that also leads the Shareholder Team is the better model of the two.

18. My appointment as Shareholder NED and the structural change that led to the Shareholder NED also leading the Shareholder Team occurred during the tenure of Mark Russell as ShEx's Chief Executive Officer ("CEO"). It is my understanding that he contacted Alice Perkins (the Chair of the POL Board at the time) to discuss and explain the new model and I think she accepted it. I cannot remember when I first met with Alice Perkins, but it was before I took up

my role (I met her one-to-one at BIS and also with Will Gibson at Portcullis House before he departed).

19. Prior to becoming the head of the Shareholder Team and Shareholder NED for POL, I had already led a team on another asset (GIB) and had been part of the Royal Mail Shareholder Team, so I was aware of what working with an asset entailed. Although I had previously been drafted in to help POL deal with the two discrete issues I have described above, I did not have a clear or comprehensive understanding of shareholder and other commercial and operational issues specific to POL at the time of my appointment.

20. In terms of briefing and handovers, I met with Susannah Storey and had several sessions with Will Gibson in around late November and through December 2013. Will Gibson was aware of the issues the Shareholder Team was dealing with in more detail than Susannah Storey would have been as the Shareholder NED and logistically Will and I worked in the same office, which was not true of Susannah Storey, which made catch-ups with him easier to arrange. That being said, I was also conscious of the fact that however many briefings were arranged, it would be impossible to understand the role properly until I had actually started doing it.

21. As part of the handover, I also had one-to-one sessions with members of the Shareholder Team to get a more detailed sense of the issues the team was dealing with. I also remember Will Gibson taking me to meet Jo Swinson MP (the Minister for POL at the time). Whilst I do not have much recollection of this element of the handover process, I do recall that I was introduced to a number

of members of the POL Executive team at the time, including Paula Vennells (the CEO).

22. Will Gibson continued working as the head of the Shareholder Team until Christmas 2013. I returned to work for a short period after the festive period before taking three weeks paternity leave starting in mid-January 2014. As such, despite officially taking over the role as Head of the Shareholder Team from January 2014, it was not until around early February 2014 that I really began my POL role in earnest.
23. In addition to the handover relating to my role as head of the Shareholder Team, I was also involved in a limited Board induction process with POL. I attended the February 2014 Board meeting as an observer (POL00021522) and had very brief chats with the NEDs in the margins of that meeting. I also observed the Board meeting in March 2014 (POL00006564), before being formally appointed to the Board at the end of that meeting, with Susannah Storey simultaneously stepping down.
24. I do not recall having any ongoing dialogue with Susannah Storey on POL matters following the Board induction process and handover (although we periodically stayed in contact socially – Susannah had previously been my line manager and I worked with her on Royal Mail issues when I first got to ShEx). I similarly stayed in occasional contact with Will Gibson.

ShEx Role and Responsibilities

25. I inherited responsibility for a well-established existing POL Shareholder Team (sometimes referred to as the Postal Services team) which consisted of four to five people working mainly full-time on POL issues. The team at that point included:

- (i) Peter Batten who had responsibility for communications and Parliamentary handling. He also dealt with network issues (e.g., monitoring the progress of Network Transformation, dealing with correspondence about specific branch issues etc). The key issues at the time included monitoring the proposed changes to the network under the 'Network Transformation Programme' and ensuring that the network was flexible yet stable in the net number of outlets. He was also the working level lead on Horizon matters, which were labelled "Project Sparrow" by Post Office (which I explain in more detail below).
- (ii) Tim McInnes who dealt with financial, budgetary, strategic and commercial issues, with a view to POL being able to deliver a financially sustainable stable network within the confines of an agreed funding plan which I inherited and which included substantial Government investment with a decreasing subsidy over time.
- (iii) Katrina Lidbetter who focused on Government business related matters such as encouraging Government to use POL's digital ID

service offering and other new service opportunities, as well as monitoring issues with existing government contracts, for example, passport check and send.

- (iv) James Baugh who dealt with monitoring and processing Government's £1.15bn working capital loan facility that it extended to POL and who would support Peter Batten in correspondence and Parliamentary matters.

26. Each team member was allocated different tasks but all tasks were ultimately connected. The overarching goal was the sustainability of the POL network, which had gone through significant change in recent years (including two substantial branch closure programmes in the prior decade), and which was going through a further large change under Network Transformation (which sought to increase individual branch viability by boosting their non-Post Office related business). In seeking to fulfil its function, the POL Shareholder Team would carry out a range of activities to understand how the business was operating. This ranged from reviewing POL's financial and operating results to reviewing the business' future funding proposals, and this took the form of both written and verbal communications with POL management. Activities also included obtaining POL's help to navigate any Parliamentary issues (e.g. constituency correspondence, parliamentary questions and debates), which at the time were fairly extensive given Network Transformation and the reform of the directly managed "Crown Branches", and trying to help POL adapt to losing a lot of government business due to changes in the way that certain services

were delivered (e.g. online, and moves to direct payment of benefits in to recipient accounts).

27. I did not have a formally articulated set of responsibilities as head of the Shareholder Team and it was simply expected that I would manage the team in order to deliver the Government's policy objectives. The primary policy objectives were relatively simple in that HMG required POL to maintain a minimum level of 11,500 branches (whilst meeting geographical proximity 'access' criteria) and do so on an increasingly financially sustainable basis, using investment funding to reduce the c£200m per annum subsidy down to c£50m. POL also had to continue to provide its five or six services of 'social and general economic interest', such as access to cash, which was a condition of EU state aid approval for its funding.
28. I do not think I was disadvantaged by not having a formal set of responsibilities and I think there was a benefit in being able to assess for myself what the most urgent priorities appeared to be and how best to tackle them. Nevertheless objectives for the year were usually set out in my Performance Review documents and also in our Portfolio Reviews Documents. I also acknowledge that the shareholder role is difficult to articulate and that the Government's role differs on each asset such that a generic description of the role of a Shareholder NED and/or Shareholder Team lead will be of limited practical value except at the very highest level of generality. That said, defining the role for myself plainly had its challenges and there is always a risk, when dealing with a business that is facing so many difficult issues, that the urgent can drown out the important.

29. In addition to the Horizon issue, POL faced a number of other challenges, for example Network Transformation, the changing nature of mail services, the expansion of its financial services products and declining Government business. Many of these issues threatened the ability of POL to deliver its remit, and in some instances threatened the very existence of POL and/or the viability of the sub-post offices within the network.
30. At the start of my tenure, it seemed to me that POL tended to approach these issues from a position of weakness and vulnerability. Despite being centuries old, the newly separated organisation was at the same time quite new. Over my four years, this changed and POL became more commercially confident and profitable as issues settled down and the Board and management became stronger. A good illustration of this effect was in relation to Royal Mail – when I joined POL it was very concerned about the resetting of its ten-year contract with Royal Mail at the half way point in 2017, fearing that Royal Mail may use alternative outlets instead of, or in addition to, POL. By the time I left POL was actively considering taking in parcels from Royal Mail's competitors.
31. I was also involved in a number of routine tasks as Shareholder Team lead, including: seeking ministerial approval of POL's Executive bonus framework each year; reviewing the yearly POL budget; reviewing and responding to general communications and correspondence; assisting with responses to parliamentary questions; and advising on POL appointments, which was

subject to ministerial scrutiny. These were all tasks specific to my ShEx role as distinct from my additional role as Shareholder NED.

32. Oversight of the objectives and activities of the Shareholder Team would be managed by portfolio reviews within ShEx/UKGI, which take place in relation to all assets of which ShEx/UKGI acts as a shareholder. During my tenure as Shareholder Team lead these reviews generally took place quarterly, although there was a period when they were less frequent. Much like they do now, Shareholder Teams would explain what actions they have been taking in relation to various issues relating to the relevant asset and would be challenged on the approach by their peers. The team prepared slides to support these reviews. The reviews were a good opportunity to reflect on whether the right approach and focus was being taken. I considered them to be a valuable 'pause point', often forcing one to reflect on the actions and objectives of the team.

33. Each month the ShEx risk register would be circulated so it could be updated before being sent to the central risk team in ShEx, who would sometimes respond with questions. This process was usually coordinated by a junior member of my team and the owner of each risk would then review their risk and update their entries in the register. I would usually review the risk register and it would then be submitted to the central risk team who would summarise the risk registers for each of the assets for which ShEx was responsible. This summary was provided to the ShEx / UKGI Executive Committee ("ExCo") and Board. This was the process followed in respect of the POL risk register, an example of which is at (UKGI00002515).

34. The purpose of these risk registers for each asset was to flag the various risks facing the asset so that ShEx, as an organisation, could understand what the risks were and their relative significance, which was illustrated by a RAG rating. The set of risks in relation to POL tended to remain broadly similar but would vary in their risk rating over time. When I joined the POL Shareholder Team the specific risk identified in relation to Horizon was the failure of the Mediation Scheme, and this was rated as a relatively low risk compared to others given that the team felt there was at that time a mechanism in place to consider sub-postmaster concerns (UKGI00002515).
35. Each month the rating of each risk could go up or down (although movement in risk ratings required careful consideration and usually a change in circumstances) and occasionally risks would be removed from the register altogether once that risk had passed or been resolved. In strict terms, the risks should have been assessed as the risks to ShEx, although in practice the teams often considered it difficult to distinguish between the risks to ShEx and the risks to the asset - if there was a risk to the asset it was also generally viewed as a risk for ShEx given the additional resource that might be required, the reputational consequences it might generate or any wider governmental risks. I would not attend ExCo or the ShEx/UKGI Board to speak to the risks within my areas of responsibility, but I would attend the Quarterly Portfolio Reviews where these risks might be discussed in some form or other. An example of one of these Reviews, dated June 2014, is (UKGI00013659).

Role as Non-Executive Director

36. POL was in a state of flux when I joined the team, having recently established a new Board upon separation from Royal Mail, prior to which I understand it had had a subsidiary Board, largely staffed by RMG executives. Prior to 2012, the Royal Mail Board was the overarching Board of POL.
37. During my time as the Shareholder NED, I sat on the following POL Board committees: (i) Sparrow Sub-Committee from its inception in April 2014; I volunteered to sit on this Sub-Committee as one of my first acts after being formally appointed to the Board in March 2014, as evidenced in the minutes of the 26 March 2014 Board meeting (POL00006564); (ii) Pensions Committee, from the point I joined the Board until the committee was wound up in 2015; and (iii) the Audit, Risk and Compliance Committee (“ARC”), from January 2016.
38. As a NED on the POL Board, I had all the same powers and duties as the other NEDs, as set out in the Companies Act 2006. My core responsibilities were promoting the company’s success and delivering effective corporate governance through the exercise of my independent judgement as a non-executive director. In conjunction with the other members of the Board I had the power to call for the production of information relating to the operation of the company and hold the Executive management to account for their performance. The Board also had the power to commission its own specialist advice on matters where it felt it needed assistance. As Shareholder NED I did not have any additional rights or powers beyond those enjoyed by my fellow NEDs and

my vote (to the extent a vote was strictly required, which was very rare) carried no more or less weight than that of any other NED.

39. I did not see the responsibilities of the Board of Directors being fundamentally different to those that would ordinarily apply to the Board of a large company, simply by virtue of the fact that the company was wholly owned by the Government. POL's Articles of Association (UKGI00043217) conferred certain rights on the Secretary of State as the sole shareholder in POL, including the right to request information, the right to appoint or remove the Chair, and the right to receive and approve an annual budget and a periodic strategic plan.
40. As for my Shareholder NED responsibilities, there would be nine Board meetings a year and I attended all of them. Each Board meeting would last the best part of a day. The POL Board papers would take at least a day to read and digest, given their volume, and this often had to be undertaken outside of my regular working hours. It was similar for the ARC which involved a larger and often more technical pack once a quarter. There tended to be fewer papers for the Sparrow Sub-committee and Pensions Committee as these were more focussed and met more regularly than the ARC. The quality of the Board papers when I joined was generally quite good, but improved during my tenure as Shareholder NED with papers tending to become more structured and consistent in their drafting and format.
41. I shared papers for the main Board with my team, would hold team meetings to get their views prior to the Board, and would provide a readout thereafter.

Whilst some team members would read the entire pack, others would limit their review to their particular specialism. I cannot recall sharing ARC papers with the team but may have done so (particularly if there was a specific topic that I wanted a colleague's view on). I doubt I shared Pension Committee papers given its very specific and specialist nature (I had some grounding in pensions given my Royal Mail work). As noted below, Sparrow Sub-Committee papers were generally shared with Peter Batten and then Laura Thompson, who succeeded him.

42. Balancing my role as a NED (which strictly speaking was done as an individual) with that of my Shareholder Team role (i.e. enacting Government policy) presented challenges. Generally speaking there was alignment between these roles, but I would sometimes have to be very clear from what position I was speaking, doing so in Board meetings by referring to my "NED hat" or my "Government/shareholder hat". I might, for example, state that I agreed with the Board's course of action given what I knew from Board discussions and my responsibilities as a NED to the company, but would make clear that Ministers or other parts of Government might not necessarily agree, or that their agreement was required before the Board could proceed. Issues where this 'two-hatted' approach tended to crystallise were around the likes of executive remuneration, mutualisation, funding, pension changes and indeed Sparrow.
43. During my tenure as Shareholder NED, the POL Board had two Chairs, Alice Perkins and Tim Parker. Each had different styles, but generally the dynamic across the Board was collaborative. Alice Perkins was very effective in allowing differing views to be expressed before drawing together the relevant threads to

achieve a consensus. Although I cannot really remember the specifics relating to particular issues, there was often substantive debate during Board meetings in relation to the way forward, for example, on financial and mails services and on IT systems generally (although not in relation to Horizon specifically). Overall, the Board appeared to be very capable, with NEDs that had significant prior experience in retail, finance and risk management. I understood that they were all high achievers in their various fields and although I had limited experience upon which to draw, I thought it was a high-quality Board. The Executive appeared to respond positively to the Board's engagement, albeit there were occasions on which I perceived a sense of nervousness or defensiveness on their part when faced with challenge by the Board. That said, there were a large number of challenges of existential significance facing the company during my tenure on the Board and the Executive was always working under considerable pressure and often having to deliver difficult news concerning the company's operations and financial position.

44. In general terms, I thought the Board was effective in discharging its corporate governance functions although when I started out as Shareholder NED there was less definition from ShEx's perspective of the corporate governance role of the Board and its NEDs than there is today within UKGI and the assets in its portfolio. We now have guidance formalising our Board roles, see Post Office Limited Shareholder Relationship Framework Document (POL00362299) and the more uniform way in which we expect our Boards to operate, however when I commenced my appointment as Shareholder NED there was far less guidance in place. That said, I thought the Board was effective in identifying and

prioritising the issues that required attention from a corporate governance perspective and would be proactive where necessary, such as in establishing sub-committees (for example, the Sparrow Sub-Committee), commissioning specialist advice, and requiring the provision of information by the Executive. However, there is no doubt that the large number of challenging issues facing the business during the period 2014-2018 meant that the capacity of the Board was very stretched and I often had the feeling that we were firefighting the latest crisis rather than having the opportunity to think strategically about the direction of the business, particularly at the beginning of my tenure.

45. Throughout my time as Shareholder NED I contributed to the induction of new NEDs to the POL Board in the same way as other NEDs, which is to say I would seek to arrange an early discussion with them, and I remember speaking with both Ken McCall and Carla Stent prior to their formal appointments to the Board. During these discussions, I provided them with a summary of my role as the Shareholder NED on the Board and the issues that the business (and Government) faced. At the end of my tenure, I also provided an extended handover to my successor, Tom Cooper, who joined UKGI in November 2017 before being formally appointed as the Shareholder NED in March 2018. In addition to the information that I was able to convey to him during our handover period, he was also able to attend two or three POL Board meetings prior to his formal appointment (see for example minutes of Board meeting dated 29 January 2018 (POL00021553)).

46. In terms of stakeholder engagement with the POL Board, there was a Post Office Advisory Council (“POAC”) which was chaired by one of the other NEDs, Tim Franklin. Sub-postmasters, the National Federation of Sub-postmasters (“NFSP”), union representatives, and customer organisations and other small business associations would be invited to discuss issues relating to POL on a quarterly basis. Mr Franklin would then report back to the POL Board on the issues discussed (see for example minutes of Board meeting dated 25 March 2015 (POL00027286)) and I think the outcome from discussions at the POAC was also published in the POL annual report (POL00026722). I attended two POAC sessions, some of my colleagues in the Shareholder Team would also sometimes attend other sessions.

Involvement in the appointment of the POL Chair and CEO

47. The appointment of the POL Chair is a Ministerial decision. The appointment is made following an independent competition and is one which is regulated by the Office of the Commissioner for Public Appointment (“OCPA”) rules. As such the recruitment panel is led by an OCPA approved independent chair, and recommends all candidates deemed appointable to the relevant Secretary of State, for them to make the final choice (although the Secretary of State can delegate this to one of their Ministers). During the process that led to Tim Parker’s appointment in 2015, in my role as head of the Shareholder Team responsible for POL, I helped to administer that process, but I did not attend any of the interviews with candidates or participate in any of the discussions concerning their performance at interview. I describe below the nature and

extent of my involvement in the decision to appoint Tim Parker as POL Chairman.

48. As to the appointment of the POL CEO, I had no role in Paula Vennells' appointment which pre-dated me by a couple of years, and she remained the CEO at the point of my departure from the Board. The decision regarding the appointment of a CEO is one for the POL Chair and Board to take, albeit the decision would probably have been delegated to the Nominations Sub-Committee who would establish and run the recruitment exercise before going back to the non-Executives of the Board to confirm the preferred candidate for appointment. That decision would then be forwarded to the Shareholder Team who would in turn forward it to the Secretary of State or Minister for his or her final approval.

49. I recall that, at the start of my tenure as Head of the Shareholder Team, there were some concerns about Paula Vennells' continued suitability as CEO. These were initially explained to me by my team and, as far as I can remember, these concerns crystallised following an away day in June 2014, at which Ms Vennells was felt by many members of the Board (myself included) to be overly passive and acting more like a NED than a CEO in the way she interacted with members of her team who came to present an item on the agenda. A contemporaneous summary of the Board's concerns is set out in a note that I prepared in August 2014, ahead of a meeting with the Minister (UKGI00002440), which I shared with the Minister's office and which Alice Perkins had also reviewed (UKGI00002439). By this time, Jenny Willott MP had replaced Jo Swinson MP

whilst Jo Swinson MP was on maternity leave. The concerns were summarised in the following terms:

“Efforts to improve her [Ms Vennells] performance have failed. The Board is increasingly frustrated with the lack of progress on various areas primarily the lack of ‘grip and pace’ applied to revenue growth, cost cutting, specific business areas like Horizon and the strategy in general. This crystallised for the Board at the June away day, where Paula very much sat back and let her team lead – she acts more like a NED than someone who leads from the front.”

50. In July 2014, Alice Perkins, Neil McCausland the Senior Independent Director and I engaged in a discreet desktop exercise with external agency Egon Zehnder (“EZ”) (UKGI00045963) to ascertain whether there might be suitable candidates in the market that we might consider as a viable replacement for Paula Vennells. Given the discretion required, I agreed with ShEx CEO Mark Russell that ShEx would pay for the exercise. As part of the process, EZ had been given an indicative potential remuneration package, the base pay of which was £100,000 greater than Paula Vennell's. This was on the basis that Paula Vennell's base salary was in the bottom decile of comparable market positions and we considered that this would be lower than the existing remuneration of the vast majority of potential candidates (and therefore unattractive).

51. Despite this enhanced potential remuneration, the agency only managed to identify potential candidates that Alice Perkins, Neil McCausland and I

considered to be on a par with, or below, the qualities of Paula Vennells. It was therefore determined that replacing the CEO at that stage would represent too great a risk for the business, as well as incurring significant additional costs in compensating Paula Vennells for the termination of her contract, plus the additional amount that a replacement would demand upon appointment, both of which we felt would be difficult to obtain ministerial permission for. It was therefore resolved that Paula Vennells would be retained and that she would continue to be coached by Alice Perkins (who also worked in executive coaching), which I am aware is something that occurred and was considered in time to have led to some improvements. In addition to coaching from Alice Perkins, the other way we sought to improve performance was to increase 'bench strength' i.e. strengthening the team reporting to the CEO to give her more bandwidth.

52. As can be seen from the note that I prepared at the time (UKGI00002440), I was attempting to anticipate the sorts of questions which the Minister might ask about the senior management at POL, specifically in relation to POL's Chief Financial Officer ("CFO") at the time, Chris Day. Before I arrived, the Board, including Paula Vennells, had felt that a stronger CFO was needed. Whilst the existing CFO Chris Day had managed the separation of POL from Royal Mail well, and was generally felt to be good at his job, the Board felt that they needed someone to take POL to the next level as it faced fiercer commercial competition and difficult investment decisions in the years ahead. I planned to raise this with the Minister because, if the CFO was going to be removed, that would require the Minister's authorisation as Chris Day would need to be paid

c.12 months' notice by way of compensation as part of his contract, and that amount was in excess of the cap that could be authorised by the company alone. As the note explains, one of the benefits of having a stronger CFO would mean that there was a potential natural successor to Paula Vennells, or someone who could 'hold the fort' until a successor was found, which was not at that time the case.

53. In the event, the Minister was unwilling to authorise this payment to replace Chris Day and over the following 6 months or so, my team and I had to continue to press the point with Jenny Willott MP, and then the returning Jo Swinson MP, until the latter ultimately decided to escalate the decision to the Secretary of State who approved the request. This then enabled a new CFO, Al Cameron, to be appointed in early 2015.

54. It is worth noting that Paula Vennell's performance improved over time, which from my perspective was for a number of reasons. First, the new CFO and other new executives (commercial director, people director, IT director etc) began to lighten her load. Second, the business itself began to stabilise as some big programmes like Network Transformation got back on track. Finally, Paula Vennells most likely simply grew into what is a very challenging role. The role of POL CEO is, in my view, an exceptionally complex and multi-dimensional one. Rather than POL being a single business, it is a conglomerate of many disparate ones – it is a mails business, a financial services business (insurance, savings, foreign exchange), it had the biggest retail network in the country by far, was the third largest cash distribution business in the UK, provided

broadband and telephony services, and also supplied Government services (which were rapidly evolving).

Relationship with Ms Vennells and POL Executives

55. Despite the Board's concerns about Paula Vennells towards the start of my tenure, my working relationship with her was cordial and professional and she continued in post throughout my period of appointment. At no stage did I consider her to be untrustworthy or untruthful, but I did feel she had a tendency to keep issues at arm's length rather than 'leading from the front'. I cannot remember much about the specific instance related to the email that the Inquiry has asked me about (UKGI00006547), but the comment that there was "something 'teflon' about her", reflected my sentiment that she would often fail to take ownership of things for which she was ultimately responsible as CEO, which in this case was the substantially higher IT costs than had been anticipated. Much the same point is reflected in my observations regarding her performance at the June 2014 away day where I felt that she sat back and let other members of her team take responsibility for issues that I thought she should be leading on.
56. Generally speaking, my working relations with POL's other senior executives were good, although tensions did naturally arise at various points, particularly around the issues of mutualisation and funding. There was a general willingness to be collaborative and to understand the responsibilities of the Shareholder Team, which I welcomed, because it stood in marked contrast to the approach of Royal Mail which I had found to be much more guarded and

defensive in most areas. To briefly outline my reflections on a number of those individuals I worked with during my tenure:

- (i) Chris Day: Chris Day was the CFO at the outset of my tenure and I have described above the reasons why the Board considered that he should be replaced. My working relationship with him was fairly limited in the short period before he was replaced by Al Cameron.

- (ii) Al Cameron: Al Cameron was Chris Day's replacement as CFO and was generally considered to have strengthened the management of the business, particularly around accounting controls. I describe below, in the section of my statement dealing with the ARC, how he introduced a more rigorous and reliable process of financial reporting and, to that extent, I found him to be effective and capable. At a personal level I found him quite difficult to deal with, although our relationship was always professional. The impression he conveyed was that he considered the Shareholder Team (and by extension me) to be too demanding and inquisitive during our interactions at monthly meetings with him or his colleagues, and I therefore felt he was not as collaborative as he could have been. We would sometimes have quite challenging conversations around how POL presented their business cases to the Department, and it was for this reason that the funding package that was agreed towards the end of my tenure had more explicit measures to allow HMG to withhold funding to compel improvement in the quality of those investment business cases.

- (iii) Jane MacLeod: Jane McLeod was the POL General Counsel from early 2015 and my interaction with her tended to be limited to those occasions on which she provided written or oral briefings to the Board on legal issues, including the progress of the litigation. I did not deal with her particularly regularly and when dealing with her directly I found her to be quite defensive. During our first meeting at Old Street, I specifically flagged Sparrow as one of the most difficult issues that POL and the Shareholder Team were dealing with, and asked her to approach the Horizon issue with a fresh pair of eyes, which she undertook to do.

- (iv) Mark Davies: Mark Davies was POL's communications director. I found him cooperative and easy to work with although as a former Special Adviser in Government I thought he sometimes did not appreciate the pressure that the Shareholder Team would come under from Ministers, e.g. on the issue of mutualisation. He was however very straightforward to deal with.

57. My involvement in determining short-term incentive plan ("STIP") measures for POL Executives was limited from a Board perspective although my involvement in the fairly complex administrative arrangements for approving such payments within Government was quite extensive. In the first instance, the extent of any STIP measures would be considered by the Board's Remuneration Committee ("RemCo") and then recommended to the POL Board for approval. I was never a member of the RemCo and so my first consideration of the issue may well have taken place at the Board approval stage. At this point my dual NED / ShEx

role could generate a degree of tension – as a Board member I may have agreed with the proposals (and will have given my views on the bonus criteria) but I would have had to make clear to the Board that the bonus framework for the year required ministerial approval (from BIS and HMT), which my team would seek to obtain.

58. Once the proposed measures had been approved by the Board there would then be a complex process of Governmental approval. In brief, the Shareholder Team would challenge the RemCo Chair (Neil McCausland and then Ken McCall) on the logic of the measures and targets proposed by RemCo, and that could lead to some changes being made. Depending on the year, this may have occurred before or after full Board approval.

59. When the Shareholder Team was comfortable with the position being proposed by POL, it would present those recommendations to the Department's Senior Remuneration Oversight Committee ("SROC") to obtain the committee's input and advice. Following consideration by the SROC, the recommendation would then be presented to the Minister for his or her approval. Dependent on the outcome of that (it was sometimes sent back again for reconsideration by the RemCo), that approval would then be presented to Treasury officials (being the BIS spending team and the Work Pay and Pensions team) before going to the Chief Secretary to the Treasury to provide final approval for the proposals. Again, this could involve challenges back from Treasury officials or Ministers. This process could at times take a considerable number of months.

60. To be clear, Ministers approved the framework by which STIP bonuses were to be determined at the end of the year based on the company's performance. It was for RemCo to determine the final bonus amount and make the award – Ministers had no role in that aspect.

Information Sharing

61. I shared the vast majority of information I received in my capacity as Shareholder NED with the Shareholder Team, without restriction. I considered that to be a vital part of my role and I would not have been prepared to withhold information that was relevant to the Shareholder Team or to Ministers. I recall that there was initially some nervousness within POL about my ability to circulate POL Board papers to members of my team (as this had not been done when Susannah Storey had been on the Board), although these were resolved by me agreeing to sign a Non-Disclosure Agreement (UKGI00044246) that also required me to procure a similar agreement from members of my team, before sharing Board papers with them, which I then put in place (UKGI00002223).
62. Once this agreement was in place, I do not recall there being any restrictions imposed upon my ability to share information with the Post Office Shareholder Team. In this regard, I have noted that amongst the documents that have been shared with me by the Inquiry, there is a draft set of minutes for the first meeting of the Project Sparrow Sub-Committee on the 9 April 2014 (POL00203296), in which at minute 14(2)(c), there is a suggestion that I would be "*comfortable*" during the exploratory stages of the Sub-Committee's work to keep the discussions of the Sub-Committee "*private*". I do not recall this being my

position and I believe the business was aware that this was not the case, which may explain the comment bubble in the draft minutes querying whether the inclusion of that entry was necessary. In any event, I note that the entry was removed from the final signed version of the minutes (POL00006565). I did in fact continue to share information relating to Project Sparrow with the Shareholder Team, and I note that there are a number of examples in the documentation provided to me by the Inquiry of me corresponding with members of the Shareholder Team on issues relating to Project Sparrow in the months following this initial meeting of the Sub-Committee (UKGI00002274).

63. The only exception to my ability to share information concerning the company with the Shareholder Team arose in the context of funding where there was the potential for a conflict of interest to arise and, as the Board minutes demonstrate, there were occasions when I was required to absent myself for certain parts of the discussion. One example is provided by the minutes of the July 2017 Board meeting where it is noted that I was absent for item 17/52 ('Funding Update') and joined the meeting thereafter (POL00021549). I do not recall this occurring in any context other than funding and I do not think that this restriction impeded my ability to exercise oversight of the matters with which the Inquiry is concerned. I do however recall having to recuse myself from the Board in those instances to have been very difficult, both personally and professionally, and it perhaps encapsulates the difficulties of the Shareholder NED role.

Interactions with Government Ministers

64. I regularly interacted with government ministers within the Department on POL matters. Initially, the Minister was Jo Swinson MP although very shortly after I was allocated responsibility for POL she went away on maternity leave and was replaced by Jenny Willott MP and did not return until October 2014. Following the General Election in May 2015, after a short delay, Baroness Neville-Rolfe was appointed as the Minister under the new Conservative government. I did also discuss Horizon issues with Margot James MP and, to a lesser extent, Andrew Griffiths MP during their tenures as Ministers.
65. In general, I considered my working relationship with each of these Ministers to be professional. There were, however, challenges, as demands were often made for support or advice, sometimes at very short notice. My impression was that tensions would rise if a Minister felt exposed on an issue, hence the need to provide them with frequent written briefings/submissions and to try and anticipate what they would need to know if an issue was raised in Parliament or brought to their attention by other MPs or the media.
66. In relation to this issue, I have been asked to consider an email in which some negative feedback from Baroness Neville-Rolfe was summarised (UKGI00017443). As may be seen, she criticised ShEx for being “*too technocratic and not sensitive enough on the politics*”. My recollection of the background for this criticism was in the context of GIB, where the Minister had been having a difficult time in the House of Lords who were continuing to seek Parliamentary protection for GIB’s green purposes once it was in the private

sector, which HMG was not in a position to offer whilst simultaneously privatising the company.

67. As may be seen from my email in response, I thought the criticism was a “*bit harsh*” as, in general terms, I felt that I was not in a position to deliver the outcomes that the Minister wanted, particularly in relation to the GIB (UKGI00017443). As to Horizon I also felt that I had been doing a reasonably good job of preventing the Minister from being criticised publicly in relation to Horizon, which I saw as part of my role, and that is what I was referring to when I said that we had “*kept a lid*” on things. As I explain further below, our overarching approach in relation to Horizon was that this was an issue for POL to address and there was no real role for Government to play, particularly in the absence (as we understood it) of any evidence of a fault with Horizon that might have caused losses in branch accounts. It would be inappropriate for Government to interfere in an independently administered mediation scheme, and it would be inappropriate for Government to interfere in court proceedings (civil or criminal) should any such proceedings be commenced. This approach is reflected in the statement of the Minister’s objectives at (UKGI00000024), which I considered to be accurate and appropriate, and consistent with what I understood to be the position prior to my appointment. That position was subsequently confirmed with the Secretary of State early on in the life of the new administration, (see email dated 16 July 2015 (UKGI00005062)).
68. The challenge, therefore, which is reflected in the email response from Justin Manson in the same chain, was finding a way for the Minister to engage publicly

on a matter of significant public concern whilst keeping her distance from the issue which to my mind could only be resolved with any finality in the civil and criminal courts. That is the tension I perceived, and the difficulty that I felt we needed to 'keep a lid on'. As to my reference to a "*perceived but non existent IT problem*" this simply reflected my understanding at the time, the basis of which I explain in detail below, that despite several years of investigation no evidence of any faults in Horizon had been identified or submitted and at that point no appeals or successful civil actions had been brought.

69. In general terms, I found it difficult to identify the correct balance when it came to the appropriate level of Government engagement on the Horizon issue. On the one hand I thought it was clear that Government should not intervene directly in the Mediation Scheme or court proceedings, but on the other this was clearly a matter of public concern, often raised in Parliament and in the media, with which Ministers were required to engage. There was also the general point that, from my perspective, it was difficult to see what the Government could realistically be expected to do in response to the concerns that were being raised in the apparent absence of a problem with Horizon, the stated decisions of numerous different criminal proceedings, and the unequivocal assertions by POL that the issue had been exhaustively investigated and no evidence of any problem had been found. I thought the Government was in a difficult position in relation to this issue and it was part of my job as a civil servant to help Ministers steer a path through these competing considerations.

70. Whilst I did my best to do so, my job is subjective and I acknowledge that there were times where I got the balance wrong, and one example is provided by an email exchange in March 2015 where I agree with other members of the Shareholder Team that there were dangers in the Minister, Jo Swinson MP, receiving a copy of the Second Sight thematic report (UKGI00003972). In essence I agreed with the advice of Laura Thompson that "*The Minister and Government should maintain its independence here*", and I expressed that view in an offhand reply that it would be "*bonkers*" for the Minister to compromise that independence, which we had considered a key part of the scheme, by receiving the report in circumstances where she might then be required to express a view and potentially take a side.

71. Similar issues arose later on in 2015 when a meeting between the new Minister Baroness Neville-Rolfe and Second Sight was proposed. On the latter occasion I supported the proposal for a meeting, notwithstanding the strong opposition from POL, and I think that was the right thing to do. However, when reflecting on the earlier example of the Second Sight report I acknowledge that I was wrong to try and dissuade the Minister from receiving a copy and she was right to overrule us.

Oversight of POL for Criminal Prosecutions, Civil Litigation, and POL's IT Infrastructure

72. I have been asked to set out, in general terms the level of oversight exercised by me and/or my teams over the issues of: (i) criminal prosecutions brought in the name of POL; (ii) civil litigation brought by POL; and (iii) POL's IT

infrastructure and services. I set out my high-level answers to these questions below, but I inevitably deal with these issues in more detail in the sections of my statement which address the specific questions that the Inquiry has posed on each of these issues.

73. As to criminal prosecutions brought in the name of POL, by the time that I was appointed to the POL Board in 2014, my understanding was that criminal prosecutions that were brought by POL had stopped, or were in the process of being stopped, except in the most egregious cases. I had learned this prior to my formal appointment, at around the time that I first attended the POL Board in February 2014, as the papers for that meeting described POL having carried out a review of its prosecutions policy, which led to a change in approach being adopted. I took comfort from my understanding that the review had been conducted by an external law firm, Cartwright King, overseen by a senior criminal barrister, Brian Altman QC, and I recall reference being made to his description of POL's involvement in criminal prosecutions as "*anachronistic*", which seemed apposite to me, particularly given the formation of a new POL Board, whose aim was to develop a sustainable (and ideally profitable) commercial enterprise (see Prosecutions Policy dated November 2013 (POL00027501)).
74. Accordingly, when I was appointed to the POL Board, I did not see any role for myself or for my team in overseeing POL's involvement in criminal prosecutions, given the reviews that had been undertaken and the forthcoming change of prosecutions policy. I also took some comfort, perhaps now

mistakenly, that whilst POL could bring prosecutions against sub-postmasters and their own staff, it could not convict them. That was for the courts, the judge, and the jury in each case.

75. The general impression I got from the rest of the Board was this was an issue which had been dealt with over the course of the preceding nine months or so, as part of the extensive programme of work that had followed the Second Sight interim report and I do not recall anyone being particularly concerned about prosecutions being brought in the name of POL in accordance with the new policy. I cannot now recall precisely what I understood practically of the new policy but I became aware (as I describe below in the section of my statement dealing with private prosecutions) that it was subject to annual review. Overall, I felt it was a fresh approach being taken by a new Board that was beginning to assert itself and change the way POL operated now that it was out from under the control of Royal Mail.
76. At the time I took up my appointment, I was unaware that the Criminal Cases Review Commission ("CCRC") had asked POL for information concerning its historic prosecutions in 2013. So far as I can recall, I only became aware of the CCRC's prior involvement with POL when they re-engaged in early 2015. Around the time that I joined the Sparrow Sub-Committee, I recall asking whether there had been any successful appeals and was told that no one had actually appealed at all. I accepted that response as a fact and it informed my position about the safety of Horizon.

77. Given the involvement of the CCRC from 2015, I did not consider there to be an oversight function for me or my team in that respect, except to ensure that ShEx and POL cooperated with them as fully as possible. As far as I was concerned the CCRC was the correct body to be considering any previous convictions and when I learned of their involvement I was pleased that they were doing so.
78. As to POL's involvement in civil litigation, in general terms, I considered civil litigation to be an operational matter for the business and not something that called for oversight from me or my team. That was the position that I inherited, it was one that made sense given the contractual nature of the relationship between POL and its sub-postmasters, and it was one that I confirmed with the incoming Government in 2015 (as noted above).
79. Fairly early on in my tenure, it was explained to me that civil claims against POL had been intimated by sub-postmasters on a number of occasions in the past, but that these had never led to any formal legal action being taken. This did provide me with some degree of reassurance, as I felt that if the claims had merit, they would have proceeded.
80. When the Group Litigation ("GLO proceedings") was later commenced, the business alerted the POL Board and the Shareholder Team. The updates they provided during the early stages of the litigation were generally procedural and I did not think that that called for any particular Board or Shareholder oversight

at that stage (particularly given what I understood to have been the findings of the Parker Review, as expressed to Ministers, which I address further below).

81. It was not therefore until around January 2018 that the Board began to become more engaged in response to the updates that were provided by POL's General Counsel, Jane MacLeod (POL00253343). Jane MacLeod had repeatedly informed the Board that there was nothing new in the claims and that POL was confident of success. I provide a detailed account of the oversight I and my team exercised over the GLO proceedings below but, in general terms, I thought the litigation was the only way in which the issue was going to finally be resolved. I thought POL would be successful in the case (given my understanding of the issues at that point) and therefore our level of oversight was relatively light touch.
82. When the Board was informed of the GLO proceedings, my team and I informed BEIS Legal so that the Department was kept up to date. I recall that their initial view was similar to ours, namely that civil litigation was an operational matter for the business and not something that the Department should become involved in. Nevertheless, as the litigation progressed, we kept BEIS Legal updated and as it proceeded towards the first substantive hearing in 2018, UKGI pressed for a litigation protocol to be introduced so that we could share important legal updates and advice with the Department (see email from Tom Cooper dated 5 April 2018 (UKGI00018975)). In doing this, we therefore sought to introduce oversight and reporting, at the stage that it appeared appropriate to do so, on the basis that the Permanent Secretary of BEIS was the Accounting

Officer or POL, and was therefore accountable to Parliament for any decisions that POL ended up making on litigation.

83. As to oversight of IT infrastructure and services, I regarded these as operational issues for the company and I did not see a role for the Shareholder Team in this aspect of POL's operations. The position of the Board was essentially the same and, as far as I can recall, IT issues were only ever raised at the POL Board if something very significant had happened, for example when there was a national Horizon outage (see email chain dated 2 May 2017 (POL00248910)). or a significant overspend in the amount budgeted for those services. Both the Board and the Shareholder Team would also be sighted on any large IT procurement issues, or contractual disputes with IT providers. Where significant IT issues arose, we would generally look to POL's Chief Information Officer, Lesley Sewell, and then her successor (Rob Houghton) to provide factual updates to the Board (see Board minutes dated 28 January 2015 (UKGI00003236)).
84. I recall one major issue relating to IT procurement being raised at the Board. This followed a successful bid for a contract having been made by IBM and the business then realising that a change of IT provider from Fujitsu, who had not taken part in the bidding process for the contract, would be too complicated to implement in the time available. The company therefore had to make a decision to re-engage Fujitsu and to pay IBM compensation for the work they had carried out. This issue was poorly handled and carried a significant financial cost and so inevitably came to the attention of the Board, which considered it in detail at

the 2 July 2015 Board meeting (POL00027568). Further details on this matter can be found below.

Horizon IT System and Knowledge of Faults

85. I have been asked to describe my knowledge of the Horizon system when I was first appointed to the Board. I was aware of the existence of the system and the fact that it was integral to the operation of the network but I had no technical understanding of how it operated. I was aware that there was a lengthy background of concerns being expressed by a number of sub-postmasters concerning the integrity of the system, but I had no understanding of the precise nature of the faults or defects that were said to exist or how they might give rise to accounting discrepancies at an individual branch level.
86. I did not receive anything in the form of a technical briefing as to how Horizon operated as a piece of software and I did not have any technical understanding of the differences between Horizon Online and Legacy Horizon. Indeed, I do not recall ever receiving that level of technical briefing at any stage during my tenure as Shareholder NED, nor did I ask for one because I did not think it would yield any particularly useful information given my lack of IT systems knowledge.
87. I do not think that my position was any different from the other non-executive members of the Board in this regard as the technical operation of a particular IT system would generally fall outside the remit of a non-executive director. The reports I did receive that related to Horizon, including the Linklaters Report, the Second Sight thematic report, and the Deloitte material (all of which I address

below), I found to be broadly intelligible. That said, none of them drilled down into the technical operation of the software.

88. The knowledge I had gained concerning the Horizon system prior to my appointment to the Board came largely from written briefings into which I was copied, and verbal briefings from colleagues, during the short period between my appointment to the Shareholder Team and taking up my position as Shareholder NED.

89. At that point, I became aware, at a general level, that various complaints had been made about the Horizon system over the years, although at that stage, I did not know of the details of any of those complaints. In addition, I was informed that POL had carried out a review of its past prosecutions and had engaged an independent investigator, Second Sight, to examine the Horizon system. I recall hearing about an Interim Report having been produced by Second Sight and that they had concluded that there were no 'systemic' issues with the system. I was also informed that this had led to the creation of a Mediation Scheme to try to resolve sub-postmaster complaints.

90. A representative example of the level of detail I received is provided by a briefing note sent to me by Will Gibson on 2 December 2013, knowing that I would be soon taking over his team, on the basis that I had said I was keen to see the 'top lines' (email from Will Gibson dated 2 December 2013 (UKGI00002179)) and appended note (UKGI00002180)). The summary in respect of Horizon referred to the Second Sight Interim Report and provided the following account of the current position:

“The review explicitly confirms that there is “no evidence of system-wide problems with the Horizon software”. Horizon successfully handles six million customer transactions every day, and tens of billions since its national rollout in 1999. The interim report makes no comment about the safety or otherwise of any conviction of a subpostmaster for fraud, theft or false accounting. A review and mediation scheme has been established to address subpostmasters’ concerns in individual cases.”

This is an accurate encapsulation of what I was told at the time.

91. Given that position, I recall feeling that POL had taken the findings of Second Sight’s interim report seriously. They had undertaken a review of convictions using an external firm and a QC; they had disclosed the report to a number of defence teams of previously convicted sub-postmasters; and they had set up a business support programme to address failings in training and the helpline. Furthermore, they had retained Second Sight to investigate individual cases via a Mediation Scheme that was facilitated independently by the Centre for Effective Dispute Resolution (“CEDR”), which was overseen by an independent working group led by a former Court of Appeal judge. Members of the Board, particularly the Chair, had also been clear that it was imperative to understand whether Horizon functioned as it should.
92. However, at around this time, I had begun attending meetings with POL and, in February 2014, I recall attending a meeting to discuss Project Sparrow, which I summarised later that week in an email to Peter Batten (UKGI00002191).

Again, the key messages that I received from POL were that “*No faults have been found with the system*” but there was a concern that the Mediation Scheme was making slow progress and POL was beginning to lose confidence in both Second Sight and the Chair of the Working Group.

93. Before my formal appointment at the Board’s meeting on the 26 March 2014, I would also have seen the Board papers for the February 2014 Board meeting, which I attended as the Shareholder NED Designate alongside my predecessor, Susannah Storey. Having reviewed the minutes of that meeting, I will therefore have received information relating to POL’s review of its Prosecution Policy and the progress of the Mediation Scheme (POL00021522). I would also have received the papers for the Board meeting on the 26 March 2014 ahead of my formal appointment, at which Project Sparrow was also discussed (POL00201986).
94. I note that I was an attendee at a meeting between the Secretary of State, the POL Chair (Alice Perkins) and the POL Chief Executive (Paula Vennells) on 5 March 2014, although I do not recall this meeting. I will have seen the submission prepared by Peter Batten for the Secretary of State in advance of that meeting (UKGI00002204) and the summary he provides under the heading ‘The integrity of POL’s ‘Horizon’ accounting software’ is an accurate encapsulation of my state of knowledge at the time, as derived from what I had been told by POL and during the course of my handover, including the following:

“An independent report, published in July 2013 found there were “no systemic” issues with the software, but made recommendations about

POL's processes for handling financial irregularities in subpostmaster accounts. Following the report, POL has worked with a group representing the former subpostmasters and the report's author (a small firm of forensic accountants called Second Sight) to establish a working group under an independent Chair that has set up a mediation process for former subpostmasters who feel wronged by the Horizon system."

95. The essential message from POL concerning the process of investigation undertaken prior to my appointment, and the outcome of that investigation, remained consistent throughout my tenure. The starting point was always that there had been a process of extensive investigation over a period of 2-3 years, which had revealed no systemic problems with Horizon. This process of investigation pre-dated my appointment and so I was not aware of precisely what it had entailed, other than the engagement of an independent firm of forensic accountants, but there was never any suggestion that the conclusion of that process was anything other than an unequivocal endorsement of the integrity of the system.
96. A further representative example of the terms in which this message was relayed is provided in an email that I received from Gavin Lambert, Paula Vennells' Chief of Staff, on 15 October 2014 (POL00210905), which attached a letter that Paula Vennells had sent to the Minister (Jo Swinson MP), enclosing an update on the Mediation Scheme that had been prepared by Chris Aujard, POL's General Counsel (POL00210906). In her cover letter to the Minister, Paula Vennells stated:

“...as Chris highlights, after over two years’ investigation Second Sight have not found a systemic problem with Horizon and we believe this will continue to be the case. We will need to stand behind the extensive work we and Second Sight have undertaken investigating every case and defend our approach on the basis that we have acted impartially throughout and in good faith”.

97. In his update on the Mediation Scheme (POL00210906), POL’s General Counsel conveyed the same message in similar terms:

“So far we have found nothing in those cases which has raised concerns about faults with the Horizon system, the safety of convictions or Post Office’s liability for the losses being claimed by applicants. It remains the case that Horizon is used by 78,000 people across our 11,500 branches and successfully processes over 6 million transactions every day. After what now amounts to over two years’ investigation, Second Sight have not found a systemic problem with Horizon”.

Having listened to testimony during the Inquiry, I know now that there were in fact issues around the safety of convictions, but as noted below, I was not to learn of that until after I had left the POL Shareholder Team.

98. Following the Westminster Hall debate in December 2014, POL published a response on its website (UKGI00002984) and (UKGI00002985) which again conveyed the same position in essentially the same terms:

“Post Office has been determined to ensure that Horizon, together with its associated processes, operates effectively, reliably and fairly so that Subpostmasters can have confidence in the system. It is in Post office’s interests to do so, with 78,000 people using the system to process six million transactions for customers every working day. To date, and after two and half years of investigation and independent review, the facts are that Post Office has found no evidence, nor has any been advanced by either an Applicant or Second Sight, which suggests that Horizon does not accurately record and store branch transaction data or that it is not working as it should.”

99. The Inquiry will be aware that assertions to similar effect, and expressed in similarly unequivocal terms, were made by Paula Vennells when she appeared before the BEIS Select Committee in 2015. Shortly after the Select Committee hearing an ‘update and options’ paper was prepared by POL for the Sparrow Sub-Committee by Jane MacLeod and Mark Davies which provided a narrative of the background including the following (POL00351871):

“Despite extensive investigations by Post Office and independent review from forensic accountants Second Sight, no evidence of system wide problems have been found...The Horizon system has been used by almost 500,000 people without problems since it was introduced more than a decade ago. It deals with six million transactions every day.”

100. Although it now seems naïve for me to have done so, knowing what I now know about the reliability of these assertions, it genuinely did not occur to me at the time that they would be consistently made by POL Executives if they did not know them to be true. I was also aware that I had joined the Board at a time when this issue had already been continuing for over two years and I assumed that, if the statements made by the company did not accurately reflect the position that had been reached by the time of my appointment, those who had been in post during the material period would say so.
101. This, therefore, was the starting point of my understanding of the background to the Horizon issue, which influenced my thinking and approach from the outset: the system handled 6 million transactions a day and was used by 78,000 people; there had been a two-year process of investigation, including a review by forensic accountants which had found no tangible evidence of any systemic problems; POL appeared to be genuinely committed to addressing the issue and so had established a Mediation Scheme.
102. Importantly, from my perspective, POL maintained this line not just in press releases and statements in response to the JFSA but also in briefings to Ministers and in evidence to a Parliamentary Committee. This was a reputable business with an experienced Executive team and I assumed that I could take them at their word when it came to the assertions relating to Horizon that I have described. That is why I either communicated or approved communications to Ministers and officials that reflected POL's essential position in relation to Horizon.

103. Looking back now, at what I wrote and approved, I wish I had been more sceptical about the validity of the assertions made by POL concerning Horizon and more equivocal in my correspondence about the issue. On reviewing the documents as a whole it is clear that I was more willing to take POL's position at face value than I should have been, and adopted what I was told as accurate too readily. That is not to say that the Shareholder Team and I did not ask questions of POL at all, (Submission from Richard Callard to Baroness Neville-Rolfe dated 3 December 2015 (UKGI00020116)), but on reflection I could have probed more to seek to verify the position for myself to the extent that I could. I do not recall reading the Second Sight Interim Report when joining the team as I felt that POL's response had been positive and investigations were ongoing. Similarly, I did not seek to obtain the documents that had been generated in the course of the review of past prosecutions given that I had no real understanding of procedures around criminal convictions and I did not feel I would have had the ability to make any difference on that issue given my lack of experience and knowledge of that field. However, as set out in my section of reflections below, I accept I clearly could and should have done more to verify POL's position for myself.
104. On every occasion during my tenure when significant allegations were made concerning the integrity of Horizon, the response from POL would be to produce a detailed rebuttal of the allegations emphasising that extensive investigation of the system had been undertaken and that there was no evidence to support the allegations that had been made. I have referred above to POL's response to the Westminster Hall debate in late 2014 and I deal below with the 83-page

rebuttal document produced by the company in response to the Second Sight Part 2 thematic report. A further example of this approach is provided by the events surrounding the Panorama broadcast in 2015.

105. As the Inquiry will be aware, Panorama broadcast a programme on 17 August 2015 in which various allegations were made concerning the integrity of the Horizon system and the extent to which it might be responsible for losses in branch accounts. Prior to the broadcast we received extensive correspondence from POL to the effect that the allegations Panorama were intending to make were unsubstantiated. For example, on 6 August 2015, I and others on the POL Board were informed by Mark Davies that Panorama was now due to air on 17 August 2015 and that POL would “*continue to push back very hard with the programme*” and were continuing to “*explore every possible avenue to challenge their unsubstantiated allegations*” (UKGI00019357).
106. In the aftermath of the programme, POL responded to the allegations of the programme in the form of a detailed rebuttal, including those allegations made by Richard Roll, the Fujitsu whistleblower who appeared in the broadcast (UKGI00005717). In relation to Richard Roll, the rebuttal included the following, at paragraphs 31 to 33:

“Panorama referenced statements by Mr Rolls [sic] about financial records being changed remotely. Transactions as they are recorded by branches cannot be edited and the Panorama programme did not show anything that contradicts this. Mr Rolls spoke of making changes ‘through the back door’ and ‘putting in several lines of code in at a time’.

Fujitsu has confirmed that this is likely reference to maintenance and support tasks as would be expected of any standard IT function. Such remote access could not be used to manipulate transactions. Remote agents cannot and could not 'work the terminals' as there is no functionality for this."

During the Board meeting on 22 September 2015, Paula Vennells reported that a formal complaint had been made to the BBC regarding the inaccuracies of the Panorama programme (POL00021538).

107. This pattern of every new allegation being met with a detailed, and apparently comprehensive, rebuttal by POL meant that I never felt that I had cause to revise my understanding of the position communicated to me at the outset of my tenure, that there was nothing 'wrong' with Horizon and there was no evidence to the contrary. The net effect was that I did not have significant concerns during my tenure as Shareholder NED about the existence of bugs, errors or defects in Horizon; or as to the integrity of the data processed and recorded by Horizon; or as to the risk that faults in Horizon were causing apparent discrepancies or shortfalls in branch accounts. Nor did I express any such concerns to Ministers. On the contrary, and as I have sought to explain, I regret to say that I and my team communicated to Ministers the confidence in the integrity of Horizon that was communicated to us (and to the Board, to Ministers, to the media, and to Parliament) by POL.

108. The steps I took to obtain reassurance about the integrity of Horizon were largely limited to receiving and considering the information provided by POL, to the Board and more generally. As I have explained, the company generated a relatively large amount of material on this issue during my tenure including the detailed responses to the Second Sight thematic report and the Panorama broadcast and there were written and verbal updates provided to the Board. I was also involved in the decision to commission the review by Tim Parker, and I considered the information he provided as to the outcome of his review. In general terms, however, I felt that the issue was being continually investigated and addressed during my tenure by, in the first instance, the Mediation Scheme, then by the Tim Parker Review, then by the litigation process, and I did not consider that it was necessary (or appropriate) for me to engage in a parallel process of obtaining some form of additional reassurance.
109. Reflecting on this issue now, I accept that there was scope for me to be more sceptical and proactive in understanding the evidential basis for POL's confidence in the system. Knowing what I know now, I wish that I had sought to interrogate the Executive on precisely why it was that they were saying that a two-year process of investigation had revealed no faults with the system and that there was no evidence to the contrary, and to require the provision of any relevant documents that dealt with the issue. Indeed, I would go further and say that if I found myself in the same position today, dealing with an asset making confident assertions about its position in relation to a long running dispute, I would be far more challenging and sceptical and I would want to establish for myself why they were so confident.

110. In terms of POL's relationship with Fujitsu more generally, I gained an understanding from my interactions with POL that they perceived Fujitsu to be expensive and that once a company was engaged with them contractually, it was difficult to disentangle itself from those arrangements. Logistically, from a business perspective, the suggestion of replacing an IT system that was installed in 11,500 branches seemed to me to be incredibly complicated and risky, particularly given it was relied upon to transact the business of the company each day. Any change would therefore have to be very carefully handled.
111. That said, the POL Board was very clear that the business needed an EPOS system that it could rely upon and viewed this as fundamental, I heard NEDs on the Board say as much and this is reflected in the minutes of the Board (POL00163438). If we had believed that the Horizon system was unreliable then I have no doubt that we would have insisted that it be replaced or rectified, and much of the work commissioned by the company was in an effort to determine this one way or another. Although I cannot now say that I recall thinking it specifically at the time, it is fairly obvious that from an accounting and compliance perspective, any system that is processing six million transactions per day, has to work with integrity. If it did not there would be a range of potentially very serious consequences including customers' money going missing, an inability to accurately state company revenues and accounts, the potential for fraud, an inability to discharge money laundering obligations, and a whole host of other accounting and compliance issues. If the Board, or the

Shareholder Team, had been aware that the data produced by Horizon was not reliable then it would have been very clear that it needed to be fixed immediately or replaced, and the consequences of that fault for sub-postmasters would have had to have been addressed and recompensed.

112. I have been asked to explain the nature and extent of my involvement in considering the future of Horizon 'and the need to extend the contract with Horizon' (which I take to mean the contract with Fujitsu for the delivery of Horizon). My involvement did not extend beyond my role as a member of the Board to oversee major procurement issues of this nature, in addition to seeking advice and informing the Department.
113. As I have outlined above, the post-procurement implementation process that ultimately led to the extension of the Horizon contract was poorly handled. My recollection is that an open procurement competition was run and IBM was identified as the preferred bidder. After awarding the contract to IBM, it later became apparent that replacing Horizon via IBM would be significantly more expensive, and take longer, than originally anticipated, with the end date for the Fujitsu contract looming in around six months' time.
114. This put the business, and the Board, in a difficult position. The business had left it too late to implement the IBM solution and operationally had no alternative but to ask Fujitsu for an extension. However, under Government procurement rules contract extensions cannot simply be awarded, and yet there was no time for another competition. This was extremely concerning for the Board and I note

that in the documentation provided by the Inquiry I ask for advice as to whether those involved, including me and my colleagues on the Board, might be exposed to a risk of allegations of misfeasance in public office if there was a risk that we had engaged Fujitsu without proper procurement rules being followed (email dated 8 February 2016 (UKGI00006514)).

115. I kept Ministers and BEIS Legal fully informed of this issue and, in the event, the consequences were limited to the payment of compensation to IBM. To their credit, POL did manage to find a legal way through. A notice of the intention to extend the Fujitsu contract was posted in the Official Journal of the European Union, and on the basis that no party challenged it during the relevant period thereafter, the contract was awarded legally.
116. It is important to state that, as far as I am aware, the ongoing dispute between POL and sub-postmasters concerning the integrity of Horizon had no bearing on the conduct of this procurement exercise, and I do not recall this aspect being raised at the Board during these discussions. I note that the Trinity Stakeholder Communications Plan at (POL00158306) provides some further detail and context relating to this issue.

The JFSA, the intervention of MPs, the Second Sight Investigation and media coverage

117. At the time of my appointment as Shareholder NED I was aware, in general terms, that there had been a threat of civil litigation on the part of sub-postmasters in the relatively recent past but, as I understood it, the threat had not materialised. I was not aware of any details as to the basis of the potential

claim, or why the decision had been taken not to proceed. The Mediation Scheme was running at that point and it seemed to be the focus for providing some sort of resolution. In any event, there was no current litigation, or threat of imminent litigation, at the time I took up my appointment to the Board and so I did not have any concerns about the merits of any such claim.

118. However, although there was no ongoing litigation, or imminent threat of proceedings, I was aware of the longstanding concerns of a number of sub-postmasters, and the JFSA, concerning the integrity of Horizon and it was apparent to me that litigation was still a possibility. In fact, there was an extent to which I found it quite difficult to understand why the JFSA had not commenced proceedings by that stage. I recall seeing the letter from Alan Bates to Jo Swinson MP dated 16 April 2014 (UKGI00002264) relatively shortly after my appointment in which Alan Bates set out his concerns about the Mediation Scheme and observed that many people thought that litigation would be the only way to resolve the issue.

119. In general terms it seemed to me that POL was taking the issue seriously. The Mediation Scheme had been established, there was a new Prosecutions Policy and I was aware that there had been a considerable amount of work done in response to the Second Sight Interim Report during the second half of 2013. The Board also seemed to be taking the matter seriously and one of the decisions taken at the March 2014 Board meeting at which my appointment was confirmed was to establish the Sparrow Sub-Committee to provide oversight of the issue and the Mediation Scheme in particular.

120. When I first joined the Sparrow Sub-Committee, my initial understanding of the position was that POL had acknowledged that the concerns raised relating to the Horizon system needed to be looked into, but did not consider there to be any particular fault on their part, based on the investigations POL had conducted by that stage and the results of Second Sight's interim report. It was a difficult issue at a time when there were critical issues the business was grappling with, such as financial services expansion and network transformation.
121. As such, my understanding was that the Sparrow Sub-Committee had been set up to get to grips with those Horizon issues that needed to be scrutinised and resolved, to give the main Board more bandwidth to discuss other issues (a similar approach was taken with pensions and financial services). That is not to say that Sparrow, Financial Services and Pensions issues were fully "outsourced" to a committee, but it allowed such issues to be explored more thoroughly with briefings and decisions going back to the main Board where necessary.
122. Ultimately, the Board wanted to investigate to ascertain the truth of the matter and draw a line under it one way or another. The Board needed POL to have a point-of-sale system that it could trust. This latter point was crucial and the impression I gained on joining the POL Board was that it had a genuine interest in getting to the bottom of the issue. If there was a problem with Horizon it was vital for the future operation of the business that it be detected and rectified.

123. Belinda Crowe led on Project Sparrow for POL and her remit included the coordination of the Mediation Scheme on behalf of POL. My recollection is that this involved her reviewing the cases being mediated, along with POL's response. She would usually attend the Sparrow Sub-Committee meetings and was close to the detail of the project. I do not recall having a formal briefing with Belinda Crowe to learn about Project Sparrow although I saw her and spoke to her over the phone and in person quite regularly during that time (with Peter Batten likely to have done so even more frequently). I got the impression that she took the issues seriously and I did not suspect that there was anything motivating POL's approach other than a genuine desire to get to the bottom of the issue.
124. Minutes were prepared for the Sparrow Sub-Committee meetings although they were generally anodyne and rarely reflected the full nature of the discussions which took place during the meetings (as a matter of administrative practice). However, broadly speaking, the minutes captured and summarised points of discussion. If I disagreed with anything in the minutes, I would have said so. I can recall on some occasions during my tenure, perhaps half a dozen, where I specifically requested Board minutes to be amended or updated but this was not necessarily in the context of Project Sparrow and I do not have any direct recollection of requesting changes to Sparrow Sub-Committee minutes.
125. The process for sharing information in relation to the Sparrow Sub-Committee was similar to the process taken in relation to other sub-committees. Any discussions by the Sparrow Sub-Committee were relayed to the Board as part

of the Chair's update at the next Board meeting. The minutes of the Sparrow Sub-Committee meetings were usually shared with the Board and were often recorded as noted in the Board minutes. There would also sometimes be a summary of the discussions that took place at the Sub-Committee meetings, for example, by the Chair, and indeed some major decisions (such as closing the Working Group in early 2015, and potential reforms to the Mediation Scheme in June 2014) came to the full Board. There could sometimes be more than one Sparrow Sub-Committee meeting between each Board meeting. The Board could have asked for further information and individual Board members could volunteer to sit on or attend the Sparrow Sub-Committee. Other members of the Board who sat on the Sparrow Sub-Committee included Alice Perkins, Paula Vennells, and Alasdair Marnoch, the then Chair of the ARC.

126. The Sparrow Sub-Committee had genuine conversations about how to progress Project Sparrow and, as far as I was aware, the Sparrow Sub-Committee members gave their honest opinions. It was never the case that the Sparrow Sub-Committee members were prevented from saying what they thought. I do not recall there ever being any suggestion that certain discussions were privileged and so could not be fully recorded, nor were there any "no go areas" for discussions. The forum was a very open one, which was Alice Perkins' way of discussing things.
127. In general terms, therefore, I felt that the issue was being taken seriously, by both the company and the Board. What I was much less clear about, as time went on, was what could realistically be done to resolve the issue. I was aware

that allegations continued to be made concerning the integrity of Horizon but what I had real difficulty in understanding was why, if there was evidence to support those allegations and demonstrate that what the company was saying was wrong, it was not being presented. On the issue of past prosecutions, in particular, I had the perhaps rather simplistic understanding as a non-lawyer, that if there was evidence to demonstrate that a conviction was unsafe the appropriate course of action was to appeal the conviction and present that evidence to the court. From the ShEx perspective, I did not see how I could be in a position to advise Ministers the convictions were unsafe, or that compensation should be paid, without hard evidence to support that position. And so, whilst I had the general sense that everyone was taking the issue seriously, I found it hard to see what more could be done, and I did not regard the lack of resolution to be attributable to POL failing to treat the issue with the importance it deserved.

128. I describe below, in detail, the steps I took to satisfy myself that the concerns relating to Horizon were being properly investigated by POL in the specific contexts of the Mediation Scheme, the commissioning of reports by Second Sight, Deloitte and Linklaters, the review by Tim Parker, and ultimately the GLO proceedings. In general terms I exercised oversight of the company's actions in relation to Horizon through my seat on the Board, and in conjunction with my fellow directors, including on the Sparrow Sub-Committee. We received regular updates and briefing papers from the company concerning the Mediation Scheme and, subsequently the GLO proceedings. We directed that work be commissioned from Linklaters (although, as described below, this was before

my appointment) and Deloitte. Summaries of those reports would be relayed to the Board. I also received information of a similar nature through direct engagement between the Shareholder Team and POL.

129. From my perspective, it is important to keep in mind that, throughout my time in post, there was always an underlying process of investigation into Horizon underway. At the time of my appointment this was the Mediation Scheme, overseen by the Working Group chaired by Sir Anthony Hooper. Although this was running into difficulty by the time I joined the Board (as I describe below) it continued to run into the Autumn of 2015 and POL appeared to remain committed to it (as evidenced by the two letters we received from CEDR in which they confirmed that POL had *“been consistently responsive to CEDR’s requests ...it is clear from the reports that the Post Office has a willingness to explore the options, express empathy and have constructive dialogue with the subpostmasters.”*) (UKGI00005251) and (POL00119531). Once it became clear that the Mediation Scheme had failed, the Minister Baroness Neville-Rolfe commissioned a ‘fresh eyes’ review by the new Chairman, Tim Parker. This ran into early 2016 and was yet to be completed when the GLO proceedings commenced and we were advised by POL’s legal team that this was now the appropriate forum to continue the remaining investigative work and for resolving the dispute once and for all.
130. With the benefit of hindsight it is clear that the steps taken by both the Board and the Shareholder Team to satisfy ourselves that POL was taking the concerns regarding Horizon sufficiently seriously were inadequate. In particular,

there was a general failure to ascertain whether POL was genuinely seeking to address the issue with an open mind and, looking back now at some of the documentation relating to the Mediation Scheme, I can see that the starting position adopted by POL, namely the firm assertion that it had already been established that there was nothing 'wrong' with the Horizon system, meant that the process was probably doomed to fail from the outset.

131. By the time we reached early 2015 I was increasingly convinced that the only way the issue would be finally resolved was through litigation. For my part, I found it very difficult to see what I (or the Board, or the Shareholder Team) could do to bring about a resolution of the dispute prior to litigation. Both sides were in firmly entrenched positions, the dispute had been going on for several years, the Mediation Scheme had largely failed (or was about to), and no new evidence appeared to be forthcoming. Even if there was some means by which we could have encouraged POL to take the matter more seriously I do not think it would have made any material difference to the outcome.

132. I have been asked to describe my 'reaction to the findings of Second Sight's interim report', which I understand to be the report produced by Second Sight in July 2013. As I have explained above, this report pre-dated my appointment and although I was informed about it in the general terms that I have described, I do not recall reading it at the time of my appointment, or of having any particular 'reaction' to it. I was given the general impression that it underpinned POL's position and, as I have said, I was expressly told that it had identified no 'systemic' issues with Horizon. Accordingly, to the extent that I engaged with

Second Sight's Interim Report at all, I was reassured by what I was told about its conclusions.

133. There was a further report prepared by Second Sight during my tenure as Shareholder NED. In the Board pack circulated prior to the Board meeting on 25 March 2015, there was a report from POL's CEO to confirm that she had received a draft of Second Sight's Part Two, or 'thematic', report (POL00027308). I am aware that there was some discussion of the draft thematic report at the meeting, at which I was in attendance, but I am unable to recall any detail beyond what appears in the minutes which simply record the Board being told by the CEO that, "*second sight has given us their updated draft report*".
134. In the months prior to that point I had understood that POL had been unhappy with Second Sight's initial drafts of the report, which they felt made a number of unevidenced claims. I was told that there had been discussions with Second Sight in an effort to resolve that disagreement prior to its publication and to that degree, the Report was quite well trailed.
135. I personally received Second Sight's thematic report on 14 April 2015 (POL00226519) a few days after its publication. When the report arrived, it was accompanied by a detailed rebuttal from POL running to 83 pages (UKGI00000018). I read the Second Sight report and the rebuttal over the coming days. To be frank I found the process to be a rather dispiriting one, for the following reasons in particular:

- (i) The Second Sight report did not seem to me to provide clear answers to the fundamental questions that had been raised about the integrity of the Horizon system. I was hopeful that it would enable us to identify, one way or the other and with clarity, whether the system was responsible for the discrepancies that had been identified.

- (ii) The report identified 19 “*commonly mentioned issues*” which were said to be ‘themes’ arising from the 150 applications considered under the Mediation Scheme. These issues appeared to cover a wide range of disparate aspects, including comment upon contractual issues which I felt did not sit clearly within the remit of a report by forensic accountants, and areas that I felt extended beyond Horizon itself (e.g. procedures surrounding ATMs). Given the relatively small number of cases addressed in the Mediation Scheme it seemed likely that at least some of the 19 ‘themes’ were based on a small number of individual cases which made me question how useful they were in generating conclusions of general application.

- (iii) I felt a number of Second Sight’s conclusions were expressed using imprecise language and seemed to be made without reference to the underlying evidence upon which they were based. Even if they had been anonymised, specific illustrations of instances of actual events and how they would cause losses for sub-postmasters would have been helpful and lent credibility to the report, and may also have helped sub-

postmasters articulate those issues as part of their mediation process (which I understood to be the purpose of the report).

(iv) I found it difficult to understand and interpret the reference at page 7 of the report to the majority of discrepancies being attributable to 'errors at the counter', which seemed to imply human error in the inputting of transactions or following of procedures rather than a fault with the system, which had been one of the general theories being expressed by POL to explain what had been happening in branch.

(v) POL provided an assertive and detailed rebuttal of Second Sight's analysis. It appeared as though there was no common ground whatsoever and no material conclusions which could safely be regarded as matters of consensus.

(vi) The net effect of the report and the rebuttal seemed to me to not go much further than to establish what we already knew, namely that despite a lengthy process of investigation by Second Sight, there remained fundamental issues of dispute between sub-postmasters and POL with an unclear cause. To my mind the position was not therefore definitive enough to take to others in Government to support the assertion that there was an issue with Horizon that had caused miscarriages of justice or that compensation was required for those who had to repay losses.

136. I note that Second Sight's thematic report contains reference to historic prosecutions and observes (at 25.2.1) that in some cases criminal charges did not seem to have been supported by the necessary degree of evidence, or had been resolved by acceptance of a guilty plea to a lesser charge of false accounting. Whilst POL responded to this in their response to Second Sight, I recall that this latter point had already prompted some debate around that time, and UKGI raised this with POL as to whether this was the case. I have seen a letter dated 24 February 2015 from Jane MacLeod to Second Sight (POL00040868) setting out her concerns and stating, amongst other matters, that Second Sight were incorrect to advise that false accounting was a less serious offence than theft. I do not recall seeing this letter at the time, but I have some recollection of this being a contentious issue, along with a large number of other points of dispute between Second Sight and POL arising from the report. I also have some recollection of speaking with Laura Thompson about the issue and the suggestion that sub-postmasters were being pressurised to plead guilty to false accounting by adding theft to the charges, which was an issue that came up in the Panorama broadcast, but I cannot remember whether this discussion was in reaction to the Second Sight report or Panorama. I cannot recall what was said other than that we were sceptical of the assertion that false accounting was a lesser charge and Laura told me that she had discussed this point with the business.

137. From my perspective, it did not seem that the dispute between Second Sight and POL over whether some historic prosecutions may not have been properly conducted was one on which I (or the Shareholder Team) could adjudicate. I

assumed that each prosecution had been subject to impartial legal proceedings, including the availability of a defence counsel and of a subsequent appeal, and each with its own separate judge and jury. I was also aware by that time that the CCRC was conducting an independent investigation and that this provided the best mechanism for addressing the issue. I was also unsure as to the extent to which Second Sight, as a form of forensic accountants were in a position to provide an authoritative assessment of historic prosecutions, or as to the evidence base on which they had reached their assessment.

138. In light of the difficulties that had been experienced during the Mediation Scheme in the preparation of the case-specific reports and the failure, at least as I saw it, of the Second Sight thematic report materially to advance the resolution of the Horizon dispute I was sceptical as to whether Second Sight were in a position to contribute anything more of value to the process. However, I was aware that Second Sight continued to have the support of the JFSA and that they had inevitably built up a significant amount of institutional knowledge in relation to Horizon over the course of the several years that they had been involved.

139. On 1 October 2015, the Shareholder Team prepared a submission to Baroness Neville-Rolfe setting out the advantages and risks of agreeing to a meeting with Second Sight (UKGI00006056). Laura Thompson took the lead in drafting this briefing but I would have reviewed it before it was sent. Whilst it is apparent from the submission that we regarded the decision to be relatively finely balanced we came down in favour of recommending that the Minister agree to

the meeting. We took account, in particular, of the increasing pressure from James Arbuthnot MP and others following Panorama, the fall out of the debate in Parliament brought by Andrew Bridgen MP in July, and the concerns raised directly by Ron Warmington, the Managing Director of Second Sight, which I was made aware of when Baroness Neville-Rolfe's team forwarded the relevant email correspondence to Laura and myself (UKGI00005279).

140. I recall that POL lobbied strongly for the meeting between Baroness Neville-Rolfe and Second Sight not to take place, and that Paula Vennells spoke to me and then directly to the Minister about the matter. My impression was that POL's trust and confidence in Second Sight had completely disappeared by this point. In the call I received from Paula Vennells she made clear that she did not agree with the meeting going ahead and that our advice was wrong. I have no direct recollection of precisely how I responded to the call other than to tell her that our recommendation would stand and that if she felt that strongly I would recommend to the Minister that they (i.e. Paula Vennells and the Minister) should speak. It was a finely balanced decision, which we acknowledged in the submission, but we remained of the view that it should be recommended so that the Minister could be allowed to make up her own mind about Second Sight, having both met them and read their thematic report, which we had sent to her.
141. In the event, and notwithstanding Paula Vennells' intervention, Baroness Neville-Rolfe agreed to meet Second Sight and the meeting went ahead on 16 October 2015. The Shareholder Team prepared a briefing ahead of that meeting, (UKGI00006175). Second Sight felt it was important that the meeting

went ahead 'off the record' (for reasons that were not explained), however, we recommended that Laura Thompson should attend and following this meeting she prepared a brief note of the discussions, (UKGI00007316). I expect that I will have read Laura Thompson's note at the time but I do not now recall my reaction to it, although again there does not appear to have been any specific evidence of problems with Horizon advanced. There had been a concern from an early stage of my tenure, at both the Sparrow Sub-Committee and the Board, that whilst Second Sight were supposed to be independent of both POL and sub-postmasters, over time they appeared increasingly to sympathise with sub-postmasters. This had led to a concern that they could no longer be regarded as neutral in the process of trying to resolve the Horizon issues. I expect that the note of the meeting will have served to reinforce those prior concerns.

142. Baroness Neville-Rolfe wrote a letter to Oliver Letwin MP on 29 November 2015, following her meeting with Second Sight (UKGI00010325) in which she acknowledged that 'important points were raised' by Second Sight, although I cannot now recall specifically what these were. I think Laura Thompson drafted this letter and I will have reviewed it before it was sent.

143. The events surrounding the production of the Second Sight thematic report and the meeting with the Minister later in 2015 only served to reinforce the impression I had gained at the time of my appointment (and which I explain below in the section of my statement dealing with the Mediation Scheme), namely that POL had managed the engagement of Second Sight very poorly. Although I was not in post at the time of the initial engagement, and so cannot

speaking directly to the decision making that led to their engagement, my understanding was that Second Sight had been instructed as an independent, expert body in order to conduct an investigation into the integrity of the Horizon system in which both sides could have confidence. By the time we reached mid-2015, and Second Sight had been engaged for well over two years, POL had reached the position where it was not even prepared to contemplate Second Sight meeting with the Minister. Each time Second Sight produced a piece of work POL would put together a detailed rebuttal and call into question Second Sight's independence and/or competence.

144. I have been asked to describe the nature and extent of my involvement in responding to concerns in the media about the Horizon IT system. The short answer to this question is that my involvement was very limited, both as Shareholder NED and as a member of the Shareholder Team. Neither the Board nor ShEx engaged directly with the media in relation to Horizon and my involvement in POL's response to media concerns on this issue was generally limited to receiving an update from the company as to whether they intended to respond to media reporting and, if so, the general line that they intended to take. I refer below to some of the briefings I received from the company in relation to the media interest generated by the GLO proceedings and this is representative of my involvement in media engagement more generally. The Panorama broadcast in August 2015 was of a different order to general media interest and I took a more direct interest in following the detail of POL's media engagement strategy in relation to this broadcast, and made sure I kept the Minister and the Department up to date with what was reported and what POL intended to say

in response. Part of the role of the Shareholder Team was to keep Ministers sighted on issues that might arise in the media and on which they might be asked to comment, either in Parliament or outside.

145. In general terms, and as can be seen from the relevant correspondence and briefing, we advised Ministers that they should maintain the line that the dispute between POL and sub-postmasters was an operational matter for POL and it was not for Government to interfere, as had been confirmed with the Secretary of State (UKGI00000063). That reflected the fact that for almost all of the time I was in post the Horizon issue was subject either to an independent mediation process or litigation, and we did not think it appropriate for Ministers to comment substantively in the media on an issue that was subject either to mediation or litigation.

146. As to my engagement with the NFSP, this was relatively extensive. They were a key stakeholder in POL-related issues and so the Shareholder Team would engage with them frequently, including at fairly regular meetings. There would be a wide range of issues on the agenda but network transformation and Government business were the issues that were most frequently discussed. My recollection is that the level of engagement dropped somewhat after the new Government came into power in mid-2015 but we maintained a direct line of communication between the NFSP and the Shareholder and I note that the material provided to me by the Inquiry contains a number of examples of contact between my team and George Thompson in particular.

147. My recollection is that relatively little of our interaction with the NFSP was concerned with Horizon and the dispute between POL and a number of sub-postmasters. George Thompson's position, as I recall it, was that he did not think that there was a problem with the Horizon system and that the ongoing dispute was damaging for the reputation of the Post Office and thus harmful for his members. It seemed to me that he was keen for the integrity of the system to be confirmed and I address below an exchange of correspondence which reports a concern on the part of George Thompson to the effect that if POL were to abandon prosecutions on the basis of an assertion that Horizon was unreliable then it would be very difficult to establish the necessary confidence in the system. I also recall an occasion when I asked him for his views on the fairness of the contract and I recall him saying, in effect, that it had been in place for quite some time and he had no concerns about it.

148. In short, my clear impression from my interactions with him was that George Thompson did not believe that Horizon was responsible for losses in branch accounts and he was also frustrated that the issue continued to rumble on without apparently getting any closer to a resolution. I took reassurance from this given that most of the discussions the team and I had with George Thompson and colleagues consisted of a stream of complaints and concerns about Post Office and Government.

Project Sparrow and the Mediation Scheme

149. The establishment of the Initial Complaint Review and Mediation Scheme predated my appointment as Shareholder NED. I understand that the Mediation

Scheme was established in mid-2013 as part of the response to the Second Sight Interim Report and I had no involvement in the decision-making concerning the establishment or design of the scheme. It follows that I am not in a position to comment as to the extent to which the decision to establish the Mediation Scheme was an appropriate response to the Second Sight Interim Report, although I understand that the establishment of the scheme was supported by both the JFSA and James Arbuthnot. From my perspective, a Mediation Scheme administered by a specialist body such as CEDR, operating under the oversight of an independent working group, and that investigated the cases of those that had had issues with Horizon appeared to be a sensible and appropriate means of resolving a long-standing and intractable dispute, at least in principle.

150. I had no involvement in the appointment of Sir Anthony Hooper as Chair of the Working Group and I am not aware of the process by which he came to be appointed. I was also not involved in setting the remit of the Working Group or defining the process by which cases were triaged for admission into the scheme. By the time of my appointment the Mediation Scheme had been in operation for approximately six months.

151. Early in my tenure, I recall becoming aware of concerns regarding the effectiveness of the Mediation Scheme in general, and the performance of Second Sight in particular. I was not aware of the background to the engagement of Second Sight, or the decision making which led to their involvement in the Mediation Scheme and so I cannot comment on the context

or rationale for either decision, but the general impression I formed was that the process was not living up to the expectations of sub-postmasters and nor, for that reason, the company.

152. My understanding was that the intention was for the Working Group to be informed by the work done by POL and Second Sight in order to triage individual claims brought by sub-postmasters and identify whether a case was suitable for mediation or not. This triage process was proving to be slow and I was informed that Second Sight were felt by POL to be taking too long to produce reports relating to claims by participants in the scheme and that the reports when they were finally produced sometimes had to be revised following comments from Sir Anthony Hooper.

153. I recall my initial view at the time was that this must be a fairly difficult job for Second Sight given that they were a relatively small firm of accountants dealing with a large volume of potential claims, and some of the matters raised in the course of the work were likely to have been outside of their expertise, such as legal issues. I got the impression that Second Sight was rather overwhelmed by the workload, particularly as I had come to understand that there were only two or three individuals at Second Sight undertaking this large-scale exercise. As I have indicated, I was not involved in the decision to appoint Second Sight and I do not doubt that there were good reasons for the choice but, by the time of my appointment, the scale and complexity of the task had grown and I wondered whether it might have been preferable to engage a larger firm with

greater resources and in-house access to other areas of expertise (such as legal advice).

154. Whilst I understood that Second Sight had been instructed to produce individual case reports for the mediation, I did not see any of the case reports myself, as it was important that the independence of the mediation be respected and preserved. On reflection, I do now wonder whether I should have asked to see a couple of randomly selected anonymised copies, to make an assessment of them for myself. However, the message that was being received by the Sparrow Sub-committee, primarily from POL, was that there were problems both with the speed at which the reports were being produced, and in some instances, with their quality. I note from an email I sent to Peter Batten on 25 March 2014 that I had been told by Paula Vennells at a pre-Board meeting the day before, that Sir Anthony Hooper considered the Second Sight reports sent to him thus far to be poor quality and that his faith in Second Sight was 'waning' (UKGI00002221).

155. I was not in a position to judge the validity of the concerns being expressed about Second Sight's reports. I had not seen those reports and, as I have indicated, it was important that the Government (and the POL Board) respected the independence of the mediation process and maintained an arm's length approach. Nor was I in a position to judge the validity of the concerns being expressed by Second Sight as to the difficulties they were encountering in obtaining access to relevant material from POL (which POL robustly refuted

when challenged). However, overall, it was clear that the Mediation Scheme was stalling and running into difficulties (UKGI00019320).

156. My first meeting of the Sparrow Sub-Committee on 9 April 2014 referred to some of these concerns as well as broader issues around the Mediation Scheme. A paper was presented to the Sub-Committee by POL entitled 'Initial Complaint Review and Mediation Scheme – Options for the future of the scheme' (POL00138251). It stated that '*The Scheme was established in August 2013 to resolve complaints in respect of the Horizon system, on the basis **that there were no systemic problems with Horizon***' (page 2 – emphasis in original), and it set out a number of options for the future conduct of the Mediation Scheme. However, I did not feel that that basis of the scheme (that there were no systemic problems with Horizon) necessarily mattered when individual cases were being investigated, as I had presumed that each case review would consider each situation on its merits and might find issue with Horizon if it was present.
157. As to the role of Second Sight, and as recorded at paragraph 2(a) of the minutes, we were informed that POL had carried out internal investigations of 20 cases which had been submitted to Second Sight but the three case reviews prepared by Second Sight had been rejected by the Working Group (POL00006565). Second Sight were due to produce a further '2-3 case reviews' by 1 May. This struck me as a very slow rate of progress and the fact that the reviews that had been produced had been rejected by the Working Group was also a cause for concern. The Sub-Committee directed that a paper be prepared for consideration at its next meeting addressing the role of Second

Sight and options to support them or reduce their role, taking account of stakeholder views.

158. The paper was produced by Chris Aujard and is dated 28 April 2014 (POL00022125). It stated that Second Sight continued to enjoy the support of the JFSA and a 'number of MPs' but that "*it is [sic] appears increasingly evident that Second Sight's ongoing involvement in the Scheme (at least in terms of fulfilling their role as the providers of expert advice to assist the parties resolve their disputes) is unsatisfactory*". The dilemma as described by Chris Aujard was of POL regarding the involvement of Second Sight to be unsatisfactory in terms of performance, whilst acknowledging that their continued involvement was important to both maintain stakeholder support for the process and meet Parliamentary commitments. This message was consistent with what I had been told at an early briefing from Belinda Crowe in February 2014, which I reported in an email to Peter Batten on 20 February 2014 and in which I observed that, "*I am not sure how POL managed to get themselves into this situation!*" (UKGI00002191). The essence of the problem, at the point of the first meeting of the Sparrow Sub-Committee in April 2014 was that the Mediation Scheme had been in operation for eight months and had originally been well received, but it had yet to achieve any significant progress in resolving the dispute between sub-postmasters and POL concerning Horizon and there appeared to be little prospect of any imminent improvement in the efficiency or efficacy of the scheme.

159. From my perspective as the Shareholder NED it was obviously disappointing that the Mediation Scheme appeared to have run into significant difficulties as the Board and the Shareholder Team had hoped that it would provide the means of resolving a complex and intractable dispute. However, the scope for me to intervene directly in the Mediation Scheme in order to try and address these issues was very limited. Independence of the scheme was fundamental to its proper operation, as emphasised in the statement made by James Arbuthnot on 27 August 2013 (UKGI00002659) and in the letter sent to Sir Anthony Hooper in April 2014 shortly after my appointment to the Board (POL00100578). As to the role of Second Sight, whilst POL seemed able to define what it perceived to be the problem, namely the slow production of reports of insufficient quality, it did not appear to have a solution within the constraints in which it found itself.
160. From relatively early on, it was apparent to me that the Mediation Scheme was facing significant challenges and I was relatively pessimistic about its ability to deliver a satisfactory resolution of the dispute. On 25 April 2014 I was sent a copy of a letter from Alan Bates to the Minister dated 16 April 2014 (UKGI00002264) in which he also expressed a degree of pessimism in relation to the Mediation Scheme, observing that "*Many observers to the process now believe that the only way we are really going to resolve this matter is through the media and the courts, as fortunately so much more has come to light during the course of this Scheme. But whilst JFSA will stay engaged and support the Scheme for the present we have had to begin considering other options for the future*". So, the essential position seemed to be that whilst both sides appeared

to be willing to continue to try and make the Mediation Scheme work, they were both expressing significant reservations about its ability to deliver a successful outcome, and the JFSA seemed to be considering “other options”, which I took to mean legal action, as being the only viable way of resolving the dispute once and for all.

161. A further paper was prepared by POL proposing options for the future administration of the scheme, which was presented to the Sparrow Sub-Committee meeting in June 2014 (POL00022128). We were told that there had been 150 applications to the Mediation Scheme of which 14 had been ‘rejected/resolved’. The rest were at various stages of progress. Three options were presented, which were predicted to take 18 months, 16 months and 7 months respectively, with the first option being to continue the scheme as currently configured. The ‘Communication Key Messages’ for option 3, which was the POL recommendation, included the following:

“We have therefore decided to move to a new approach where Post Office will investigate all cases and provide applicants with a comprehensive report. We will mediate in cases where appropriate. We have full confidence in the Horizon system which process [sic] six million transactions every day. Applicants in the Scheme represent less than 0.3% of the 68,000 people using the system. Once we have investigated all cases we will provide a summary report and make any improvements that can be made in light of these findings.”

Having already considered this issue at its meeting on 30 April (POL00006566), the Sub-Committee recommended option 3 to the Board, but this was ultimately rejected by the Board on 10 June 2014 (POL00021526).

162. I have been asked whether the number of applications made to the Mediation Scheme caused me concern. Whilst 150 cases was clearly a substantial number, and it was plainly of concern that there were this many sub-postmasters who were alleging that was some form of fault in the operation of Horizon, the context provided by POL (which I could not factually disagree with) was consistently to the effect that there were 11,500 branches, 78,000 users of the system at any one time, 6 million transactions a day, with those 150 in the scheme covering a timeframe of approximately 15 years covered by the Scheme (an average of ten per year). In that context 150 cases appeared to represent a very small fraction of the hundreds of thousands of users of the system over the material period. I do not therefore recall the number of applicants to the Scheme in and of itself causing me to doubt the information that I had been given as to the integrity of Horizon, given the very limited proportion of cases involved, and given each case was being individually investigated by both POL and then Second Sight. It did not seem incongruous at the time with being consistently told by POL that none of the cases investigated as part of the Scheme had identified any problems with Horizon, and that cash shortfalls were caused by some other reason e.g. user error.
163. During the second half of 2014, the Board received updates on the continued operation of the Mediation Scheme from POL the essential effect of which is

captured in the minutes of the October 2014 Board meeting (POL00021529):
“The CEO updated the Board on Sparrow and an antagonistic conversation with James Arbuthnot MP about the business’s approach to the Mediation Scheme. She reiterated that the investigations were progressing well. The Business was refusing to progress all cases into mediation, although it was offering to meet and go through each case with the applicant.” In short, it was clear that the Scheme continued to face significant challenges in maintaining stakeholder engagement but it was still operating and cases were still being investigated.

164. As to the extent to which the investigation undertaken in the course of the Mediation Scheme had identified any concerns relating to the integrity of the Horizon system, the position, as at October 2014, was set out in letters to the Minister from Paula Vennells and Chris Aujard on 14 October 2014 (POL00210905); (POL00210906). Chris Aujard’s letter included the following, under the heading ‘Scheme progress’: *“So far we have found nothing in those cases which has raised concerns about faults with the Horizon system, the safety of convictions or Post Office’s liability for the losses being claimed by applicants.”* He acknowledged that it was inevitable that there would be a considerable number of applicants remaining dissatisfied at the end of the process but asserted that, *“After what now amounts to over two years’ investigation, Second Sight have not found a systemic problem with Horizon. If this continues to be the case, and we have every reason to believe it will, then we will need to stand behind the evidence of the extensive work we and Second Sight have undertaken investigating every case...”*.

165. As Paula Vennell's acknowledged in her letter to the Minister (POL00210906), the Mediation Scheme continued to face significant challenges, and it was clear that stakeholder engagement was increasingly fragile, but from the account that was being given it seemed as though the Scheme was continuing to investigate cases and provide further insight into the operation of Horizon.
166. The loss of confidence in the Mediation Scheme on the part of the JFSA and a number of MPs, including James Arbuthnot, was clearly demonstrated by the Westminster Hall debate on 17 December 2014, during which allegations were made to the effect that the Mediation Scheme was a 'sham' and that POL had not been engaging in good faith (POL00308842). Whilst these were concerning allegations, POL had been consistently providing reassurance both to the Board and to the Minister that it was engaging constructively in the Mediation Scheme and that cases were being carefully investigated. Some of the statements made in the debate, such as POL refusing to mediate 90% of cases, were contradicted by the facts as I understood them, including by statistics provided by Sir Anthony Hooper to Jo Swinson MP at the time (Paper on Post Office Response to Westminster Hall Debate, January 2015 (UKGI00003008)). This made me less inclined to question POL's assurances.
167. That reassurance was repeated in the detailed response POL prepared following the debate (UKGI00002985) which included the following: "*To date and after two and a half years of investigation and independent review, the facts are that Post Office has found no evidence, nor has any been advanced by either an Applicant or Second Sight, which suggests that Horizon does not*

accurately record and store branch transaction data or that it is not working as it should. This offers welcome reassurance to everyone who works in the Post Office network, all of our customers and our partners and the millions of people who support and depend on the Post Office. Post Office has now completed its investigation of nearly all cases within the Scheme.”

168. I was not directly involved in the operation of the Mediation Scheme and I had not seen the investigation reports of the individual cases so I was not in a position to assess for myself the accuracy of these assertions, but I had no reason to doubt that they were accurate or that POL would make them unless it had a proper basis for doing so. POL also provided a lengthy and detailed rebuttal to suggestions that it had not approached the Mediation Scheme in good faith and from my perspective I had seen the Board asking and expecting POL to do so. In short, therefore, POL’s position was that the reason the Mediation Scheme had not delivered the desired outcome from the applicants’ perspective was not because the Mediation Scheme (or POL’s engagement with it) was defective, but because the extensive investigations undertaken as part of the Mediation Scheme had not revealed any evidence of problems with Horizon.
169. This is the context in which I wrote the email to the Minister’s office on 17 December 2014 attaching a briefing for the Minister in relation to points James Arbuthnot might raise during the Westminster Hall debate (UKGI00002853) (UKGI00002854). To be frank I was becoming quite frustrated by this point. I had wanted the Mediation Scheme to be successful in delivering a resolution to this long running dispute, as had the Board and the Minister. POL was

repeatedly and robustly asserting that all the investigations undertaken to date, including all the investigations carried out as part of the Mediation Scheme, had confirmed the integrity of Horizon. The JFSA and its supporters, including James Arbuthnot, were asserting that position was wrong but did not appear to be providing any tangible evidence in support of that assertion. If the JFSA, or James Arbuthnot, had evidence to demonstrate that what POL was saying was wrong I felt strongly that it should be produced, which is why I included a robust suggested line in the briefing (which I do not think the Minister ended up using) to the effect that allegations of wrongful conviction or miscarriage of justice were very serious and if there was evidence to back up such allegations it should immediately be disclosed.

170. Similarly, in my covering email, I sought to make the point that there was no point in continuing to conduct further reviews in circumstances where POL was stating that every review conducted over the last two and half years, including ones conducted by Second Sight, had only served to reinforce the conclusion that no new faults had been found with Horizon, unless those who asserted otherwise were in a position to produce evidence to the contrary. The mediation process had not revealed the existence of a 'smoking gun' as I understood it (by which I meant clear evidence of a defect in Horizon which might explain sub-postmaster losses) and I saw no reason to think that a further review was likely to do so (as noted in my email to the Minister dated 17 December 2014 (UKGI00002853)). I felt that the risk for Ministers was that the Government could ask POL to conduct review after review, but if there was not a problem to find, those reviews would not bring closure to sub-postmasters nor POL.

171. It is for this reason that, in my covering email, I noted that my proposed lines for the Minister were perhaps stronger than they had been previously. In short, I wanted her and her office to know that this was a conscious decision on my part, although ultimately it would be a decision for the Minister whether to take that stance or not.
172. My scepticism about the merits of instituting a further review is also reflected in an email that I sent to the Minister's office the day beforehand (UKGI00002842), in which I expressed concern about the value of further reviews given that the Mediation Scheme had not led to a successful resolution nor as I understood it identified clear flaws in Horizon that resulted in losses for sub-postmasters. I considered the Mediation Scheme to be an independent review of Horizon on the basis that it was being administered by CEDR under the oversight of a Working Group chaired by a senior former judge, which would most importantly include investigation of specific sub-postmaster complaints regarding Horizon by an independent firm of forensic accountants. I considered that, in light of its structure and independence, the Mediation Scheme ought to be effective in identifying any significant flaws in the Horizon system if they existed by targeting specific cases where such issues had been cited. This was in addition to reviews already undertaken by Deloitte and Cartwright King. I was therefore unconvinced that a further independent review would add any value in that regard. My reservations about inviting the CCRC to undertake a review were of a similar nature in that I did not see any reason to believe that a review would achieve a resolution of the dispute and I thought that issuing an invitation to the CCRC to review convictions would be likely to be (mis)reported in the press as

indicating a belief on the part of Government that convictions were unsafe. However, in this regard and as can be seen from my email, I was in two minds as to the way forward and remained open-minded to the idea provided that the rationale for it was made clear i.e. to draw a line under the issue rather than indicating Government thought there was an issue.

173. I have also been asked to explain why I described James Arbuthnot's suggestion that POL should stop prosecuting cases as "unreasonable". To put this comment in context, it was my understanding that, by this stage, POL had already stopped prosecuting cases generally, although it retained the ability to do so in the most egregious cases. As reflected in my direct response to point 5 slightly further up the email, I understood that the possibility of a criminal prosecution was necessary in order to retain some deterrent effect against criminal activity and I did not consider it reasonable that this deterrence should be removed entirely, when to my knowledge no evidence of a miscarriage of justice had been produced, no appeals had been brought, and no convictions had actually been overturned.

174. As we moved into 2015, and despite the fact that the Mediation Scheme was continuing to operate and cases continued to be investigated, it was becoming increasingly clear to me that the Mediation Scheme was not sustainable in its current form and was not going to produce a resolution of the dispute. Only a handful of cases had been successfully mediated in a period of approximately two years, the relationship between POL and Second Sight appeared to have broken down and my overall impression was that none of the parties considered

that the Mediation Scheme was successfully meeting their expectations. The problems were starkly illustrated at a hearing before the BIS parliamentary Select Committee in February 2015 at which it was made plain that nobody was happy with the Mediation Scheme in its current form. From my perspective it was very difficult to see how the scheme might continue to operate beyond this point without very significant overhaul.

175. I have been asked to comment on an email that I wrote to Alice Perkins on 4 February 2015, the day after I had attended a meeting of the BIS Select Committee at which Paula Vennells had given evidence (UKGI00003209). In a 'p.s.' to the email I give my perception of the proceedings as being a "*bit of an ambush*". This comment was intended to convey my impression that the environment was a hostile one for Paula Vennells. I recall her and Angela van den Bogerd sitting next to a representative from Second Sight, and so Paula Vennells was facing questions or assertions from both the committee of MPs and from other members of the panel. She seemed to be quite isolated and I got the impression that she was not prepared for the intensity of the questioning she faced.

176. When I drafted my email, I was not seeking to make any comment on the substance of the questioning itself, it was more about tone and balance. As to my offer to Alice Perkins of a chat, I do not recall any specific discussion with her about the Select Committee proceedings, although by the time we next reconvened for a Sparrow Sub-Committee meeting I think most people had seen the recording of the session. By that stage, POL was engaged in preparing

its response which included a letter to the Sub-Committee and I do not recall being asked for any further feedback on Paula Vennells' evidence.

177. There was a meeting of the Sparrow Sub-Committee on 18 February 2015 at which POL presented a paper on the options for the future conduct of the Mediation Scheme (UKGI00003366). This work had been commissioned by the Sub-Committee at its January meeting, in light of the concerns I have described above as to the continued viability of the Mediation Scheme.

178. My overall impression of the proposals was favourable. I noted, in particular, that under the new proposals the triage stage would be removed so that every applicant would have a mediation (except for criminal cases); and that every applicant would have their case investigated and have the right to request a Second Sight report if they wished. Second Sight would also finalise their thematic report.

179. I realised, however, that the proposal was unlikely to find favour with the JFSA and briefed the Minister accordingly. Although the proposals envisaged a continued role for Second Sight in the investigation of individual cases and the finalisation of the thematic report, I was aware from the outset of my tenure that any reduction of the role of Second Sight and a prospective end to their engagement would prompt a strong reaction from the JFSA. This was at least part of the reason why the POL Board had decided not to act on its concerns regarding the quality of Second Sight's input when considering the future operation of the Mediation Scheme in early to mid 2014.

180. The proposal to overhaul the Mediation Scheme, dispense with the Working Group and re-define the role of Second Sight was however the subject of much deliberation and consideration by the Sparrow Sub-Committee and the POL Board (see minutes dated 30 April 2014 (POL00006566), Sub-Committee Recommendation dated 6 June 2014 (POL00027153), and Sub-Committee Update and Options paper dated February 2015 (UKGI00003366)). The issue was considered by the Sparrow Sub-Committee first, and then at Board level. The Minister, Jo Swinson MP, was informed of the plans (see emails dated 4 March 2015 (UKGI00019671) and 3 April 2015 (UKGI00000920) and a letter from Paula Vennells to Jo Swinson MP dated 9 March 2015 (POL00119752) and a Submission from Jo Swinson to Laura Thompson dated 4 March 2015 (UKGI00000032)). Care was taken to check that the plan conformed to her parliamentary statements.
181. I have been asked to explain a comment I made in the course of correspondence on this issue, in an email to Laura Thompson on 12 March 2015 (UKGI00019720), where I state that the Minister had “*clearly not read the sub*”. The context of this email was a submission to the Minister on 4 March 2015 (UKGI00006140) in which we sought to brief her on the proposed changes to the Mediation Scheme, including the revised role for Second Sight where it said “*POL will terminate their engagement with Second Sight, but provide funding for applicants who wish to have Second Sight or other forensic accountants produce a report on their case before mediation*”. The submission also sought to explain that, under the new arrangements all cases (except criminal ones) would be mediated and there would be no preliminary triage

process. The submission also sought to explain that, whilst there was likely to be some opposition to the proposals it was important to focus on the substance of what was being done to the Scheme, and the rationale for it, rather than what we anticipated to be the 'noise' that would be generated by the proposals. The overarching point, from my perspective, was that this was the last chance to keep the Mediation Scheme alive, as the existing model had not worked and was not going to work – there was no point in hoping otherwise.

182. That inevitably required some tough decisions and I was conscious that there would be significant opposition to the proposals. I felt that it was going to be impossible to find a way forward that kept everyone happy and that the Minister needed to understand that there were likely to be some difficult conversations ahead, but that the Board had not reached the position without very careful consideration.

183. This was the background to the email from Laura Thompson in which she reported, amongst other things, that the Minister had complained that she was not aware that POL "*were terminating Second Sight's contract*" (UKGI00019720). The submission had to my mind clearly explained that Second Sight's existing engagement would be terminated but that they would be retained as investigators in individual cases, and would complete their thematic report. My observation that the Minister had not read the submission was a flippant way of noting that she had clearly not taken on board the change to Second Sight's engagement as described in the submission, as opposed to

me suggesting that she had not read the submission at all (which she clearly had, as she had responded to it via her office).

184. As for the rest of the email, which was written between colleagues in informal language which I regret, I was seeking to make the point that it was going to be necessary for the Minister to stand behind the hard choices that had been made in a final attempt to keep the mediation process alive and to be realistic as to the extent to which it was going to be possible to find a way forward that pleased everyone. My reference to it being unrealistic to provide Jo Hamilton with "*wads of cash*" was expressed in thoughtless and insensitive language.

185. From my perspective, and from the perspective of the Board, there was however no evidential basis upon which we could justify the payment of large amounts of compensation to sub-postmasters (convicted or otherwise) or to reach a conclusion that they were owed an apology, when none of the sub-postmasters had sought to appeal their conviction or take their contractual dispute to the courts. My comment was not intended to single out Jo Hamilton's case specifically, I was more making the general point above and referenced Jo Hamilton as she was one of the highest profile cases in the public domain. I am sorry to Jo Hamilton for the offence this phraseology will have caused.

186. The consistent and unequivocal message from POL was that after two and a half years of investigation there was no evidence of any defect in Horizon and that every case investigated in the course of the Mediation Scheme reinforced that conclusion. I was becoming increasingly frustrated because despite what

we were being told by POL there was no let up in the assertions by sub-postmasters that POL's position was wrong, Horizon was flawed and responsible for their losses. I would have liked to be able to do something to resolve the issue, as would the Board. I was spending a large proportion of my time on this issue and there seemed to be no solution in sight. I had no interest, financial or otherwise, in the outcome of the Mediation Scheme and I remember thinking at the time that things would be much easier, from my perspective, if the investigations *had* identified a clear flaw in Horizon which demonstrated that sub-postmasters should be compensated. The Shareholder Team, and the Board, would then have had something more tangible to get to grips with.

187. I recall the decision to reconfigure the Mediation Scheme being a difficult decision, and one that the Board would not have taken had it felt that there was a realistic alternative of allowing the Mediation Scheme to continue in its current form. My impression, at this stage, as someone who had been on the Board for just under a year, was that the Board was becoming increasingly frustrated at the lack of progress being made in reaching a clear resolution of the Horizon issues. As I have described above, it had, by this stage, instructed Deloitte to undertake a review, it had appointed Second Sight, it had considered and approved the Mediation Scheme and it had established the Sparrow Sub-Committee to provide oversight of the issue. Despite these steps, the issues remained intractable and there was still no clear answer to the basic question of whether or not there were serious systemic flaws in Horizon. No 'smoking gun' had been identified, at least as far as we understood it, but nor had the integrity of the system been conclusively demonstrated to everyone's

satisfaction. The essential question the Board was asking in late 2014/early 2015 was what further options were available for trying to get to the bottom of the matter. It was in this context that the proposed re-design of the Mediation Scheme was considered to be an option worth pursuing.

188. I did not disagree with the decision to close the Working Group and reconfigure the Mediation Scheme. I was however concerned to ensure that it was compatible with statements previously made by the Minister and I was pessimistic about the prospects of it being welcomed by the sub-postmasters but, fundamentally, I thought it was right to try and keep the option of mediation alive through a re-designed scheme. No one, including POL, the JFSA and the other stakeholders, seemed to be happy with the existing scheme and the decision to close the Working Group seemed to me to be in the spirit of what everyone wanted, namely a speedy resolution to a lengthy and intractable dispute.
189. Once the decision to close the working group was publicised, I recall it being presented by James Arbuthnot MP during Prime Minister's Questions in March 2015 as 'the sacking of Second Sight and the suppression of Second Sight's second report' (UKGI00000930). That did not accurately reflect the Sparrow Sub-Committee's understanding or reality at that time. Second Sight were still contracted to prepare individual case reports for the purposes of the Mediation Scheme and were still commissioned to complete their thematic report, which was to be sent to all participants in the Mediation Scheme to assist with that process. The changes were also characterised as closure of the Mediation Scheme, but mediation would continue; it was the triage process of the Working

Group which was being stopped, with an assumption of mediation being made in every case henceforth (a position I understood the JFSA to have been pushing for). I did not consider that there was any attempt by POL to suppress the thematic report. Although I was not privy to the instructions to Second Sight for the preparation of this report, it was my understanding that the thematic report was being prepared for the purpose of assisting the mediation process and therefore was meant to go only to those involved in the scheme, as opposed to a more general population (although thought was given to publishing if after all the mediations had been completed). It nevertheless ended up in the public domain and we received a copy as noted above.

190. I had briefed the Minister on the re-designed Mediation Scheme and she had received a letter from Paula Vennells about the changes being made (UKGI00019696). I made it clear that I thought the assertion that Second Sight had been sacked was a mischaracterisation. As I have described above, I also sought to enlist the Minister's support in defending the re-configuration of the Mediation Scheme. I should make clear, however, that I did not regard the dispute over the merits of the re-designed scheme as being capable of constructive resolution and my underlying expectation at this stage was that mediation, whether of the type now proposed or otherwise, was unlikely to provide the solution. It was however a way to change the unsatisfactory status quo and accelerate cases for mediation which some at least might find useful.
191. As to POL's approach to the Mediation Scheme after the re-configuration of the scheme in early 2015, my understanding was that the mediation process went

on, and cases continued to be investigated, although a number of applicants pulled out. The position of the JFSA appeared to be that it could no longer support the Mediation Scheme and was encouraging applicants not to engage and to await the establishment of some other form of investigation such as a judicial review. It seemed to me that the prognosis for the Scheme was poor but that it was at least still running. I note that we received an update from CEDR in August 2015 (UKGI00005307) indicating that the Mediation Scheme was running at a 40% settlement rate, which was lower than other schemes, but indicated that at least some cases were being resolved and that "*Post Office are agreeing to mediate in almost all cases, even where the prospect of settlement is slim*" (UKGI00005307).

192. On 6 August 2015, I attended a meeting with the Minister where Paula Vennells presented a series of slides (UKGI00000035) which included reference to POL's continued willingness to engage constructively in mediation. This was the first time that POL had had the opportunity to present its case quite so directly and comprehensively to the Minister, and for her to ask questions directly of them in return. The slide show provided by POL consisted of c30 pages giving details of the issue and the Mediation Scheme. A breakdown of cases was provided (at page 11) (POL00113308) which seemed to indicate that there was at least some willingness on both sides to continue to mediate.
193. I do not recall there being any direct involvement in the Mediation Scheme on the part of either the Board or ShEx during 2015 other than receiving updates from time to time along the lines I have described. From my perspective this remained an independent process, confidential as between the parties, and for

as long as there were applicants who were prepared to engage in mediation the Scheme continued to provide something of value – regardless of whether mediation was successful, or whether it even proceeded to mediation, cases were being re-investigated by POL and reviewed by Second Sight.

194. However, and as I describe below, as we progressed through the summer of 2015 it was apparent that a new process of investigation would be required and we started to work up options for the new Minister, Baroness Neville-Rolfe, which ultimately resulted in the commissioning of a review by Tim Parker, the incoming POL Chairman.

Parker/Swift Review

195. In light of the effective collapse of the Mediation Scheme and the continuing Parliamentary activity in July of 2015 there was an obvious need to try and come up with alternative ways to progress the resolution of the Horizon issues and reach clear answers to the fundamental questions of whether there were deficiencies in the Horizon system and whether they might be responsible for the reported discrepancies.
196. As stated in the submission from Laura Thompson to Baroness Neville-Rolfe of 31 July (UKGI00000007), it was noted that the Shareholder Team had begun “*exploring options to address the concerns*” she had raised, recommended that she meet Paula Vennells and Jane McLeod the following week (which was the 6 August meeting referenced above), and that ShEx would prepare “*proposals for options you can consider to ensure that there is an independent oversight*”

of this matter, rather than Government having simply to take the side of one party or another.”

197. To that end, the Shareholder Team presented a paper to Baroness Neville-Rolfe dated 4 August 2015 (UKGI00019300) in which we set out a number of options for a further review of the Horizon issues. These options included review by a senior civil servant, review by an independent person (judge or similar), review by a professional firm such as lawyers or accountants, requesting assurance from CEDR, or maintaining the status quo, although we accepted that the latter was unlikely to be a realistic option because it would not have provided any reassurance for Ministers or those affected and we foresaw that, if that option was taken, *“the Government could be accused of inaction or wilful ignorance by JFSA.”*
198. The meeting with Baroness Neville-Rolfe, at which we discussed the options outlined in the paper, took place on 4 August 2015 (UKGI00005677) and I think included attendance by Special Advisers. I have some limited recollection of this meeting with Baroness Neville-Rolfe. The meeting was like a workshop and the options paper (UKGI00019300) was used to prompt discussion of the various options and generate other ideas. It was relatively unusual for us to go to a Minister with options rather than a firm view on the approach to be taken. The reason we identified options rather than making a recommendation was because we were unsure which option was best (although some were clearly better than others) and wanted to understand the Minister’s views.

199. I cannot recall who instigated the meeting with Baroness Neville-Rolfe but it was no doubt in response to the concerns she had expressed, as acknowledged in the submission of 31 July 2015 (UKGI00000007). At that time Laura Thompson and I would see her quite regularly because we were working on a legislation issue for GIB, as well as general POL issues, so it may have been that we could sense she was not content with the position that had been reached in relation to Horizon and was likely to want to consider alternative options.
200. I cannot remember the discussion at the meeting on 4 August 2015 in much detail. The paper did not expressly include an option of instructing Tim Parker to conduct a review, although this is not surprising given the purpose of a workshop is, in part, to generate further ideas. A number of the options that were included concerned the commissioning of a review by a senior figure whose conclusions would carry weight (such as senior civil servant or judge) and there had also been external suggestions (specifically from Andrew Bridgen MP) for a senior business figure with no vested interest to undertake a review (Andrew Bridgen MP had mentioned Sir Terry Leahy, former CEO of Tesco).
201. I am not sure which of us came up with the idea, but the notion of Tim Parker undertaking a review was quite a neat governance-based solution in my view. He was a highly respected although lesser-known business figure who would be coming into the business with fresh eyes and no pre-conceived ideas as to the integrity of Horizon. But importantly, as incoming Chairman, he would also

be in a position to ensure that he had full access to all relevant material and the necessary resources to be able to undertake a thorough review. The outcome of the discussion was therefore that Baroness Neville-Rolfe would speak with Tim Parker, to invite him to take a fresh look at the Horizon issues.

202. I was supportive of the decision to commission Tim Parker to undertake a 'fresh eyes' review. Although it would be yet another review in an increasingly lengthy series, the Mediation Scheme had failed, it was anticipated that the forthcoming Panorama programme would include some serious allegations, and there continued to be pressure from MPs and the JFSA to achieve a resolution. I thought it was at least worth a try and might confirm whether there was an issue or not with the Horizon system, and in particular to understand whether what POL had been telling the Shareholder Team continued to be correct. It was consistent with the suggestions that were being made by the parties that we seek a review by senior and well-respected figure, which Tim Parker certainly was, and as Chairman he would have access to all areas. He would also have no vested interest, grievance, or views about the issue. I had met him and thought that he was highly competent and experienced and for all of those reasons it seemed to me to be a sensible way forward.

203. By way of further background to Tim Parker's appointment, the Shareholder Team had been made aware by the Chair in situ, Alice Perkins, that she was looking to step down and so we knew we would need to begin looking into who would replace her. Mark Russell, the Chief Executive of UKGI at the time, had been contacted by somebody in the Cabinet Office who had recommended Tim

Parker. He had a private equity background and his reputation was that he had commercially transformed various companies including AA and Clarks, following which he had been the Chairman of Samsonite's Board. His potential appointment came at a time when we were thinking as a team that we required a more commercial Chair to meet the emerging challenges POL faced. Alice Perkins was from a civil service background and had been chosen at the time to steer POL through the difficult separation from Royal Mail and navigate its new direct relationship with Government. Given that relationship was now firmly established, the view of Justin Manson, Mark Russell and myself was that we wanted to take the business in a more commercial direction to further secure the network and build on the progress made. We thought Tim Parker, with his experience, sounded like a good prospect for the position of POL Chair.

204. Anthony Odgers, Justin Manson and I met with Tim Parker and had an initial discussion, although I cannot recall exactly when this took place. Both Anthony and Justin were Directors in ShEx who had been, or were at the time respectively, the Director in charge of the POL Shareholder Team. They also sat on the ShEx Executive Committee.
205. Following this, there was a formal independent competition process to select who would be the new Chair; a panel was convened and eventually Baroness Neville-Rolfe considered that Tim Parker was the most suitable candidate (having met three of the appointable candidates). Whilst I had not been a party to the interviews, I was a part of the team who dealt with the administration and

so I was aware of how Tim had performed during his interview, and how highly he was rated by the panel.

206. Although I cannot fully recall, Laura Thompson or I would have probably written the letter that Baroness Neville-Rolfe sent to Tim Parker on 10 September 2015 in which she asked him to give the Horizon issues his earliest attention upon assuming his role as Chair (UKGI00019366). Subsequently, I would have seen the letter that Tim Parker wrote in response to Baroness Neville-Rolfe on 1 October 2015 (UKGI00010326), confirming that he would appoint a QC to assist with him with the scope of his investigation, subsequently confirmed to be Jonathan Swift QC (former First Treasury Counsel), assisted by Christopher Knight.

207. Aside from the above, I had no real knowledge of the methodology of the review and had no sight of any instructions, either in draft or final form, which may have been sent to Jonathan Swift QC. I also held no preconceived ideas as to what the product of the review would look like. I was content to leave it to Tim Parker to conduct the review as he saw fit and to present his findings to the Minister in a manner he deemed appropriate. It was his review, as the new Chair.

208. My understanding of the essential scope of the review is reflected in the email from Laura Thompson to the Shareholder Team on 20 November 2015 (UKGI00006250) in which she says: "*Tim Parker agreed with Baroness Neville Rolfe that he would undertake a review into the Post Office 'Horizon' IT system and various claims that subpostmasters have been wrongly prosecuted as a result of faults in the system.*"

209. As to the progress of the review, I have seen a chain of emails between myself, Laura Thompson and Tom Wechsler (POL Chief of Staff) on 6 January 2016, (UKGI00006451). I have no direct recollection of these emails but having reviewed this correspondence for the purposes of preparing my statement, I can now see that the Shareholder Team requested an update as to when POL were expecting to hear from the Chairman following the completion of his review and wanted to arrange a meeting between Tim Parker and Baroness Neville-Rolfe so that she could be updated on his progress following his first few months in post.
210. A ministerial briefing was prepared by the Shareholder Team, dated 22 January 2016 (UKGI00010327) ahead of the Minister's meeting with Tim Parker. I see from the note of the meeting (UKGI00006482) that I did not attend, although Laura Thompson was present and I expect that I would have been briefed by Laura Thompson after the meeting and I am likely also to have read the note of the meeting which I understand was prepared by the Private Secretary to the Minister, Andrew Smith, and which included a summary of Tim Parker's indication that "*the QC was about to report. He had found no systemic problem. TP thought the issue might have passed its peak interest.*" (UKGI00006482) .
211. Tim Parker communicated his findings to Baroness Neville-Rolfe by way of a letter dated 4 March 2016, in which he provided a summary account of the findings of the review (UKGI00008800). This letter was attached to an email from POL's Programme Director (Patrick Bourke) to the Shareholder Team dated 7 March 2016, (UKGI00006574) and was subsequently appended to a

submission to the Minister drafted by the Shareholder Team on 9 March 2016 (UKGI00008801). I would have read and approved that submission.

212. Tim Parker's letter speaks for itself but the key conclusions, in summary, were that POL had complied with its duties as prosecutor including in respect of disclosure, that no evidence had emerged to suggest that a technical fault in Horizon resulted in a sub-postmaster wrongly being held liable for a loss, and some limited further investigation was required in order to reach final conclusions. We summarised those findings in the submission to the Minister and, in light of the reference to some further investigation being necessary, we recommended that she seek an update at her next meeting with Tim Parker.

213. My thoughts on reading Tim Parker's letter were that the conclusions of his review were reassuring but that was very different to it representing an end to any dispute. On the contrary, it seemed that we were no closer to a final resolution although it did provide me with some comfort that POL and Horizon were not at fault for the losses suffered by sub-postmasters, and that in his view POL had acted reasonably in their investigations. I continued to suspect that litigation was ultimately going to be the only way that the dispute between POL and the sub-postmasters would be finally resolved, and as noted in the 20 November 2015 email referred to above, the first indications a potential legal challenge had already emerged (UKGI00006250). I had no reason to think that Tim Parker's review as deficient in any material respect, or that the conclusions reached were unreliable, it was simply that I did not expect the JFSA and others to accept his findings.

214. I did not see a copy of Jonathan Swift QC's report and, as far as I am aware, the report was not provided to the Minister either. From my perspective, the mechanism of a letter from the Chair to the Minister setting out the conclusions of the review seemed to me to be an entirely appropriate way of dealing with the issue. In particular, I thought it was important that the Minister and the Shareholder Team should be provided with Tim Parker's own views and conclusions, given the discussions he had had internally at POL, with Second Sight and with Lord Arbuthnot (UKGI00006459), in addition to his interpretation and understanding of Jonathan Swift QC's report. Whilst the 'Swift Report' is now common parlance, at the time we in the Shareholder Team did not refer to the 'Swift Report' and talked instead of the 'Parker Review', because that is what we wanted and had asked for, being *his* view, not the views and conclusions of all of those who may have contributed to his review. I was aware that Tim Parker had held a number of meetings in the course of his review with stakeholders including Second Sight and James Arbuthnot MP (UKGI00006459) and that Jonathan Swift QC's report was part of the underlying material that had contributed to his conclusions.

215. I have been provided with an email chain, into which I was not copied at the time (POL00239781), in which there is reference to concerns on the part of POL and, it would seem, BIS officials as to the privilege implications of providing the Minister with Jonathan Swift QC's advice. For my part I do not recall being particularly concerned about privilege at the time, which was not an issue that, as a non-lawyer, would have occurred to me. Indeed, I note from an email chain dated 20 January 2016 that the Shareholder Team's advice to the Minister's

office was that they should discuss with Tim Parker how the findings of his review might be made public (UKGI00006459). My view was simply that it was Tim Parker's review and the important thing was that his conclusions were communicated, clearly and directly, to the Minister and, if possible, placed in the public domain.

216. Had Tim Parker's letter been less reassuring as to the integrity of Horizon and the actions of the Post Office I would have proactively sought the underlying material, including Jonathan Swift QC's report; but the fact that his conclusions appeared to be consistent with POL's position over the preceding 2-3 years suggested to me that he had not found any significant new evidence. On reflection, I wish that I had seen Jonathan Swift QC's report - I should have asked for it and then provided a copy to the Minister. The information it contained regarding the evidence of Gareth Jenkins and balancing transactions was clearly very significant, as was the description of the nature and scale of the further work identified by Jonathan Swift QC.
217. Aside from the Parker Review giving me further assurance, it is worth noting that it played a significant role in my approach to the subsequent GLO proceedings. In particular, I am confident that sight of Jonathan Swift QC's advice would have led me to take a different, and far more challenging, approach. When the litigation was commenced my assumption was that POL's position was strong, that there were no new (or newly found) areas for concern, and that the outcome of the litigation was likely to be a final resolution of the issue in POL's favour.

218. I note that a submission was put up to the Minister on 9 March 2016 (the document is incorrectly dated 9 March 2015) addressing the way forward in light of Tim Parker's letter (UKGI00006576). The submission was drafted in response to a request from the Minister for advice as to whether a reply and/or a meeting was required (UKGI00006574). The submission, which was drafted by Laura Thompson and sent to me and other members of the Shareholder Team in draft recommended (at paragraph 8) that: "*while Mr Parker's review concludes and the CCRC investigations are ongoing, there is no need for a further meeting on this subject or a reply to Mr Parker's letter, unless you wish to send a short note thanking him for the update and proposing to discuss in May/June.*" I understand that the reference to 'May/June' was to the next scheduled meeting between the Minister and Tim Parker.

219. In fact, the next meeting between Baroness Neville-Rolfe and Tim Parker took place on 27 April 2016. I note from an email chain provided to me by the Inquiry (UKGI00020194) that the Minister had requested an earlier meeting and the timing was at Tim Parker's suggestion, based on the anticipated progress of the further work he had commissioned. I was at the meeting as I recall that it was held in a Lord's committee room in the Houses of Parliament. By this stage, litigation had commenced and Tim Parker gave an update on the litigation and POL's response to the Letter of Claim. He further explained that the last piece of his review was underway and that Deloitte was engaged to conduct the remaining work, which was expected to take another month or two (UKGI00019303). The fact that a formal letter of claim had been received by

this stage reinforced my view that litigation was likely to be the only way that the issues concerning Horizon would be finally resolved and, in my mind at least, Tim Parker's review diminished in significance as a result. It seemed to me that regardless of what Tim Parker did, or did not, conclude the final resolution of the dispute could only be determined in court.

220. During the meeting, I am confident that Tim Parker did not refer to the issues around Gareth Jenkins or Balancing Transactions, which would have been an opportunity to do so outside the confines of written correspondence and any concerns around legal privilege. On the issue of Balancing Transactions, I feel that that issue would have particularly resonated with me if he had mentioned it, because I was on the Board and Sparrow Sub-Committee at the time of the Deloitte Board Briefing in June 2014, and would have taken that news quite personally that I had missed something. I did not however come away from the meeting with that feeling.

221. Following the meeting on 27 April 2016, a submission was sent to the Minister on 3 May 2016 (UKGI00006692) which I would have seen and approved. The submission provided an update on the current state of the litigation and referred to Mr Parker's intention to discuss the litigation at the forthcoming Board meeting on 24 May 2016.

222. I attended the Board meeting on 24 May 2016 (UKGI00006798), at which POL's CEO and General Counsel provided the Board with an update on the litigation. I do not believe there was any discussion of Tim Parker's review or of Jonathan

Swift QC's advice, nor do I recall any documents relating to the review being provided to the Board. As far as it is possible to ascertain from the minutes, the Board does not appear to have been provided with Tim Parker's letter of 4 March 2016 either. The focus of the Board at that meeting was on the litigation, as reflected in the minutes.

223. I doubt that I regarded the omission of any discussion of Tim Parker's review or the circulation of any papers relating to it to be particularly significant, particularly given that his letter did not suggest POL had done anything wrong and that nothing new had come to light. I had expected, for some time, that litigation would be commenced, and that this was likely to be the only effective way of concluding what had become an increasingly intractable dispute, and whilst the summary Tim Parker had provided of his findings was reassuring, I did not expect it to lead to any form of resolution however, as I reflect below, I should have insisted this went to the Board.

224. The Minister met with Tim Parker again on 19 July 2016, although I did not attend the meeting as I was on annual leave. Laura Thompson attended as the representative of the Shareholder Team. In the briefing to the Minister, prepared by Laura Thompson (UKGI00001025), it was noted that, "*We advised when we saw you recently that POL were taking additional legal advice from a QC regarding the group civil litigation against Post Office, and the implications of this action on ongoing work regarding the Horizon matter. Mr Parker will give you an update on this matter and the implications for his review of the system.*" This reflects the fact that, by this stage, our focus had moved away from Tim

Parker's internal review and on to the litigation as the means of resolving the Horizon issues.

225. POL also prepared a briefing note for the Chairman ahead of his meeting with Baroness Neville-Rolfe on 19 July 2016 (POL00103225). Within this note, there is reference to 'Speaking Notes' which I understand to be notes for the Chairman. Included in the notes was reference to the Minister requiring a better understanding of the reasons underpinning the legal advice received that the Chairman's review should come to an immediate end and instead be '*carried forward under the scope of the litigation*'. I doubt I would have been sent this briefing note at the time, nor can I recall the precise detail of what we were told of the legal advice being received by POL at this stage, but these documents are consistent with my general recollection that the legal advice received from the lawyers acting for POL in the litigation was that now the litigation had commenced no further work should be done under the auspices of Tim Parker's review as the litigation was now the appropriate forum for the issues to be resolved. I cannot now recall the rationale for this advice, or whether it was even explained to me at the time, and I would not have been in a position to second-guess legal advice of this nature anyway. But it would have again conformed to my sentiment at the time that this dispute was best solved via the courts, and such a process would require both sides to the dispute to substantiate their cases and have them scrutinised by a court.
226. I have no recollection of any further discussion specifically concerning Mr Parker's review until I received a phone call from Tom Cooper in 2020 whilst he

and the Shareholder Team were in the midst of preparing for the BIS Select Committee hearing following the result of the GLO. Tom informed me that the Chairman had received a detailed written report from a QC which concluded that remote access was possible without the knowledge or consent of sub-postmasters. I was surprised and concerned to receive this information as it was inconsistent with both my understanding of what had been produced during the course of Tim Parker's review and the summary of his findings that I could recall set out in the letter to the Minister. As noted above, given this was in relation to my time on the Sparrow Sub-Committee I felt it quite personally.

227. I had the opportunity to review Jonathan Swift's February 2016 report for myself in 2020. Whilst in some places it is reassuring, I struggle to see how its findings on those two particular issues above (expert witnesses and Balancing Transactions) can be reconciled with the Chairman's letter of 4 March 2016 to Baroness Neville-Rolfe (UKGI00008800), which we thought as a Shareholder Team at the time was broadly re-assuring.

228. The problems highlighted with regards to historical prosecutions and remote access seemed to me to be fundamental. Given that it was the Government, through Baroness Neville-Rolfe and the Shareholder Team that commissioned the review, I would have expected to have been given the full picture as the Government's representative on the Board and would have also expected such significant findings to have been communicated to rest of the POL Board, *particularly* given POL was at the start of a litigation process. I do not know why the full extent of Jonathan Swift's findings, and particularly the negative issues

found, were not shared with me, the Shareholder Team, the POL Board or Ministers.

229. On reflection, I should have made the point at that May 2016 Board (or indeed an earlier one on 21 March 2016) that Government had received Tim Parker's letter, and prior to that I should have encouraged Tim Parker to share it. Regardless of whether I thought it did not represent 'new news', I should have made sure the Board had the opportunity to judge for itself. Whilst I am unsure what judgement the Board would have indeed drawn from the letter, it may have prompted a conversation at the Board which would have drawn out the two important issues that I now know featured in the Swift Review but were not to my mind referenced in his letter. However, at the time I had no reason to doubt that Tim Parker's summary was accurate or complete, or that the underlying material was consistent with the conclusions set out in the letter. I also subsequently understand in documents that have been disclosed by Inquiry that Jonathan Swift QC reviewed the letter and was content with it before it was sent to the Minister.

230. I do not know why Tim Parker decided not to provide a copy of his letter of 4 March to the Board, or why it did not more fairly reflect the sentiments of the Swift Report. In all other respects I found Tim Parker to be an excellent Chair, who cared deeply for POL and gave it a commercial drive and confidence that it had previously lacked. To my mind he was always open about difficult issues with both me and the Board, and sought to address them head-on, which makes

the lack of disclosure in this instance all the more surprising. But in the event, and as I have described above, the commencement of the litigation then became the dominant issue and Tim Parker's review fell off the agenda.

Audit, Risk and Compliance Committee

231. The functions and responsibilities of the ARC are accurately encapsulated in the description of the ARC set out in POL's Annual Report and Financial Statements for 2015/2016 (POL00103188). The overall responsibility of the ARC was to assist the Board in fulfilling its fiduciary responsibilities by: (i) contributing an independent view on the accounting, financial control and financial reporting of Post Office; (ii) taking all reasonable steps to ensure accurate and informative corporate financial reporting and disclosures which meet appropriate accounting and corporate governance standards; and (iii) providing oversight of POL's risk management systems, including the steps taken to mitigate those risks. There were a number of other additional responsibilities, as set out in the Annual Statement, which also provides an account of the manner in which the ARC had exercised its functions over the course of the year. The ARC had detailed written Terms of Reference, approved by the Board, a copy of which can be found at (POL00240662), page 155.
232. I was appointed to the ARC in the aftermath of a significant financial reporting error on the part of the company which had required a restatement of the prior year's accounts and delayed approval of the accounts for that year. That issue had understandably been viewed very seriously by the Shareholder Team, the Department and Baroness Neville-Rolfe. My first meeting was on 22 January

2016, and I remained on the ARC until I left the Board in early 2018. My role in attending the ARC was essentially the same as the other Board members. I would read the papers submitted in advance of the meetings. I would contribute to discussions and decision making. I would question the Executive in relation to the information presented to the committee and I would participate in the approval of the annual accounts on behalf of the Board, which was one of the core functions of the ARC.

233. As explained in the Terms of Reference there were specific tasks reserved to the ARC, of which one was the approval of the annual accounts, but the Board could also delegate particular tasks to the ARC if it considered that they fell within the ARC's specialist expertise. In relation to an issue such as the Horizon litigation, the sort of question that might be reserved to the ARC would be whether the company's exposure should be included in the accounts as a contingent liability.

234. I joined the Committee at the same time as Carla Stent, who was its new Chair, and the newly appointed Senior Independent Director Ken McCall, both of whom remained in that post beyond the end of my tenure. I thought that the ARC was well-chaired and effective in discharging its terms of reference. Carla Stent led robust discussions in which everyone was encouraged to participate and she seemed to be very engaged with the Executive team outside of meetings, and who were therefore well prepared. Overall, I thought that Carla Stent was particularly effective in making progress on how risk was thought

about by the company and how it was presented, although I do not remember many of the specifics some years on.

235. Given the circumstances surrounding my appointment to the ARC I was particularly focussed on reporting and financial controls and I considered that the ARC oversaw some positive developments in this area. The new CFO, Al Cameron, undertook a programme of improvement in the company's financial control mechanisms, including a requirement that everyone in the business who provided him with financial information had to personally attest to its accuracy. I thought that was a positive development and it seemed to me that the company's financial and risk reporting continued to improve over time.

236. However, looking back at the ARC papers now, it is clear that the Horizon issue, both prior to and during the litigation, does not feature very extensively in the work of the ARC during my tenure. The Chair was primarily responsible for setting the agenda, in consultation with the Executive, and will be better placed than me to provide the reasons for that; but from my perspective it was difficult to crystallise and/or quantify the risk to the company posed by the Horizon dispute and how that might be reported in the accounts. As noted below, for most of my tenure the issues associated with the litigation tended to be rather more procedural, making any quantification or judgement of risk quite difficult during that time. Indeed, I note from an email from Jane MacLeod dated 28 June 2018 (POL00041834), provided to me by the Inquiry (i.e. after I had stepped down from the Board), that when Ernst & Young advised that POL's

exposure in the litigation (reported to be £80m - £90m) should be reported, Jane MacLeod opposed that suggestion on the basis that there was no '*substance to that number.*'

237. At each year-end POL would provide the ARC with a Briefing Book to inform its consideration of the annual accounts. As set out in the introduction (POL00103188, page 35) the purpose was to summarise "*key data, trends and analyses which readers may find useful to further their own understanding of the results [for the year]*". The Briefing Books for the years to March 2016 and March 2017 both contained a factual summary of the state of play concerning Horizon. In the March 2016 briefing, for example (POL00103188, page 67) the Committee were informed that Second Sight had found no systemic problem with Horizon; that all cases had now progressed through the Mediation Scheme; and that a claim form had been issued in the High Court but no action was required on the part of the company at that stage. The relevant section in the Briefing Book for the year to March 2017 is at (POL00027914, page 132). An update on the litigation was provided and it was explained (at paragraph 19.20) (POL00027914, page 133) that the claim had not been quantified and so no provision had been made by the company. Those assessments would have been discussed between the Executive and the auditors prior to the Briefing Book coming to the committee, and Ernst & Young would have agreed with the approach adopted by the company.

238. On reflection, whilst the decision as to what was disclosed in the accounts was probably right given the information provided to the Committee at the time (and based on what I knew), as was the comfort taken as part of the external audit process, it is clear now that the ARC should have spent more time interrogating the Executive on Horizon related issues raising any concerns with the full Board.

Instruction of Linklaters and Deloitte

239. At the February 2014 Board meeting, which I attended as an observer, there was a discussion of the progress of the Mediation Scheme, during which the Board decided to commission some legal advice. The decision-making relating to this issue is recorded in the minutes in the following terms (POL00021522):

“It was noted that, in respect of each individual application, the project team were taking extensive advice about the Post Office’s potential legal exposure. However, it was acknowledged that, in light of the facts now available, and the projected level of legal claims and costs, it would be sensible to commission more generic legal advice on the overall level of legal and financial disclosure (taking account of the possibility of class actions). This advice should consider the steps that could be taken to mitigate any exposure including considerations of alternative structures that might be available to deal with the mediation cases. Such advice should have regard to alternative dispute resolution mechanisms, such as the Financial Ombudsman Service.”

240. My understanding is that it was this commission that led to the production of the Linklaters report that was presented to the Board at the March 2014 meeting, at the conclusion of which my appointment of Shareholder NED was confirmed. I am not able to provide any insight into the rationale for the commission beyond what is recorded in the minutes although I do find it understandable that the Board would want to understand the level of financial and legal risk the company was potentially facing given the numbers emerging from the Mediation Scheme – it is their duty to do that, on behalf of the Company. I also recall, not necessarily from that meeting but perhaps shortly thereafter, that references to alternative dispute resolution procedures were a reaction to a Mediation Scheme that was already suspected to be in trouble and not likely to bring the closure that the company and sub-postmasters were hoping for.

241. The Linklaters report was circulated to the Board in advance of the March 2014 meeting under cover of a paper by Chris Aujard (POL00105529). Although I was not appointed as a NED until the end of the March 2014 meeting I am confident that I received the Board papers in advance and will have read both the Linklaters report and Chris Aujard's covering paper. Chris Aujard's paper noted that:

"In preparing their advice, Linklaters have, in effect, made the working assumption (which we believe to be correct) that there is nothing 'wrong' with the Horizon system." He identified one of the key conclusions of the report as being, "There can be no question of a claim for consequential losses [by an SPMR] based simply on the recovery by the Post Office of

losses [i.e. the amounts that POL believes were owing to it] if the losses were properly payable and the Post Office was entitled to the money”.

The Board was invited to ‘note’ the report and that steps were being taken to, “...develop options for the future of the Scheme and or alternatives to it.”

242. I do not recall having any strong reaction to Chris Aujard’s papers or to the report itself when I read them in preparation for the March 2014 Board meeting. I thought that the report provided some useful background as to the legal relationship between sub-postmasters and POL, which was often misinterpreted as an employer/employee relationship. I did not find any of the conclusions expressed to be particularly concerning or surprising. The conclusion that POL would not be liable for consequential losses flowing from the recovery of money that was properly owed to POL struck me as largely self-evident if, as was suggested, the Horizon system was working properly.

243. I have some limited recollection of the March 2014 Board meeting at which the Linklaters report was discussed (POL00021523). I recall where I was sat at the meeting, and I was there along with Susannah Storey. I recall being formally appointed to the Board at the end of the meeting. As Shareholder NED designate I do not think I contributed particularly to any discussion during the meeting given that I was not at that stage a formal member of the Board. As noted in the minutes, I did however make a contribution on the issue of executive remuneration and the specific nature of my shareholder role (which I have described in more detail above).

244. I recall that my appointment to the Project Sparrow Sub-Committee was confirmed at the end of the meeting. I note that Christa Band of Linklaters attended the meeting and spoke to the report but I do not have any clear recollection of the discussion, and I do not recall any concerns being expressed about the conclusions reached in the report. I have reviewed the minutes of the Project Sparrow part of the meeting and what is recorded there is consistent with my understanding of the background to the Horizon issues at that point. The general feeling on the part of the Board was that the Mediation Scheme was facing significant challenges and it wanted to obtain an understanding of what the options might be for taking matters forward.

245. The Board decided that there should be a further piece of work commissioned in this regard and that decision is recorded in the minutes in the following terms; *“The Board agreed that they needed to commission a piece of work, to complement that undertaken by Linklaters, to give them and those concerned outside the Business, comfort about the Horizon system. The Business was asked to revert with the terms of reference and timescale for the work which should cover: The work undertaken by Angela Van Den Bogerd explaining ow the system works; A review of the data integrity aspects of the system; A reference to all audits and tests carried out on the system; A response to the most significant thematic issues raised by Second Sight.”* I am unable to add anything to the record of the decision to commission what I understand to be the Deloitte report beyond what appears in the minutes. At this point I was yet to be formally appointed to the Board and I was there to observe the discussion.

As far as I can recall, it seemed that the further work commissioned by the Board was sensible and appropriate, and I do not recall having any concerns about the decision.

246. The minutes go on to record that the terms of reference for the further piece of work should be "*tested with Linklaters to ensure that this work would satisfy them as evidence that Horizon is reliable and then agreed by the Board Sparrow Sub Committee*". I do not now recall being provided with draft terms of reference to approve in the period between the March 2014 Board meeting and the circulation of the draft Deloitte report at the end of April, but it is possible that draft terms of reference were circulated to the members of the Sparrow Sub-Committee as envisaged by the minutes and we provided our approval by email. I assume that the terms of reference were also 'tested' with Linklaters, although I have no recollection of being aware of that being done at the time. I have been provided with a document by the Inquiry (POL00022093) which appears to be a paper prepared by Linklaters on 28 March 2014 setting out options for the scope of the further report, but I do not recall being sent this document at the time and I do not know what further input Linklaters had into the formulation of the terms of reference.

247. I was however party to further discussions as to the further work Deloitte would undertake, in a series of emails between members of the Sparrow Sub-Committee between the 9 and 14 May 2014, which further refined the scope

including the question of whether to examine Horizon Legacy in addition to Horizon Online.

248. As to that specific question of why Deloitte came to be initially instructed in respect of Horizon Online but not Horizon Legacy I am not able to provide any insight into that aspect of Deloitte's terms of reference. I do not recall a specific decision, by me personally or the Sparrow Sub-Committee as a whole, to restrict the terms of reference in that way; nor do I recall any advice being given by Linklaters to that effect. At this point I had only been very recently appointed to the Board and had limited knowledge of the background to the Horizon issues that had been going on for a number of years by that point. I do recall appreciating the difference in the two systems when seeing Deloitte's Executive Summary of 29 April 2014, and as noted above the Sparrow Sub-Committee or Board did then go on to consider that issue (as acknowledged in Chris Aujard's email to the Sub-Committee of 9 May 2014 (UKGI00018921)). However, the initial terms of reference for Deloitte would appear to have been settled at some point shortly after the March 2014 Board meeting at which I was appointed and I suspect that, if I did see draft Terms of Reference, I would have taken my lead as to their adequacy from the more experienced members of the Sparrow Sub-Committee and Board. I also note that the commission from the Board seems to have been directed at how the Horizon system was working at the time ('how the system works' etc) and so as noted above I doubt that the distinction between Horizon online and Legacy Horizon would have resonated with me at that specific time.

249. I recall an update being given at the Sparrow Sub-Committee meeting on 9 April 2014 to the effect that Deloitte had been commissioned to produce a piece of assurance work relation to the Horizon system (POL00006565). The work was described to the Sub-Committee as a largely desk-based exercise (Part 1) with a potentially larger exercise (Part 2), depending on the findings of Part 1. I do not recall whether terms of reference were provided to, or discussed by, the Sub-Committee at that meeting.

250. I recall being pleased that a firm of Deloitte's calibre was looking into Horizon. Having previously worked at Deloitte myself, I felt that those who would be conducting the review on behalf of Deloitte would be likely to have the required expertise and qualifications to undertake the review, and to approach the exercise with rigour and independence. I did not know any of the individuals working on the review and my impression was a general one based on my experience of the firm and its reputation.

251. On 29 April 2014 the Board was sent an email (POL00203586) in which Lesley Sewell and Chris Aujard informed us that Deloitte had recently been commissioned to "*consider whether our current assurance work covers the key risks relating to the HNGx processing environment*". A summary of the draft report was attached to the email and we were told that, "*Recognising that work of this nature cannot give total assurance, the Board can take comfort from the initial findings that the work undertaken on the IT Control Environment, HNGx Implementation and Specific Risks is comparable with similar organisations,*

and that in particular the IT control environment adopts best practice." It was explained that POL intended to continue working with Deloitte with the aim of providing "*greater comfort*" and that the full report was expected in May.

252. As far as I recall the document attached to the email is the document at (POL00203587) described as a draft Executive summary providing "*emerging findings at 29/04/14, subject to completion of Deloitte work.*" The document was short at five pages long and marked as subject to legal privilege.

253. I remember being at the meeting but I have reviewed the minutes of the Board meeting and I am afraid that, ten years later, I am unable to provide any further detail as to what transpired at the meeting beyond what is captured in the minutes. Gareth James, a partner at Deloitte, attended the Board meeting along with POL's General Counsel, Chris Aujard and the effect of the advice given by Gareth James is recorded in the minutes in the following terms, "*all the work to date showed that the system had strong areas of control and that its testing and implementation were in line with best practice*" (POL00027411). Although I had only been in post for a few weeks and was not yet in a position to formulate any firm views about the matter, Gareth James' assessment was consistent with the information relating to Horizon that I had been given by that point and my general understanding of the background. I considered it to be reassuring and do not recall hearing anything at the meeting that set alarm bells ringing as far as Horizon was concerned.

254. I note that Chris Aujard made a contribution to the effect that Deloitte's work would be valuable in addressing concerns expressed by some postmasters regarding 'phantom' transactions and I have some recollection that he was keen for the report to be published or disseminated in some way to provide some reassurance in this area. I recall that this was an issue which also came up at the Sparrow Sub-Committee that took place on the same day.
255. I have reviewed the minutes of the Sparrow Sub-Committee meeting on 30 April 2014 (POL00006566) and it would appear as though the discussion of the Deloitte and Linklaters reports was limited to the issue of dissemination. At that point, the view of the Committee would seem to have been that the Linklaters report should not be disseminated in its current form because it was too long and complex, and needed to be condensed into a clearer and more accessible document if dissemination was to serve a useful purpose. As for the Deloitte report, all we had at that stage was a draft summary of 'emerging findings' which were said to be subject to further work and so dissemination seemed to be premature (POL00006566).
256. I note from the documentation with which I have been provided that the Board was sent further iterations of Deloitte's report over the course of the following few weeks. There is a 'Board Summary' marked as a draft and dated 16 May 2014, which is entitled 'HNG-X: Review of Assurance Sources' and is said to be a subject to a final report (POL00138364). I have no specific recollection of receiving this Board Summary but I may have done and I note that the first of

the key findings set out by Deloitte is that *“Nothing has come to our attention to suggest any deficiencies of significance in the design of the Horizon system.”*

257. At the next Board meeting, on 21 May 2014, the final version of Deloitte’s Part 1 report had yet to be provided. I note that the minutes (UKGI00019316) state *“The Draft Executive Summary of the Horizon Assurance Review, prepared by Deloitte, had been circulated to the Board”*. I take that reference to mean the document referred to above of 29 April, which was sub-titled “Executive Summary – Draft” and not the document of the 16 May, which was sub titled “Board Update”. The minutes also go on to note that Deloitte’s review would be considered at the next Sparrow Sub-Committee meeting, which was due to take place a few weeks’ later on 6 June 2014.
258. On 4 June 2014 the Board was sent an email (POL00138401) from Lesley Sewell and Chris Aujard attaching a document described as ‘Project Zebra – Board Briefing 040614’ (POL00138402). The email from Lesley Sewell and Chris Aujard noted that the Deloitte briefing was *“heavily caveated”* and that Deloitte has set out a number of limitations and assumptions that underpinned their findings. That said, they drew the attention of the Board to what they presented as Deloitte’s key findings, which included:

“Deloitte has “not become aware of anything to suggest that the system as designed would not deliver the objectives of processing baskets of transactions and keeping copies of them in the Audit Store with integrity”;
and *“Deloitte’s review of “extensive operational documentation”*

identified features in Horizon “*which if implemented, would support the robust operation of the system*”.

259. This particular email and document causes me a great deal of discomfort now. I have included my reflections on the missed opportunity that this generated further below. I do not have any direct recollection of receiving this email and the attached Board Briefing but I note that I am one of the addressees on the email and I have no particular reason to doubt that it was sent or that I received it. I recall receiving a call from Tom Cooper in 2020 whilst he was preparing for the BIS Select Committee asking me about a Deloitte Board Briefing from June 2014 that mentioned Balancing Transactions. I recall acting with surprise as the only Deloitte report I remember seeing was the one from the Board meeting on 30 April. In addition, I would ordinarily pass on significant correspondence of this nature to Peter Batten, sometimes with some comments reflecting my views on the material, but on subsequently searching I could not find any record of having done so on this occasion.
260. Whatever may have happened, it is not clear to me why there is no reference to the Deloitte Board Briefing in the minutes of the meeting of the Sparrow Sub-Committee meeting on 6 June 2014 (POL00205498), which would seem to be an obvious opportunity to discuss a document of this nature circulated only two days previously. I do have some recollection of a discussion at around this time as to whether Deloitte’s reporting could be publicised, or otherwise disseminated in some way, and that Deloitte were not prepared to allow that to occur given the limitations of the exercise that they had carried out. I do not

recall having strong views on this issue at the time probably because, having worked for Deloitte, I was aware that they were very risk averse and would be very strict that their professional opinions would go no further than their engaged client, and so I doubt I would have been surprised at the stance that they took.

261. It is also surprising that the Board Briefing does not appear to have been discussed at the Board meeting on 10 June 2014 (POL00021526), at least according to the minutes. I note that POL's General Counsel prepared a Board summary (UKGI00002376), apparently for the forthcoming Board meeting on 10 June 2014, but dated 6 June 2014 (and received from the Company Secretary *after* the Sparrow Sub-Committee of the same day), which provided a summary of Deloitte's work up to that point.

262. The essential conclusion of that summary was that a line should be drawn under the Deloitte exercise on the basis of Deloitte's view that a lot of further work could be done which may well not yield any further insight and that "*For the avoidance of doubt Deloitte are not recommending that any further "backward looking" review of the Horizon system would be appropriate*". In fact, in discussions with Chris Aujard, he reported that Deloitte said "*One could thus to a lot of work and not be any further forward*" but Chris added that the question of further work would "*be brought to the ARC (or Board) via the R&CC*". I am not sure if any such discussion took place (and I was not on the ARC at the time, nor on POL's Risk and Compliance Committee, which was an Executive committee).

263. The 10 June 2014 Board meeting took place during a strategy away day which may have reduced the formality of the meeting and led to parts of the meeting being minuted less thoroughly than usual. In any event, the minutes do not record the General Counsel's summary being presented to the Board or any discussion of its contents and I cannot now recall whether any such discussion took place. I cannot recall the Deloitte report being discussed at any subsequent Board meetings, including those that took place in July and September 2014.
264. On reflection, having now considered the report for the purposes of preparing this witness statement, and having obtained a copy and read it shortly after my telephone call with Tom Cooper, I can see that the Board Briefing document has a number of passages that I should have regarded as significant with regard to Balancing Transactions and digital signatures, notwithstanding the relatively comforting covering email which repeated aspects of the report, such as Deloitte having "*not become aware of anything to suggest that the system as designed would not deliver the objectives of processing of baskets of transactions and keeping copies of them in the Audit Store with integrity*".
265. It represents a significant missed opportunity to probe further into the issue of how the branch accounts could in fact be altered *without* the sub-postmaster being aware. Notwithstanding the fact that it was sent to the Board, and it may be that other Board colleagues took comfort from the covering email by Lesley

Sewell and Chris Aujard and/or the paper prepared by POL's General Counsel for the June Board meeting, the Board should have discussed it.

Conduct of Private Prosecutions

266. By the point I took up my position as Shareholder NED in early 2014, I felt that a line had been drawn under the issue of prosecution of sub-postmasters by POL. When attending as an observer alongside Susannah Storey, I had observed at the Board in February 2014 (POL00021522) a discussion about POL's Prosecution Policy but I had no real awareness, at that stage, of the background or what had led to the change in approach other than what was set out in the accompanying Board paper. My understanding was therefore limited to a general awareness that POL had decided to significantly reduce the scope of its prosecution activity and to focus only on particularly high value or particularly egregious cases. The impression I got was that there had been an overhaul of the POL prosecution policy by a new Board that was beginning to assert itself in the newly separated POL, and do things differently than POL had had to do under the ownership of Royal Mail. I did not get the impression that this necessarily had much to do with the Horizon issue, but for obvious reasons the Board seemed mindful of that connection.

267. As part of that paper and those discussions, I understood at a general level that the change in policy had been informed by a review undertaken by Cartwright King, which had itself been reviewed by a senior barrister, Brian Altman QC. I did not know the detail of the work that had been undertaken in the course of those reviews and I do not recall seeing any documentation relating to them,

but the general impression I got was that the findings had been reassuring as far as POL's approach to past prosecutions was concerned and that the adoption of a new prosecution policy was sufficient to address the issues that had been identified. As part of that review I understood that Brian Altman QC had labelled POL bringing its own prosecutions to be "*anachronistic*" and indeed there were a only a limited number of examples (mostly from Government) of where other organisations did the same.

268. I was not told anything about advice to the effect that unreliable expert evidence had been called by POL in support of historic prosecutions, or that there were unresolved concerns about whether POL had discharged its disclosure obligations (I understood that the Second Sight Interim report had been shared with relevant defence teams). For clarity, I do not recall the discussion at the Board mentioning issues around unreliable witnesses either, nor their specific names being mentioned. I have noted that on re-reading the Linklaters report presented to the March 2014 Board and provided to me by the Inquiry that the names of Gareth Jenkins and Anne Chambers were mentioned as witnesses, but such references were in passing in a paper about the contractual relationship between POL and sub-postmasters (and not prosecutions), did not raise any concerns about them, and so would not therefore have prompted any queries on my part, nor any memory of their mention. I have no recollection of reading their names at the time, and in effect, I first heard of them as part of the GLO proceedings.

269. As a new member of the Board I did not perceive there to be any significant concern on the part of my more experienced colleagues as to the POL's current or historic approach to prosecutions. The focus of the Board's attention by that time, as far as Horizon was concerned, was on the Mediation Scheme and I understood that this was intended to be the mechanism for addressing the outstanding concerns about Horizon. I cannot now recall the detail of my knowledge at the time but I have some recollection of being aware that the Mediation Scheme provided scope for the investigation of past prosecution cases, even if those cases did not proceed to mediation themselves.

270. I do not recall being particularly troubled by the idea that POL was able to act as a prosecuting authority. I had no experience of criminal prosecutions in general, or the ability of large organisations such as POL to act as a prosecuting authority in particular, and as far as I can recall I just assumed that this was just the way that things were done. I note from some correspondence with Laura Thompson in March 2015 that I had a general understanding that POL operated in the same way as local authorities when it came to bringing prosecutions (UKGI00019690) but I do not recall my understanding ever becoming more developed than that. In any event, it was apparent that POL was intending to reduce its prosecutorial activity substantially in accordance with a new policy which had been developed over the course of the preceding few months, and which brought POL more into line with commercial practice of the private sector.

271. One of the documents provided to me by the Inquiry is a Prosecutions Policy Briefing (UKGI00002202) sent to the Board by Alwen Lyons on 28 February 2014 (UKGI00002196). I have reviewed this document and although it predated my formal appointment as Shareholder NED it accurately captures my understanding of POL's position in relation to prosecutions at the time of my appointment. It describes the adoption of a new prosecutions policy by POL to be published on its website in the interests of transparency. The description of the background to the new policy included the following:

"As a responsible business we undertook this review as part of our response to concerns raised about our prosecutions policy by some stakeholders, and in order to clarify our position on prosecutions...Very few prosecutions are taken forward each year – approximately 50, which equate to 0.1pc of all those who work in the network...Where subpostmasters, current or past, have felt unfairly treated as a result of Post Offices processes we have set up a mediation scheme to seek to resolve such issues."

272. In those circumstances, and in general terms, the issue of prosecutions was not one that seemed to me, at this point, to carry any particular urgency or significance. My general understanding was that any prosecutions would have been resolved through the due process of criminal courts and that convictions would have been the result of either guilty pleas or the prosecution proving its case to the required standard to the judge and jury. I do not recall having any reason to think that any historic convictions were unsafe and, as far as I was

aware, there had been no successful appeals against convictions, indeed, when I asked the question of POL early on in my tenure, I was told there had been no appeals at all. It also seemed to me that criminal prosecutions were for the Courts to resolve and that it was neither appropriate nor desirable for my branch of Government to intervene in proceedings of this nature.

273. In the period following my appointment to the Board I had the consistent impression that POL had effectively ceased all prosecutorial activity. A new policy had been formulated and approved by the Board in February 2014 and it was to be reviewed annually as required by the policy itself. As far as I was aware prosecutions then dropped very substantially and I note that the papers prepared by POL for the ARC meeting January 2017 include a reference to the fact that POL had recently undertaken very few prosecutions and none at all in 2016-2017 (POL00247018). That being so, the conduct of current prosecutions did not seem to me to be a pressing issue and, as far as historic prosecutions were concerned, I understood that there had been a review in 2013 by Cartwright King and Brian Altman QC, which had been reassuring, and that any outstanding concerns regarding past prosecutions were for the courts to address, not the Board or the Shareholder.

274. I do not recall having any significant involvement in determining whether POL should continue to prosecute. As I have explained, the new prosecutorial policy required that it be reviewed and approved annually, and I have some recollection of being involved in that annual review process through my position on the ARC and Board. However, each time the policy was brought back for

review and approval it was in the context of the policy having been formulated in light of the extensive review in 2013 undertaken by Cartwright King and overseen by Brian Altman QC, and I do not remember the Board having any reservation about renewing approval for the policy. There is an example of the annual review process in the minutes of the January 2016 Board meeting (POL00125814) which records that the General Counsel introduced the 'new Prosecutions Policy proposal' which was noted by the Board, with accompanying policy having been presented in the Board pack for that meeting.

275. As to the Inquiry's question of whether I thought it appropriate, during my tenure as Shareholder NED for POL to continue to bring prosecutions against sub-postmasters (and Crown employees) I have explained above that my understanding was that few, if any, prosecutions were being brought. I was also aware that, were any prosecutions to be brought they would be subject to the new prosecutions policy that had been formulated in 2013/14 and had involved an extensive programme of work with advice from criminal law specialists. I do not recall being made aware of any concerns regarding any prosecutions brought during my tenure as NED. In short, therefore, I had no reason to doubt the appropriateness of POL's current prosecution policy during my tenure as NED, and I did not think it was necessary for me to undertake an assurance exercise to satisfy myself that prosecutions were being brought in compliance with POL's legal obligations. POL frequently stressed their adherence to those legal obligations.

276. Although I do not recall any concerns being brought to my attention regarding current prosecutions, I was aware, of course, that there were a number of sub-postmasters who were asserting that they had been wrongfully convicted and concerns of this nature were raised frequently by the JFSA, by MPs including James Arbuthnot MP and in the media. From my perspective, allegations of historic miscarriages of justice were troubling but I could not see what role I could play in addressing those allegations, whether as a member of the Board or as part of the Shareholder Team, unless evidence was presented to demonstrate that convictions were unsafe. Indeed, even if such evidence were to exist then I would not have regarded myself as the person best qualified to assess it and would have assumed that the appropriate mechanism for dealing with the issue would be an appeal.

277. I do not recall the precise circumstances in which I became aware of the involvement of the CCRC in early 2015 although it was probably at the January 2015 Board meeting, where the minutes show that "*Mark Davies reported that the Business had received a letter from the Criminal Case Review Commissions (CCRC) asking for Criminal cases involved in Sparrow*" (UKGI00003236). This was followed a couple of days later by a note from Mark Davies to the Board (UKGI00003151) which notes that the CCRC first contacted POL in 2013. I have no recollection of that earlier engagement, nor what prompted the Commission to re-engage in 2015. Mark Davies's note re-iterated that POL has "*not identified anything through the Scheme to suggest a conviction is unsafe and no appeal has been made against a conviction, usually a key prerequisite to a CCRC review*", and so this would have provided the immediate context.

278. I do not recall feeling concerned by the involvement of the CCRC. It seemed to me like a logical next step particularly for those who had criminal convictions, and so did not come as a particular surprise given what sub-postmasters had been saying publicly about the issue. I had previously taken some reassurance from the fact that no one had appealed against their conviction, which I thought would have been a step people would have taken if thought they had been wrongly convicted. I understood the CCRC to be an independent and specialist body, and I assumed that a CCRC investigation would identify any issues with historical convictions that had not been picked up in the course of the proceedings themselves. The fact that the CCRC had opened an investigation did not indicate, to me at least, that convictions were unsafe, but rather that, much like the POL Board, the CCRC wanted to reassure itself that this was not the case.

279. Put simply, therefore, I was pleased when the CCRC became involved. I thought it was good to have an extra pair of eyes looking at the issues, and it seemed to me that the CCRC was much better placed than the Shareholder Team to do so. There was never any resistance from the Shareholder Team about providing information and assistance to the CCRC, although we confirmed with BEIS's legal team that everything could be shared. I recall that Amanda Pearce of the CCRC attended our offices and sat at Laura Thompson's computer for a day to look at all the files we had prepared. We then subsequently provided the CCRC with copies of the records that they had specifically requested. I hoped the CCRC would make quick progress and that,

if the CCRC did not identify any issues, that would go at least some way to drawing a line under the persistent concerns regarding past prosecutions.

280. In light of this background, the short answer to the Inquiry's question of what steps I took to satisfy myself that POL had acted in compliance with its legal obligations in bringing past prosecutions was that I did not take any significant steps to do so other than reviewing the information which came to me either as a Board member or via the Shareholder Team. I understood that the conduct of past prosecutions had been thoroughly reviewed (by Cartwright King and Brian Altman QC) prior to my appointment, that the Board prior to my appointment was satisfied with the outcome of that review, and that (from early 2015) the conduct of past prosecutions was being reviewed by the CCRC. In those circumstances I did not see a role for the Shareholder Team in relation to past prosecutions and, in any event, I would not have regarded myself as qualified to undertake some form of parallel assessment of the extent to which POL had acted in accordance with its legal obligations when bringing historic prosecutions. I do not have any recollection of discussing the CCRC investigation with POL aside from the odd written or oral update about when their review might conclude.

281. My overall approach therefore was simply that the CCRC should be left to get on with its work, and BEIS Legal seemed to agree with that approach, and I took assurance from the fact that these issues were in the "right place".

282. I have been asked to comment on an email that I sent to Michael Dollin, a member of the Shareholder Team, on 7 October 2015 in which I refer to a discussion I have had with 'Mark D', which I believe is a reference to Mark Davies, the POL communications director (UKGI00006122). The background to this exchange would seem to have been a meeting between Michael Dollin and George Thompson of the NFSP. Michael Dollin's email to me providing a readout of that meeting does not expressly address the issue of prosecutions but we worked very closely together and so I expect that I am replying to something he said to me, in addition to the written read out. I was well aware from my own contact with him that George Thompson supported POL's position on Horizon and that he felt that confidence in the integrity of the system was important for the success of the business and, by extension, his members. As I recall it, one of his concerns was that if POL were to adopt the position of stopping prosecutions because of concerns about the integrity of Horizon that would damage confidence in the system and undermine their central message that Horizon was robust.

283. To the best of my recollection, this is the point that I sought to convey to Mark Davies in the meeting that I describe in my email. In short, stopping prosecutions due to concerns about Horizon whilst stating that Horizon was robust and reliable was an inconsistent position for the company to take and would only serve to perpetuate concerns about the integrity of the system. If the company was going to take the position that Horizon was not to blame for any losses on the part of sub-postmasters then it needed to be consistent in maintaining that position. I recognised that the conduct of prosecutions was

essentially a policy and operational issue for POL (albeit one brought to the Board annually) and so, having made the point, I left it to Mark Davies to consider how to best to take the matter forward. In my mind there was a significant difference between not undertaking any prosecutions in all but the most significant cases – which was a position I had no difficulty with – and abandoning prosecutions if the losses were blamed on Horizon, whilst at the same time seeking to satisfy everyone that Horizon was robust and could not be responsible for the losses. For the avoidance of doubt, I was not seeking to encourage Horizon related prosecutions, I was simply pointing out the inconsistency and did not think much more of it given that, as I understood it, very few prosecutions were occurring and any change of policy would have to come back to Board for discussion.

284. I have been asked to provide a full account of the issue discussed in an email from me to Iain King dated 7 July 2016 with the subject 'Post Office and fraud case' (UKGI00006888). My recollection is that this concerns an issue which arose in the course of approving the annual accounts for 2016, and caused their signing to be delayed. As I recall, the ARC was at the point of signing off the accounts when we were informed by Ernst & Young, the auditors, that they had learned of a case of fraud by an ex-sub-postmaster which amounted to c£800,000. I cannot remember the exact detail but the former sub-postmaster was using POL paying-in slips to falsely credit accounts from which he benefitted. The concern being expressed by Ernst & Young was not that the value of the fraud was sufficient to be material for the purposes of the annual accounts, but that they had not been told about it during a recent meeting with

POL's fraud team and this undermined their confidence in the reliability of the information they had been given about fraud by the company generally. In those circumstances Ernst & Young were not prepared to sign off on the accounts as auditors until they had ascertained why they were not told about the fraud and could assess whether they had sufficient confidence in the reliability of the information that they had been given by the company. The issue was primarily the fact that notification of fraud had not been sufficiently escalated.

285. As to the implications of the issue for POL and/or the Government, it was clearly a source of embarrassment to POL and it did result in some delay in signing off the accounts. I will have informed Iain King because he was my counterpart in BIS Finance, and it would have been the Finance team's role within BIS to consider issues of propriety on behalf of the Permanent Secretary in his role as Accounting Officer. From recollection, I think that a delay to POL's accounts might also have had the potential knock-on effect on BIS's own accounts being finalised and laid by the BIS Finance team.

286. I cannot now remember what enquiries were made by Ernst & Young and how they reached the position of being prepared to sign off the accounts but they obviously reached the point where they felt able to do so. There were no direct implications for the Government, which would inevitably have been unimpressed both by the delay and the reason for it. For the avoidance of doubt, neither the underlying issue nor my correspondence with Iain King had anything to do with Horizon or the concerns being expressed by sub-postmasters.

287. To conclude in relation to the conduct of private prosecutions, whereas I have reflected and acknowledged elsewhere in my witness statement, above and below, as to what more I could have done in relation to the matters asked of me by the Inquiry, I do not feel I could have done much more than I did in relation to POL's conduct of prosecutions. As already noted, I felt that a line had been drawn under past prosecutions by the Board prior to my joining, and a more "modern" prosecution policy had been implemented. I know now that the Board was not informed about the Simon Clarke advice in 2013, which I imagine would have made a significant difference to the decisions then made. But I do not feel that it was unreasonable of me to have accepted the result of the deliberations that preceded me, particularly given my lack of experience and qualifications in the area of prosecutions.

GLO Proceedings

288. The threat that litigation would be commenced against POL by sub-postmasters had been present since the start of my tenure as Shareholder NED. The letter from Alan Bates to the Minister in April 2014 (UKGI00002264) had expressed pessimism as to the outcome of the Mediation Scheme and observed that many people thought that the only way the issue would be resolved was through litigation. In December 2014, a firm of solicitors called Edwin Coe had issued a press release stating that a group action was being prepared but in the end nothing appeared to come of this, and I had understood that litigation had been

previously considered before I joined the Shareholder Team via the firm Shoosmiths.

289. In November 2015 the Shareholder Team noted that the JFSA had posted an announcement on its website stating that they were working with a law firm called Freeths to prepare a claim and inviting potential claimants to come forward. A brief note (UKGI00006257) was prepared for the Minister informing her of this development, including some background to the effect that the threat of litigation was nothing new and that claims had been threatened before but had not materialised. I see that I reviewed the note before it was sent (UKGI00006256) and made some amendments with the intention of preventing 'unnecessary wobbles', which was intended to be a reference to the fact the threat of litigation was nothing new and that the Government's consistent line, namely that it would not be appropriate for Government to intervene in litigation between POL and sub-postmasters, remained applicable.

290. In February 2016 I was informed by Mark Davies that Computer Weekly had been in touch with POL to say that the JFSA had secured funding for a claim (UKGI00007165) I asked him to keep me posted.

291. On 13 April 2016 the Shareholder Team noted that the JFSA website had been updated to say that that "*High Court proceedings have been issued against POL*" (UKGI00020223) and, later the same day, the Shareholder Team was informed by POL that it was in receipt of a letter from Freeths confirming that

legal proceedings had been issued (UKGI00006646). We informed the Minister immediately, before following up on 3 May 2016 with a submission which noted that the Minister had discussed the letter of claim with Tim Parker at a meeting and that it was going to be discussed at next Board meeting (UKGI00006692). We advised the Minister that the litigation was essentially an operational matter for POL to address but we considered it important that the Department be kept fully informed and on 6 May 2016 I wrote to the BEIS legal team (UKGI00006708) explaining that as the Horizon issue was now “*moving into legal territory*” and that more regular updates between our respective team may be required.

292. As anticipated, the litigation was discussed at the POL Board meeting on 24 May 2016 (UKGI00006798). POL’s General Counsel provided the Board with a verbal update about the litigation. The Board was told that the Letter of Claim had identified no new areas of concern which had not previously been raised during the mediation process, and that the legal team that POL had recruited solicitors with detailed experience in the relevant areas. The Shareholder Team was not involved in POL’s engagement of Bond Dickinson as this was an operational matter for POL but I saw no reason to doubt their suitability to deal with the litigation on POL’s behalf – I felt that was a decision for POL’s management to make.

293. From my perspective, the service of the Letter of Claim meant that after two years of trying to bring the Horizon issues to some form of resolution acceptable

to the parties, the court would now be the final arbiter and provide a conclusive answer to the outstanding questions relating to Horizon. I had two principal thoughts at this stage. The first was that the commencement of litigation had confirmed what I had long suspected, which was that unfortunately litigation was likely to be the only realistic way for this intractable dispute to be resolved. Second, now that litigation had commenced, the conduct of that litigation was an operational matter for POL and its legal team to manage. It was therefore neither practicable, nor appropriate, for the Government including the Shareholder Team to seek to involve itself in that process.

294. On 29 July 2016 the Board received a written update on the litigation from POL's General Counsel, Jane MacLeod (UKGI00006959). She explained that a formal response to the letter of claim had now been sent, which she described in the following terms:

“As mentioned in my briefing at the May board, on 28 April Freeths had sent to us a lengthy Letter of Claim. Bond Dickinson (on our behalf) responded to this last night. The response letter (which runs to 99 pages) provides a detailed rebuttal to each and every issue raised in the Letter of Claim and was discussed at length within Post Office and has been reviewed by our QC Tony Robinson. While none of the allegations set out in the Letter of Claim are new and we are not relying on any new information in our rebuttal, the tone of our response is more assertive than we have used previously...”

295. Over the course of the next 18 months or so, the POL Board would receive regular updates about the progress of the litigation from POL's General Counsel, Jane MacLeod. I do not recall the Board receiving any updates directly from POL's solicitors, Bond Dickinson, during this period. To the best of my recollection all updates were provided by Jane MacLeod. These updates were generally delivered verbally at Board meetings and would focus on key procedural developments, what was expected to happen in the next phases of the litigation, and the overall strategy. My recollection is that there seemed to be very little progress made during this period, although I had very limited experience of large-scale litigation of this nature and had never previously had any involvement in (or oversight of) a large group action. I had the impression that the procedural progress of the claim was conventional, but very slow.

296. The minutes of the Board meetings from May 2016 to March 2017 (UKGI00006798) are consistent with my recollection and demonstrate that relatively limited information was being provided to the Board about the progress of the litigation and relatively limited discussion was taking place. However, as I have explained, I did not think that the Board was being kept in the dark and I understood the relatively limited flow of information to be due to the fact that relatively little of substance was happening in relation to the litigation.

297. I have been asked to review the minutes of the ARC meeting of 30 January 2017 (POL00247182) and to describe the discussion of the GLO proceedings that took place at that meeting. I do not now have any direct recollection of that

meeting, or of that aspect of the discussion in particular, but I have no reason to doubt the accuracy of the summary in the minutes: “GC gave an update on Sparrow. The Group Litigation Order had been heard by the Court. The initial hearing went as well as could be expected, with the court requiring a high level of information from the claimants. The next procedural hearing would be in October but it was not expected that any substantive matters would be heard before next year.” In general terms this is typical of the general procedural update that we would receive from the GC from time to time both on the ARC and at the full Board, with the next milestone always being seemingly quite some time away.

298. We were informed that, on 27 March 2017, a Group Litigation Order had been made and that date had been set for a Case Management Conference in October 2017 (POL00027188). As far as I can recall nothing of any substance relating to the litigation was brought to my attention over the course of the next several months and I note, for example, that the minutes of the Board meeting on 25 July 2017 (POL00021549) make no reference to any discussion of the litigation at that meeting, and I do not recall any such discussion taking place.

299. There was, however, some reference to prosecutions at this meeting, which appears to have come up in the course of the discussion about the financial performance report for June 2017. I note that the CEO is recorded to have intervened in the discussion to explain that, “*the decision not to prosecute agents if they could use the Horizon system as a defence would be*

reconsidered once Deloitte had completed their work on Horizon and could be used in court as an expert witness." I do not now recall this intervention or what prompted the CEO to make it during a discussion of the June 2017 financial report. Looking at the minutes now this strikes me as an odd intervention by the CEO because that was not my understanding of the prosecutions policy being followed by POL.

300. In the papers for the ARC meeting in January 2017 (POL00247018) we had been informed by POL (at page 100) that "*Over the last few years Post Office has undertaken very few prosecutions by contract [sic] with its previous practices – none have been brought to date in 2016-17. This lack of appetite has been observed by the agency network....Post Office has a Conduct of Criminal Investigation Policy which sets out the procedure to manage prosecutions.*" My understanding, therefore, was that POL was not currently prosecuting but that it had a settled policy to follow if it were to do so. I am not able to offer any further insight into the thinking behind this intervention by the CEO.

301. On 20 October 2017, Jane MacLeod provided a written update to the Board (POL00103314) by which she informed us that a trial had been set for November 2018 to deal with 'issues relating to the postmaster contracts'; that the deadline for new claimants to join the action had been extended to 24 November 2017; and that various procedural directions had been made concerning disclosure and the selection of lead claimants.

302. The update in relation to the litigation we received at the POL Board meeting on 23 November 2017 (UKGI00042836) was typical of the type of high-level procedural update that we would be given as to the progress of the litigation. Paragraph 9 of the minutes records the following by way of an update about the litigation: *“JM provided an update on the outcome of the Case Management Conference held on 19 October and outlined the dates set for future hearings. She noted that the judge had indicated that the court dates would not be set by reference to counsel availability. This posed a potential issue for Post Office in relation to the court hearing in November 2018 as the lead counsel may not be available due to another trial, and advised that contingency plans were being developed.”*

303. I did not get any sense from POL that the stance it was taking in the litigation was in any way controversial or unreasonable. In November 2017 I learned that an article had appeared in the law gazette which suggested that the Judge dealing with the claim had threatened POL with draconian costs penalties and I sent the article to Jane MacLeod saying that I was concerned and asking what POL's costs exposure might be (POL00041544). I cannot now recall the precise terms of her reply but from documents provided to me by the inquiry that she obtained advice from the external legal team in which Andrew Parsons confirmed that, *“My and Tony's view is that the substantive positions we are taking are reasonable....We are not getting credit for the reasonable stances we are taking and so need to work harder in getting our proposals out to Freeths*

at an early stage." (POL00041544) I expect that something to that effect was fed back to me.

304. Accordingly, the extent of my oversight of the litigation, both as a member of the Board and in my shareholder role, during the period from April 2016 to the end of 2017 was limited. As I have outlined above, there were four principal factors that influenced my approach. First, the position consistently expressed by POL was that there was nothing new in either the Claimants' allegations or POL's response, and the company was confident in its position. As noted above, this position was reinforced in my mind by the Parker Review and the letter of the 4 March 2016, therefore I felt Post Office was entering the process from a position of confidence. Second, the procedural progress of the litigation did not seem unconventional given my limited experience albeit it was very slow, and the position being taken by POL did not strike me or as I recall other Board members as being unreasonable; there were no substantive issues to be decided at this stage. Third, I considered the management of the litigation to be an essentially operational matter for POL and its external legal team and that it would not be appropriate for the Department to intervene directly in the conduct of litigation of this nature at this stage. Fourth, I was keeping the Department's legal team up to date with the progress of the litigation and it was not being suggested to me that any further oversight or intervention was required.

305. By early-2018, and as the Common Issues trial began to loom larger on the horizon, it was felt by the Board that it needed to be more proactive in understanding and, to the extent appropriate, overseeing the litigation. To this

end a litigation sub-committee was established January 2018. As I was soon to be stepping down as the Shareholder NED, it was agreed that my successor, Tom Cooper, would sit on that committee as Shareholder NED designate prior to formally taking up his appointment in March 2018.

306. On 4 February 2018, the Board received a written update from Jane MacLeod (POL00103333) concerning a recent procedural hearing that had covered a variety of issues including disclosure and the identification of issues of fact. Jane MacLeod said that POL was pleased with the outcome of the hearing and that there would be a further procedural hearing later in February. There was nothing in this update that gave me any cause for concern and I continued to have the impression that the litigation was at an essentially procedural stage and all was proceeding as expected.
307. Although I had largely stepped back from oversight of the litigation by this stage, as part of my handover to Tom Cooper, I did have some involvement in the establishment of a protocol for sharing information (including privileged information) concerning the litigation. I produced a first draft of a submission explaining the need for a protocol in mid-February 2018 and, on 16 February 2018, I wrote to Patrick Bourke proposing a meeting between Jane Macleod and Elizabeth O'Neill (the UKGI General Counsel) in order to, "*put in place some more formal protocols to ensure that UKGI/BEIS are sufficiently patched in to what's going on, and to ensure that as POL's accounting officer, the Perm Sec is content*" (UKGI00020855). The reference in that email to other litigation in which the need for such protocols had been identified was to the Magnox

litigation, where a number of lessons had recently been learned in this area. I did not attend the meeting but I was copied in to a read out on 27 February 2018 (UKGI00020885) which suggested that POL had been reluctant to agree to information sharing protocols.

308. On 18 May 2018 I drafted a submission to Alex Chisholm concerning the Horizon litigation (UKGI00019311). This is a document which I prepared after Tom Cooper had become the Shareholder NED and was effectively the last piece of substantive work I completed before leaving the Shareholder Team. The document provided an update on the implementation of the litigation protocol and reflects the fact that, as I understood it at the time, there were difficulties in agreeing and implementing the protocol.
309. This is the context of my email to Tom Cooper of 7 June 2018 (UKGI00008139) in which I advise that the issue be escalated to Paula Vennells as "*it's constant defer defer defer.*" By this stage nearly four months had passed since I had first explained to POL's legal team the need for an information sharing protocol to cover the litigation and there was still no agreement. My perception was that this delay was the result of POL dragging its feet on the issue and deferring its agreement to the proposed protocol, but Tom Cooper was more closely involved in the issue by this stage and will be able to give a more accurate perspective. I understand that the protocol was eventually agreed shortly after this exchange of correspondence.

310. I do not recall thinking at the time that POL's delay in agreeing a protocol was because it wanted to avoid Board and/or Shareholder scrutiny of its handling of the litigation, although it is of course possible that this may have been part of the reason for the delay. My sense was simply that it was typical of the approach of the company, and Jane MacLeod in particular, to what it perceived as Shareholder interference in operational matters and reflected a failure to understand or accept that, as Accounting Officer, the Permanent Secretary was ultimately accountable to Parliament for matters such as the GLO proceedings, and so needed to be kept properly informed.
311. I stood down from my position as Shareholder NED at the POL Board in March 2018 (UKGI00018134). Tom Cooper was appointed as Shareholder NED at the same meeting. I left the Shareholder Team in May 2018 and so by the time the Common Issues trial started later in 2018 I was no longer dealing with POL related issues beyond the occasional email to access my corporate memory. I was not sighted on the litigation strategy being pursued at this point or any advice that was being given as to the merits of POL's position.
312. I have been asked to comment on the 'communications policy adopted by POL in respect of the GLO' and why I considered that communications policy to be appropriate. I do not recall giving much thought to POL's communication policy concerning the GLO proceedings or being asked to approve the approach being taken, either on the Board or in my shareholder capacity. We would occasionally be given an indication as to the line POL intended to take at points where publicity relating the litigation was anticipated, and the email from Jane

Macleod to the Board on 20 October 2017 following the Case Management Conference (POL00103314) is typical of the level of detail: *“Press representatives were in Court during the hearing and we expect that there will be some press coverage over the next few days. The Post Office media team are on standby with prepared lines.”* As to what those lines were, my understanding, which I picked up from correspondence such as the email from Jane MacLeod on 25 January 2017 (POL00103302) was POL would respond ‘positively’ to any media enquiries, *“welcoming the Court’s decision as the best opportunity for matters to be heard and resolved, but otherwise not offering any comment.”* I do not recall thinking that there was anything inappropriate about that approach, and they quite rightly did not go into the specifics of the case.

313. I do not recall ever gaining the impression that concerns about adverse publicity affected the way in which POL presented its case in the GLO proceedings. As I have explained the proceedings, by the time I left the Board in early 2018, the proceedings had been confined largely to procedural issues and, as I understood it, the parties were simply going through the steps necessary to organise large scale litigation of this nature. As noted above, on the one occasion where I queried the approach being taken to the litigation in light of some press reporting I had seen, the message that came back was that POL’s position was reasonable and appropriate. As I have indicated, I had no experience of large scale litigation of this nature and I do not know what scope there might be for adverse publicity to affect the conduct of procedural hearings in the early stages of group litigation, but I do not recall any concerns of this nature being expressed to me by any of my legal colleagues.

314. I have been asked to provide my understanding of a potential investigation by the National Audit Office (“NAO”) into the GLO proceedings. I have no recollection of the NAO enquiry and I see from the documentation with which I have been provided by the Inquiry that it post-dated by tenure as Shareholder NED. I see that I was asked in late November 2018 (see emails dated 28 November 2018 (UKGI00008721) and 6 December 2018 (UKGI00008787) for assistance in identifying the briefing provided to the Minister around the time of the review conducted by Tim Parker in early 2016, and whether I had any objection to material relating to Tim Parker’s review being shared with the NAO. I provided an account of what I could recall and I confirmed that I had no difficulty with any material being shared with the NAO. I do not know what prompted the NAO to seek the material relating to Tim Parker’s review and I was not sighted on the further progress or outcome of the NAO enquiry. As far as I can see I was just being asked for assistance with my corporate memory of events in 2016.

315. I have reflected on whether there was scope, prior to early 2018, for the Board to obtain better or more detailed visibility of the litigation strategy than it received from the periodic verbal briefings delivered by POL’s General Counsel at Board meetings. I think that the short answer to that question is that there probably was scope for the Board to have done so, and that it would have been better had it sought to gain a more complete understanding of how the litigation was being handled and the merits of POL’s position. That said, and even with the benefit of hindsight, it is impossible to say what, if any, difference it would have

made to the approach taken by the Board to the litigation as it would entirely depend on what we would have been told. The overwhelming impression of the litigation which I formed whilst I sat on the Board was that not very much was happening and what was happening was largely procedural.

316. That said, my approach now would be different if an asset within my portfolio was engaged in large scale litigation of the significance of the GLO proceedings. It is worth noting that UKGI's legal capability is much more substantially resourced and experienced than it once was, and is now a much more inherent part of the organisation. As a result, I am now aware that it is both possible, and important, for the Board to obtain a clear, and early, understanding of the issues in the case, the merits of the company's position and the litigation strategy being pursued. I am aware of the ability of the Board to require merits advice to be provided, to hear directly from the external legal team involved in the litigation and for the Board to commission its own legal advice as necessary. These are steps I would be proactive in taking should I find myself in a similar situation.

Resignation from the Board

317. I have been asked to provide an account of my reasons for my departure from the POL Board in early 2018. By this stage I had been on the Board for 4 years. The preceding 18 months or so had been dominated by difficult and protracted discussions on funding for POL, which had taken up the majority of the time I had spent dealing with POL-related issues (which, as I have explained, made up 50% of my role at UKGI). The funding process was draining and stressful as

I had to try and navigate the inevitable conflict that was inherent in my role, between the interests of the company on the one hand and the interests of the Shareholder on the other. It was in the context of funding that this inherent conflict was encountered most starkly; in essence, it was in the company's best interests to extract as much funding from the Government as possible, and it was in the Government's interests for the company to deliver its strategic objectives with the minimum allocation of limited public funds. This was made all the more difficult by the discussions being held outside the usual spending round process, something which the Shareholder Team had flagged would occur during the last spending process, but which appeared to have faded in people's minds.

318. There were a number of occasions where I had difficult conversations with both sides questioning where my loyalties lay, including one occasion at a pre-Board discussion that Mark Russell and Justin Manson had been invited to attend, where a fellow director asked whether there was any point me being on the Board if I could not secure the funding from the Department that the company was looking for. I recall Justin later praising me for my answer (which I cannot now recall) but I felt that I was being required to strike an impossible balance between competing priorities and that both sides felt that I was favouring the other. This is the issue that underlies the email from Robert Swannell to Mark Russell on 8 November 2017 (UKGI00020798) in which he recounts a conversation with Tim Parker:

"Tim was very pleased with the settlement agreed with BEIS/HMT. He was also very happy with the support of UKGI and singled Richard

Callard out for his contribution generally and at the board. He had thought it unfair that he had been labelled as being too close to PO; he was effectively objective and robust.”

319. As Tim Parker’s observations indicate, being seen as effective and constructive by the Board led to me being seen to ‘too close’ to POL by some in the Department. Yet I had also been criticised by Board colleagues for not doing enough for POL, being conflicted, and having to recuse myself from Board meetings. Whilst I felt that if both sides were equally unhappy I must be somehow getting the balance right, I was frankly tired of having to try and walk that tightrope whilst dealing with all the other issues that POL and GIB were generating.
320. POL is a very interesting and varied organisation, but even ignoring the Horizon issue for a moment, it is equally very intense given the significant level of public scrutiny it receives at national and constituency level, across political, commercial, industrial relations and community issues. I also felt that having reached the end of a funding settlement period, and having achieved the policy goal of having a stable number of branches above the minimum required by Government, it was a sensible time to move on and let others take forward the next funding package.
321. Ultimately, though, it was the thought of another funding round that was the tipping point. Given that the funding settlement that had taken 18 months to achieve only covered a 3-year period, I realised that it would not be long before

the whole process started again and I was very reluctant to repeat the exercise. Accordingly, I made it clear to UKGI in late 2017 that I wished to step down from the POL Board and from the Shareholder Team. Tom Cooper was then appointed as head of the Shareholder Team and I reported to him during a handover period of a few months before he took over as Shareholder NED in March 2018.

322. I have specifically been asked to describe my perception of the risks and/or compliance issues facing POL at the time of my departure from the Board in relation to: (i) the conduct of past prosecutions by RMG/POL; (ii) POL's prosecutorial policy; (iii) the civil claims threatened by sub-postmasters; and (iv) the operation of the Mediation Scheme. I address each in turn.

323. As I have set out above in the section of my statement dealing specifically with prosecutions my perception was that the issue of past prosecutions had been addressed in the review by Cartwright King and Brian Altman QC prior to my appointment, and that any outstanding issue would be dealt with by the CCRC or by way of appeals in individual cases. There had been no such appeals during the period I sat on the Board and, by the time of my departure, there had been no indication from the CCRC that any past convictions were unsafe. I was not aware of the concerns that had been identified in 2013 regarding the evidence of Gareth Jenkins and I was not aware of any evidence that past prosecutions had been mishandled or that convictions were unsafe. In short, the position in respect of past prosecutions had not moved on significantly from when I joined the Board in 2014, which I have described in detail above.

324. As for POL's prosecutorial policy, I was aware that a new prosecutions policy had been formulated in 2013 and approved by the Board in early 2014, and that the policy was subject to annual review. My understanding was that the new policy was informed by the review conducted by Cartwright King and Brian Altman QC and aside from the issues noted above (about not prosecuting where Horizon was cited as a defence) I had not heard any concerns expressed about the formulation or operation of the policy at any stage during my time on the Board. The policy was renewed annually, as required, and as far as I was aware it was fit for purpose. In any event, my understanding was that POL was not in fact engaging in any significant prosecutorial activity during my tenure on the Board and I have referred above to the paper provided to the ARC which confirmed that there had been no prosecutions brought in the course of the preceding year (2016-2017). Whilst I was aware that there were ongoing concerns being expressed about the conduct of past prosecutions I do not recall any similar concerns being expressed about the current prosecutorial policy and so my perception of the level of risk in this area was that it was low.
325. By the time of my departure from the Board, the risk in respect of the claims 'threatened' by sub-postmasters had crystallised into to the GLO proceedings that had been underway for almost two years by that point, with the substantive Common Issues trial scheduled for November 2018. For the reasons I have sought to explain above, my perception of the risk that POL would lose the litigation was shaped by the updates we received from the company, and the General Counsel in particular, to the effect that the claims had raised nothing new. POL had been able to provide a detailed rebuttal to all the points made by

the sub-postmasters; and the company was confident of success. Neither I, nor the Board as a whole, had any other source of information as to the merits of the claim and, as a non-lawyer, I accepted what I was told at face value. That being so, I expected the claim to fail and the outcome of the litigation to be an endorsement of the integrity of the Horizon system, and I hoped that would finally bring the matter to a close.

326. As for the operation of the Mediation Scheme, this had ceased to operate in any meaningful way almost two and a half years prior to my departure and so I did not really have any perception of the risks and/or compliance issues relating to its operation and I do not recall giving the matter any thought at the point of my departure from the Board in early 2018. It was clear that although some cases had apparently been successfully mediated the scheme as a whole had failed to deliver the outcome that had been hoped for, and the commencement of the GLO proceedings was an obvious illustration of the scheme's lack of success.

327. My perception of the extent to which the risks were being managed appropriately by POL and/or the Board flows from my understanding of the nature and extent of the risks themselves, as outlined above. On the issue of prosecutions I had no significant concerns about the way in which the risks were being managed. I understood that any remaining issues regarding past prosecutions were being addressed by the CCRC, which I thought was the appropriate body to be dealing with issues of that nature, although I was periodically frustrated by their lack of progress. I understood the current

prosecutorial policy to be fit for purpose and, in any event, no prosecutions were being brought, as far as I was aware. The GLO proceedings were in the hands of POL's external legal team and appeared to be proceeding in a slow and largely procedural manner and the Board was being consistently told that all was proceeding according to plan and the company was confident of success. The Mediation Scheme had long since ceased to operate and so there were no risks to manage. In short, therefore, I had no significant concerns regarding the way in which POL and/or the Board were managing risk in these four areas and so I did not communicate any such concerns to my successor other than to say that I thought the courts were the best place for resolution of the issues.

328. On reflection, and knowing what I now know of the material that was potentially available at the time, I think it is clear that neither I, nor the Board as a whole had sufficient information to be able to make an accurate assessment of the risks facing POL on the issues of past prosecutions and the GLO proceedings in particular.

329. On the prosecutions issue neither I nor the rest of the Board (as far as I am aware) had seen the Simon Clarke advice from July 2013 indicating that the expert evidence relied upon by POL in support of past prosecutions was unreliable. The comfort I took from what I understood to be a thorough review by Cartwright King and Brian Altman QC was clearly misplaced. I am also conscious that, by the time of my departure, I had never heard directly from any of the affected sub-postmasters on the issue of past prosecutions and, had I (and/or the Board) done so then that may have caused me to rethink my general

assumption that, if there was evidence to indicate that a conviction was unsafe, then the affected sub-postmaster could simply appeal.

330. As I have already mentioned, I also consider, with the benefit of hindsight, that a careful reading of the material produced by Deloitte in 2014 and/or the review prepared by Jonathan Swift QC would have provided the Board (including me as Shareholder NED) with cause for concern regarding the validity of the assertions that had been consistently made by POL as to the Horizon system and, by extension, the safety of past prosecutions that had relied on the integrity of the system.

331. Consideration of this material is also likely to have caused us a greater degree of concern regarding POL's position in the GLO proceedings. In addition, I now have a much better understanding of the steps that a Board can take in seeking to understand the level of risk faced by a business engaged in large scale litigation, such as asking to hear directly from the external legal team, requiring the provision of written merits advice and, if necessary, commissioning its own legal advice to obtain a second opinion. I was not aware of these tools at the time, they did not occur to me, as I had never previously been involved in Board oversight of litigation and neither were they suggested to me. But it is clear now that had the Board sought to gain a fuller understanding of the merits of the GLO claim in this way during the first two years of the litigation it would have been much better placed to reach an informed assessment of the level of risk presented by the claim.

332. In direct answer to the Inquiry's question, therefore, whilst I consider that I had sufficient information at the time of my departure to assess the level of risk faced by POL in respect of its current prosecutions policy and the Mediation Scheme, I had insufficient information to assess the level of risk presented by the handling of past prosecutions and the ongoing GLO proceedings, as subsequent events clearly demonstrate.

General Reflections

333. Over the years since the outcome of the GLO proceedings I have reflected very carefully on my tenure as Shareholder NED, and whether there is anything I should have handled differently in relation to the Horizon IT system and its associated issues. I have followed the evidence given to the Inquiry very closely and asked myself whether there is anything more I could or should have done to identify what had gone so badly wrong. I am very grateful for the opportunity to provide my reflections to the Inquiry, and I have done so below.

334. I have structured my reflections in accordance with three broad themes. First are the opportunities that were missed that may have led to a different path being taken and, potentially, an earlier resolution of the issues. Second are my reflections on the advice provided to Ministers. Third are my reflections around whether I was sufficiently open minded in my approach. I then address any remaining questions posed by the Inquiry.

335. Turning to the first theme, as I have noted above in response to the Inquiry's questions, there were clear opportunities that were missed in the information that came to me as Shareholder Team lead, and as part of the Board.
336. The first relates to the Deloitte Board Briefing of 4 June 2014. As I have explained above, I have no reason to believe that I did not receive this briefing when it was circulated to the whole Board on 4 June 2014. It remains unfathomable to me as to why the briefing does not appear to have been discussed either at the Sparrow Sub-Committee meeting on 6 June 2014 or the Board meeting on 10 June 2014. It clearly should have been and I acknowledge my responsibility in failing to ensure that it was properly considered by the Board. There were important findings in the report which might well have prompted the Board to commission further work. It is clear to me now, on reading the briefing, that I did not recognise either its significance or the extent to which it identified the need for further investigation to be undertaken. There was, in my view, a fundamental failure on the part of the Board to commission a thorough and rigorous expert analysis of the Horizon system and, looking back at the period of my tenure on the Board, this seems to me to be the clearest and most obvious opportunity that was missed to commission that work.
337. The second obvious missed opportunity was the Parker Review. The failure to ask for sight of the material generated in the course of Tim Parker's review is difficult to justify or explain with hindsight. This was an important exercise, that was commissioned in the wake of the collapse of the Mediation Scheme and

the new Minister's request to gain her own assurance. It was designed to provide a clear and conclusive answer to the fundamental question of whether there was a significant problem with Horizon, and whether Post Office had conducted itself properly. Tim Parker was the Chairman of the company and had full access to all relevant material and a free hand as to who he spoke to and how he conducted his review. We were made aware that, amongst other things, he had commissioned specialist advice from a QC. In those circumstances, a relatively short letter to the Minister reporting a set of generally reassuring conclusions now looks to be an inadequate way of dealing with the matter, even if at the time it felt proportionate.

338. I have reflected on why that did not happen, and I think the essential reason is that it simply did not occur to me that Tim Parker's letter might be materially incomplete or fail to adequately reflect the material he had assembled in the course of his investigation. I should have probed harder as to the work his letter was based on, which would probably have led me and the Board to asking to see the Swift Report itself. I am unclear as to whether this would have in fact led to a speedier resolution of the issues for sub-postmasters by that point (in 2016), but I think it would have substantially affected my perception of POL's litigation strategy and, I anticipate, the perception of the Board as a whole. An earlier settlement may have been a possible result.

339. Third, on reflection, I took too much comfort from the involvement of independent third parties and the belief that if there was a fundamental problem with Horizon, they would clearly identify it. At various points in the chronology,

and for differing reasons, I was reassured that parties such as Deloitte, Linklaters, the NFSP, Second Sight, the CCRC, the CEDR and Sir Anthony Hooper were engaging with the Horizon issues. Looking back, I could have made more of the opportunity provided by their involvement to obtain objective assurance of the integrity of the Horizon system. I accept that speaking more directly to these third parties, and indeed the JFSA, may have led me to be more challenging of the established position.

340. The second theme of my reflections concerns the advice provided to Ministers. I was too willing to take POL's assertions regarding the integrity of the Horizon system, and the extent to which past investigations had given it a clean bill of health, at face value. The underlying logic of the situation, regarding the sheer scale of the network and number of users versus the size of those that had had issues, made a lot of sense at the time, but was to me perhaps more compelling than it should have been.

341. On reflection, I should have challenged those assertions more than I did and sought to understand the evidence on which they were based. There is a danger that when reviewing the advice that I presented to Ministers it seems that I *blindly* took Post Office at their word – I did not. During my tenure, Peter Batten (and then Laura Thompson) and I would spend significant amounts of our time meeting Post Office and talking to them over the phone, questioning them on a range of matters that were pertinent at the time e.g. proposals to close the Working Group, the status and terms of the contract, remote access (e.g. questioning them on the Rudkin / Bracknell allegations), requesting an

answer to Panorama investigations, the issue of false accounting versus theft etc. For some of Peter Batten's time, and particularly for most of Laura Thompson's time, this was their main Post Office related activity, and as a result, we would only include in briefings and submissions information from Post Office that we were satisfied with, which was the same approach we took to other, non-Sparrow, topics.

342. Nevertheless, my acceptance of what I was told by POL regarding the historic investigation of the Horizon system, and the lack of any evidence of any fault in the system, inevitably influenced my communications with Ministers and the Department on these issues and led to me passing on POL's confidence in the system without appropriate caveats. Looking back now at the correspondence and submissions that I drafted or approved it is quite clear to me that I did not always make sufficiently clear that what was being said regarding the integrity of Horizon and the merits of the allegations by sub-postmasters was based more on what we had been told and became satisfied with rather than what we directly had established for ourselves. This may have inevitably encouraged Ministers to develop a greater degree of confidence in the Horizon system than the evidence warranted, although the Ministers I worked for did generally remain sceptical of that position throughout.

343. It is worth noting at this point that, in my view, Ministers did what they could in difficult circumstances and ensured that investigations continued throughout my tenure. The appointment of, and reporting by, Second Sight and the establishment of a well-received Mediation Scheme occurred during Jo

Swinson's oversight, and arguably this was the first time that the matter had been taken seriously by Royal Mail or Post Office since the system was implemented in 1999. Baroness Neville-Rolfe remained sceptical of the issue throughout her tenure, commissioning the Parker Review and meeting the key stakeholders including Second Sight. Margot James and Andrew Griffiths had limited opportunities to take any action given that by that stage the issue was with the Courts.

344. I have to acknowledge that looking back at some of what I wrote and approved at the time in relation to Horizon is deeply uncomfortable for me now. As I have said above, my approach to this issue was often characterised by a degree of frustration in that I wanted the matter to be resolved, one way or the other, but I could not see how that was going to happen short of litigation or appeal and I could not understand why evidence of faults with Horizon or miscarriages of justice were not being presented, to the courts or the company, if that evidence existed. Some of that frustration comes through in what I wrote or approved at the time, which I regret. I am sorry for the offence no doubt caused to sub-postmasters, individually and collectively, who will have subsequently seen them.
345. The underlying belief that Horizon had been, or was being, thoroughly investigated and there was no evidence of any systemic fault ultimately influenced the analysis and advice given by the Shareholder Team to Ministers as to the appropriate stance for Government to take on the issue. As I have sought to explain above, for almost all of my tenure the Horizon issue was being

addressed by either an independent Mediation Scheme, a Chair review, or court proceedings. I still think that the essential advice that it would not be appropriate for the Government to be seen to intervene directly in either process was sound. The advice given to Ministers regarding the extent to which it would be sensible to engage in the issue directly was inevitably influenced by the belief that the system had been exhaustively investigated and evidence of fault had not been found, and that, in those circumstances, there was no realistic prospect of Government being able to provide a solution.

346. Whilst there were occasions where I think our advice was correct, including the advice to the Minister to meet Second Sight despite the objections of POL and the facilitation of the Tim Parker Review once it became clear that the Mediation Scheme had failed, there were others where I think, on reflection, we got the balance wrong, including the advice (rightly rejected) that the Minister should not receive a copy of the Second Sight thematic report to preserve scheme independence, and the advice following the Panorama broadcast to the effect that it appeared to reveal nothing new by way of evidence of a fault with the system. Clearly the presence of a named Fujitsu whistleblower was new and significant, despite the reassurances received from Fujitsu via POL.

347. The third theme of my reflections concerns whether I was sufficiently open-minded when it came to issues concerning the integrity of Horizon. I had no personal or financial stake in the outcome of the Horizon dispute as the Shareholder NED and, frankly, if someone had come forward with clear and conclusive evidence that there was a fault in Horizon that could be responsible

for losses in branch accounts, I would have been pleased and relieved that we finally had an answer. In that sense, I was open-minded. However, on reflection, I think it is clear that I was too willing to accept at face value the established position that Horizon had been thoroughly investigated and given an essentially clean bill of health to date.

348. As to my reflections on POL's handling of challenges to the integrity of the Horizon system by sub-postmasters, Crown employees, MPs and the press, these are straightforward and unsurprising. I think it was in the end grossly inadequate. I feel that it started well and with the right sentiment – Post Office and Royal Mail prior to separation had simply not engaged with the issue beforehand, and the subsequent engagement of Second Sight and the creation of the Mediation Scheme were positive steps that had not been previously taken before separation and were welcomed at the time. The Board I joined did genuinely want to understand whether there was an issue with Horizon. However, things started to go awry as a clear cut answer one way or another failed to materialise despite significant amounts of work, and the situation became more polarised. In the end the mantra of the company that had become established regarding the integrity of Horizon by the time of my appointment, and which was consistently repeated throughout my tenure, was asserted with a degree of confidence that could not be justified when it came to be tested by the courts.

349. On the specific issue of prosecutions, and the disclosure of information to sub-postmasters convicted on the basis of Horizon data, I can only repeat what I have sought to explain above. At the time I took up my position on the POL

Board I thought that this issue had been addressed by the reviews that had been conducted in the aftermath of the Second Sight interim report and that POL had been given a clean bill of health as far as its disclosure obligations were concerned. A year or so later, when I learned of the involvement of the CCRC, I assumed that if there were any issues relating to historic disclosure they would be identified in the course of the CCRC review. In those circumstances I continue to find it difficult to identify precisely what more should have been done in relation to this issue, other than me keeping in regular contact with the CCRC.

350. That position is subject, of course, to the fact that I had not seen the advice that indicated that POL had relied on tainted expert evidence in support of some prosecutions and that documents had indicated a culture of secrecy and general aversion to disclosure in the POL prosecution department, including references to the shredding of documents. Even now, I am at a loss to understand how, if there were disclosure failings in the conduct of past prosecutions, these failings were not identified and addressed in the course of the reviews conducted by internal and the specialist external lawyers commissioned to address precisely this issue in the period prior to my arrival. I also cannot understand why this was not conveyed to Board members in 2013 or indeed later on when this issue was revisited during the Parker Review. In my view had this been disclosed to the Board in 2013, it is likely that I would have joined a Shareholder Team and a Board that would have been on a completely different path to that which I encountered on my arrival.

351. I would like to conclude this statement in the same way as I started it by expressing my profound regret for the injustice, suffering and hardship experienced by so many sub-postmasters. I am sorry that I did not do more to bring that to an end sooner. I hope that my evidence may provide the Inquiry with some assistance in the vitally important task of ensuring that nothing like this ever happens again.

STATEMENT OF TRUTH

I believe the content of this statement to be true.

Signature

GRO

Date:

14/6/2024

| | URN | Document Description | Control Number |
|-----|--------------|---|-------------------|
| 1. | POL00021522 | POL Board Meeting Minutes for 26 February 2014. | POL0000055 |
| 2. | POL00006564 | POL Board Meeting Minutes for 26 March 2014. | POL-0017658 |
| 3. | UKGI00002515 | Example POL Shareholder Executive Risk Register. | UKGI013329-001 |
| 4. | UKGI00013659 | Shareholder Executive HM Government - Post Office Limited (POL) Quarterly Review June 2014. | UKGI024452-001 |
| 5. | UKGI00043217 | New Articles of Association of Post Office Limited (adopted by a written resolution passed on 12 September 2013). | UKGI00043217 |
| 6. | POL00362299 | Post Office Limited: Shareholder Relationship Framework Document. | POL-BSFF- 0190809 |
| 7. | POL00021553 | POL Board Meeting Minutes for 29 January 2018. | POL0000086 |
| 8. | POL00027286 | POL Board Meeting Minutes for 25 March 2015 | POL-0023927 |
| 9. | POL00026722 | Post Office Limited Annual Report and Financial Statements 2014/15. | POL-0023363 |
| 10. | UKGI00002440 | Note prepared by Richard Callard regarding CEO and CFO dated 20 August 2014. | UKGI013254-001 |
| 11. | UKGI00002439 | Email from Richard Callard to Jo Swinson dated 20 August 2014. | UKGI013253-001 |
| 12. | UKGI00045963 | Initial scoping exercise for recruitment of new CEO from UK Shared Business Services | UKGI056925-001. |

| | URN | Document Description | Control Number |
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| 13. | UKGI00006547 | Email chain from Richard Callard to Justin Manson dated 22 – 25 February 2016 re: the submission on POL's IT renewal. | UKGI017361-001 |
| 14. | UKGI00002223 | Email from Richard Callard to Shareholder team dated 28 – 31 March 2014 re: non-disclosure. | UKGI013037-001 |
| 15. | UKGI00044246 | Post Office Two way confidentiality agreement with Richard Callard (DBT) signed by Alwen Lyons. | UKGI052790-001 |
| 16. | POL00203296 | Draft minutes of Sparrow Sub-Committee Meeting on 9 April 2014. | POL-BSFF-0041359 |
| 17. | POL00006565 | Final minutes of Sparrow Sub-Committee Meeting on 9 April 2014. | POL-0017844 |
| 18. | UKGI00002274 | Email chain from Richard Callard to Peter Batten dated 24 April 2014 re: Papers for the Board Sub-Committee | UKGI013088-001 |
| 19. | POL00021549 | POL Board Meeting Minutes for 25 July 2017. | POL0000082 |
| 20. | UKGI00017443 | Email chain between Richard Callard, Mark Russell and Justin Manson dated 18 – 27 November 2015 re: Baroness Neville Rolfe. | UKGI027450-001 |
| 21. | UKGI00000024 | Briefing from Richard Callard to Jo Swinson dated 15 December 2014 | VIS00000985 |
| 22. | UKGI00005062 | Email from Laura Thompson to Javid MPST and Richard Callard re. Post Office: submissions to Baroness Neville-Rolfe on Network | UKGI015876-001 |

| | URN | Document Description | Control Number |
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| | | Transformation and on Horizon / BBC Panorama. | |
| 23. | UKGI00003972 | Email chain from Richard Callard to Laura Thompson re: Post Office Mediation: response to letter from BIS Select Committee dated 18 – 24 March 2015. | UKGI014786-001 |
| 24. | POL00027501 | Post Office Audit, Risk and Compliance Committee - Prosecutions Policy. | POL-0024142 |
| 25. | POL00253343 | POL Board Meeting Minutes for 29 Jan 2018. | POL-BSFF-0091406 |
| 26. | UKGI00018975 | Email chain from Tom Cooper to Elizabeth O' Neil, Helen Lambert cc Richard Callard dated 5 April 2018 re: Litigation and Appointment - next steps. | VIS00012374 |
| 27. | POL00248910 | Email from Rob Houghton to Tim McInnes, Cc'd Nick Parker, Richard Callard and others dated 2 May 2017 re: Horizon outage. | POL-BSFF-0086973 |
| 28. | UKGI00003236 | POL Board Meeting Minutes for 28 January 2015 | UKGI014050-001 |
| 29. | POL00027568 | POL Board Meeting Minutes for 2 July 2015. | POL-0024209 |
| 30. | UKGI00002179 | Email from Will Gibson to Peter Batten copying Richard Callard and others dated 2 December 2013 re: 20131202 Royal Mail - Post Office -131021 | UKGI012993-001 |

| | URN | Document Description | Control Number |
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| 31. | UKGI00002180 | Notes regarding Post Office prepared for UKGI. | UKGI012994-001 |
| 32. | UKGI00002191 | Email from Richard Callard to the Shareholder Team dated 20 February 2014 re: Sparrow update. | UKGI013005-001 |
| 33. | POL00201986 | POL Board Pack for POL Board Meeting on 26 March 2014. | POL-BSFF-0040049 |
| 34. | UKGI00002204 | Briefing from Petter Batten to Secretary of State and Jenny Wilmott re: Briefing for meeting with Post Office Ltd Chair and CEO dated 4 March 2014. | UKGI013018-001 |
| 35. | POL00210905 | Email chain dated 15 October 2014 from Belinda Crowe to Chris Aujard re: Mediation Scheme letter to Jo Swinson. | POL-BSFF-0048968 |
| 36. | POL00210906 | Letter from Paula Vennells to Jo Swindon re: Chris Aujard's Update on the Mediation Scheme - Current and emerging issues. | POL-BSFF-0048969 |
| 37. | UKGI00002984 | Email from Belinda Crowe to Richard Callard and others dated 14 January 2015 re: POL's response to the Westminster Hall debate. | UKGI013798-001 |
| 38. | UKGI00002985 | Post Office Response to Westminster Hall Debate : Complaint and Mediation Scheme dated 17 December 2014. | UKGI013799-001 |
| 39. | POL00351871 | Post Office Limited - Project Sparrow Sub Committee Update and Options. | POL-BSFF-0177592 |

| | URN | Document Description | Control Number |
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| 40. | UKGI00020116 | Submission from Richard Callard to Baroness Neville-Rolfe dated 3 December 2015 | UKGI029011-001 |
| 41. | UKGI00019357 | Email from Richard Callard (ShEx) to Alwen Lyons cc Paula Vennells; Laura Thompson (Shareholder Executive) dated 6 August 2015 re: Panorama. | VIS00013179 |
| 42. | UKGI00005717 | BBC1 Panorama notes regarding Post office prosecutions | UKGI016531-001 |
| 43. | POL00021538 | POL Board Meeting Minutes for 22 September 2015. | POL0000071 |
| 44. | POL00163438 | POL Board Meeting Minutes for 27 November 2018. | POL-0152061 |
| 45. | UKGI00006514 | Email from Richard Callard to Stephen Devitt dated 8 February 2016 re: Extraordinary Meeting of the Post Office Limited Board - 09 Feb 2016 | UKGI017328-001 |
| 46. | POL00158306 | Trinity Stakeholder Communications Plan for W/C 22 February. | POL-0146664 |
| 47. | UKGI00002264 | Letter from Alan Bates / JFSA to Jo Swinson dated 16 April 2014. | UKGI013078-001 |
| 48. | UKGI00005251 | Letter from John Munton (CEDR) to Post Office Mediation dated 6 March 2015 re: Post Office Complaint Review and Mediation Scheme and providing feedback and recommendations. | UKGI016065-001 |
| 49. | POL00119531 | Letter from John Munton (CEDR) to Patrick Bourke dated 31 July 2015 Re: | POL-0119843 |

| | URN | Document Description | Control Number |
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| | | Post Office Mediation Complaint Review Scheme-Review 2. | |
| 50. | POL00027308 | POL Board Pack for POL Board meeting on 25 March 2015. | POL-0023949 |
| 51. | POL00226519 | Email from Tom Wechsler to Richard Callard dated 14 April 2015 with Second Sight report and draft POL response. | POL-BSFF-0064582 |
| 52. | UKGI00000018 | POL response to Second Sight briefing report - Part Two as part of the Complaint Review and Mediation Scheme. | VIS00000979 |
| 53. | POL00040868 | Letter from Jane MacLeod to Second Sight dated 24 February 2015. | POL-0037350 |
| 54. | UKGI00006056 | Briefing from Laura Thompson to Baroness Neville Rolfe dated 1 October 2015. | UKGI016870-001 |
| 55. | UKGI00005279 | Email from Baroness Neville Rolfe to Laura Thompson and Richard Callard dated 4 August 2015 re: Second Sight's Briefing Report - Part Two. | UKGI016093-001 |
| 56. | UKGI00006175 | Briefing from Laura Thompson to Baroness Neville Rolfe dated 16 October 2015. | UKGI016989-001 |
| 57. | UKGI00007316 | Note on the key points from the Second Sight meeting. | UKGI018130-001 |
| 58. | UKGI00010325 | Letter from Baroness Neville Rolfe to The Rt Hon Oliver Letwin MP dated 29 November 2015. | UKGI021133-001 |

| | URN | Document Description | Control Number |
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| 59. | UKGI00000063 | Briefing/Update relating to meeting with MPs and stakeholders | VIS00001024 |
| 60. | UKGI00002221 | Email from Richard Callard to Peter Batten, Katrina Lidbetter, James Baugh and others dated 25 March 2014 re: Paula Readout. | UKGI013035-001 |
| 61. | UKGI00019320 | POL Board Meeting Minutes for 26 February 2014. | VIS00013134 |
| 62. | POL00138251 | Project Sparrow Sub-Committee agenda and papers for the meeting to be held on 9 April 2014. | POL-BSFF-0000480 |
| 63. | POL00022125 | POL Board Sub-Committee: Initial complaint review and Mediation Scheme: The role of Second Sight in supporting the committee. | POL-0018604 |
| 64. | UKGI00002659 | Post Office announces independent mediation scheme for sub-postmasters. | UKGI013473-001 |
| 65. | POL00100578 | Letters from Jenny Wilmott MP (on behalf of BIS) to Alan Bates and Sir Anthony Hooper re Initial Case Review and Mediation Scheme | POL-0100161 |
| 66. | POL00022128 | Agenda and documents in preparation for the Sparrow Sub Committee meeting on 6 June 2014. | POL-0018607 |
| 67. | POL00006566 | Minutes of the Sparrow sub-committee for 30 April 2014. | POL-0017845 |
| 68. | POL00021526 | POL Board Meeting Minutes for 10 June 2014. | POL0000059 |

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| 69. | POL00021529 | POL Board Meeting Minutes for 29 October 2014. | POL0000062 |
| 70. | POL00308842 | Westminster Hall Debate: Subpostmaster Mediation Scheme, Lord James Arbuthnot MP. | POL-BSFF-0146892 |
| 71. | UKGI00003008 | Paper on Post Office Response to Westminster Hall Debate January 2015 | UKGI013822-001 |
| 72. | UKGI00002853 | Email from Richard Callard to MPST Swinson CC'ing Tim McInnes, James Baugh and others dated 17 December 2014. Re: URGENT: Horizon/Arbuthnot rebuttals. | UKGI013667-001 |
| 73. | UKGI00002854 | James Arbuthnot Points to be raised. | UKGI013668-001 |
| 74. | UKGI00002842 | Email from Belinda Crowe to Richard Callard, Patrick Bourke, Tim McInnes and others dated 17 December 2014 | UKGI013656-001 |
| 75. | UKGI00003209 | Email from Richard Callard to Alice Perkins dated 4 February 2015 RE: SoS etc. – Sparrow didn't go well yesterday. | UKGI014023-001 |
| 76. | UKGI00003366 | Post Office Limited Project Sparrow Sub-Committee Update and Options Paper. | UKGI014180-001 |
| 77. | POL00027153 | Post Office Ltd Board - Initial Complaints Review and Mediation Scheme: Sub Committee Recommendation, prepared by Chris Aujard and Mark Davies. | POL-0023794 |

| | URN | Document Description | Control Number |
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| 78. | UKGI00019671 | Email chain from Hannah Franklin-Wallis to Laura Thompson, Richard Callard, CC Tim McInnes and others dated 4 March 2015 re: Submission to Jo on POL Horizon mediation scheme. | UKGI028566-001 |
| 79. | UKGI00000920 | Email form Laura Thompson to Jo Swinson CC Richard Callard and others dated 4 March 2015 re: Submission on Post Office Horizon mediation scheme. | VIS00009058 |
| 80. | POL00119752 | Letter from Paula Vennells to Jo Swinson MP regarding the Complaint Review and Mediation Scheme. | POL-0119750 |
| 81. | UKGI00000032 | Submission from Jo Swinson to Laura Thompson dated 4 March 2015 | VIS00000993 |
| 82. | UKGI00019720 | Email from Richard Callard to Laura Thompson, Tim McInnes, James Baugh re: Readout from Jo's office on Project Sparrow/ Second Sight. | UKGI028615-001 |
| 83. | UKGI00006140 | Brief from Laura Thompson to Jo Swinson re: Post Office mediation scheme: revised approach. | UKGI016954-001 |
| 84. | UKGI00000930 | Email from Ministerial Advice Team to Laura Thompson, CC'ing Hancock MPST, Clark MPST and others re Submission to Secretary of State and Jo Swinson on Post Office Mediation Scheme. | VIS00009068 |
| 85. | UKGI00019696 | Letter from Paula Vennells to Jo Swinson dated 9 March 2015 | UKGI028591-001 |

| | URN | Document Description | Control Number |
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| 86. | UKGI00005307 | Summary of CEDR's Observations on Post Office Mediation Scheme: August 2015. | UKGI016121-001 |
| 87. | UKGI00000035 | Baroness Neville Rolfe meeting with Post Office: Thursday 6 August Agenda | VIS00000996 |
| 88. | POL00113308 | Project Sparrow PowerPoint Presentation - August 2015. | POL-0110686 |
| 89. | UKGI00000007 | Briefing update note from Laura Thomason to Baroness Neville-Rolfe concerning proposals on investigation/mediation process and Post Office Horizon: Next Steps | VIS00000968 |
| 90. | UKGI00019300 | Options for review / oversight of the process / Horizon system and mediation scheme. | VIS00013128 |
| 91. | UKGI00005677 | Minutes of a meeting between BNR, BIS and ShEx dated 4 August 2015 | UKGI016491-001 |
| 92. | UKGI00019366 | Letter from Baroness Neville-Rolfe to Tim Parker dated 10 September 2015. | VIS00013206 |
| 93. | UKGI00010326 | Letter from Tim Parker to Baroness Neville-Rolfe re: Induction to Post Office. | UKGI021134-001 |
| 94. | UKGI00006250 | Email from Laura Thompson to Annette Rusling, Tim McInnes and Richard Callard dated 20 November 2015. Re: Briefing for SoS/Tim Parker meet next week. | UKGI017064-001 |
| 95. | UKGI00006451 | Email from Tom Wechsler to Laura Thompson dated 6 January 2016 re: | UKGI017265-001 |

| | URN | Document Description | Control Number |
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| | | Meeting between Time Parker and Baroness Neville-Rolfe. | |
| 96. | UKGI00010327 | Briefing relating to forthcoming meeting with Tim Parker on 26 January 2016. | UKGI021135-001 |
| 97. | UKGI00006482 | Note of meeting with Tim Parker on 26 January 2016 at 9:30 am. | UKGI017296-001 |
| 98. | UKGI00008800 | Letter sent from Tim Parker to Baroness Neville – Rolfe re: Post Office Handling of complaints made by Sub-Postmasters review. | UKGI019608-001 |
| 99. | UKGI00006574 | Email from Laura Thompson to Richard Callard, Justin Manson and Patick Kilgarriff dated 9 March 2016 re: Draft advice for the Minister | UKGI017388-001 |
| 100. | UKGI00008801 | Briefing from Laura Thompson to Baroness Neville-Rolfe concerning Tim Parker's review into POL handling of Horizon IT system. | UKGI019609-001 |
| 101. | UKGI00006459 | Email chain from Laura Thompson to Richard Callard and Annette Rusling dated 20 January 2016 re: TP/BNR meeting briefing: Sparrow – Review of Post Office's Horizon System and Second Sight Reports. | UKGI017273-001 |
| 102. | POL00239781 | Email from Patrick Bourke to Mark Underwood, Jane MacLeod and others dated 19 February 2016 re: Draft letter from Tim Parker to Baroness Neville-Rolfe. | POL-BSFF-0077844 |

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| 103. | UKGI00006576 | Briefing Note to Baroness Neville-Rolfe from Laura Thompson, Shex, Re Post Office Horizon: update letter from Tim Parker | UKGI017390-001 |
| 104. | UKGI00020194 | Email chain from Laura Thompson to Richard Callard dated 21 March 2016 re: Call – BNR's PS asked for a meeting with Tim. | UKGI029089-001 |
| 105. | UKGI00019303 | Note to Baroness Neville Rolfe to Laura Thompson re: Post Office Horizon: Update on Group Legal Action | VIS00013187 |
| 106. | UKGI00006692 | Briefing from Laura Thompson to Baroness Neville-Rolfe re: Post Office Horizon: update on group legal action. | UKGI017506-001 |
| 107. | UKGI00006798 | POL Board Meeting Minutes for 24 May 2016 | UKGI017612-001 |
| 108. | UKGI00001025 | Briefing from Laura Thompson to Baroness Neville-Rolfe re Meeting with Tim Parker (Chair, Post Office) Tuesday 19th July 17.00-17.30. | VIS00009163 |
| 109. | POL00103225 | Brief for Tim Parker Meeting with Baroness Neville-Rolfe 19 July 2016. | POL-0102808 |
| 110. | POL00103188 | Post Office Audit Risk and Compliance Agenda & pack for 19 May 2016 | POL-0102771 |
| 111. | POL00240662 | POL Audit, Risk and Compliance Agenda & pack for 17 March 2016 | POL-BSFF-0078725 |
| 112. | POL00041834 | Email from Jane MacLeod to Carla Stent and others dated 28 June 2018 | POL-0038316 |

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| | | re: Contingent Liability in PO Group Litigation. | |
| 113. | POL00027914 | POL Meeting Minutes of Audit, Risk and Compliance Committee 28 March 2017. | POL-0024555 |
| 114. | POL00105529 | Initial complaint and mediation scheme review by Chris Aujard. | POL-0105096 |
| 115. | POL00021523 | POL Board Meeting Minutes for 26 March 2014. | POL0000056 |
| 116. | POL00022093 | Outline of points produced by Linklaters to explain Horizon and form a basis for a report to respond to public criticism and individual complaints by SPMs. | POL-0018572 |
| 117. | UKGI00018921 | Email from Chris Aujard to Alice Perkins, Belinda Crowe, Martin Edwards and others dated 14 May 2014 re: Update: Sparrow Board Committee | VIS00012320 |
| 118. | POL00203586 | Post Office email re Deloitte's Project Zebra draft report - item 6. | POL-BSFF-0041649 |
| 119. | POL00203587 | Deloitte HNG-X: Review of Assurance Sources - Draft Executive summary. | POL-BSFF-0041650 |
| 120. | POL00027411 | POL Board Meeting Minutes for 30 April 2014. | POL-0024052 |
| 121. | POL00138364 | Deloitte HGN-X: Review of Assurance Sources - Board Update. | POL-BSFF-0000588 |
| 122. | UKGI00019316 | POL Board Meeting Minutes for 21 May 2014. | VIS00013143 |

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| 123. | POL00138401 | Email from Alwen Lyons to Alice Perkins, Neil McCausland, Virginia Holmes & others cc Chris Aujard, Lesley J Sewell, Alwen Lyons RE: Deloitte Briefing - Message from Chris Aujard and Lesley Sewell. | POL-BSFF-0000625 |
| 124. | POL00138402 | Deloitte Board Briefing: Document, further to our report "Horizon: Desktop review of assurance sources and key control features" dated 23/5/14, responding to five specific matters identified by POL as critical to POL's legal position. | POL-BSFF-0000626 |
| 125. | POL00205498 | Minutes of the Project Sparrow Sub-committee for 6 June 2014. | POL-BSFF-0043561 |
| 126. | UKGI00002376 | Initial Complaints Review and Mediation Scheme: Sub Committee Recommendation - Chris Aujard and Mark Davies. | UKGI013190-001 |
| 127. | UKGI00019690 | Email chain from Richard Callard to Laura Thompson re: Submission on Post Office Horizon mediation scheme. | UKGI028585-001 |
| 128. | UKGI00002202 | Prosecutions Policy Reactive Briefing 25/02/2014 v2 (attachment to Email from Alwen Lyons to Alice Perkins, Neil McCausland, Virginia Holmes and others re: Update after February Board). | UKGI013016-001 |

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| 129. | UKGI00002196 | Email from Alwen Lyons to Alice Perkins, Neil McCausland, Virginia Holmes and others re Update after February Board. | UKGI013010-001 |
| 130. | POL00247018 | Post Office Audit, Risk and Compliance Committee Agenda & pack for 30 January 2017. | POL-BSFF-0085081 |
| 131. | POL00125814 | POL Board Meeting Minutes for 22 January 2016. | POL-0131425 |
| 132. | UKGI00003151 | Update on Sparrow from the Criminal Case Review Commission (drafted by Mark Davies). | UKGI013965-001 |
| 133. | UKGI00006122 | Email from Richard Callard to Michael Dollin, Tim McInnes, Laura Thompson and others re readout from meeting with the NFSP - George Thomson and Ian Park - 7 October 2015. | UKGI016936-001 |
| 134. | UKGI00006888 | Email from Richard Callard to Iain King cc Olutobi Adetimilehin, Justin Manson 'and others' re: Post Office and Fraud case. | UKGI017702-001 |
| 135. | UKGI00006257 | Note from Laura to Sophie and Andrew, re developments on Horizon issue for Baroness Neville- Rolfe. | UKGI017071-001 |
| 136. | UKGI00006256 | Email from Richard Callard to Laura Thompson, cc'ing Justin Manson re Sparrow email. | UKGI017070-001 |

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| 137. | UKGI00007165 | Email chain from Laura Thompson to Laura Thompson re: Computer weekly. | UKGI017979-001 |
| 138. | UKGI00020223 | Email from Laura Thompson to Richard Callard re: JFSA update. | UKGI029118-001 |
| 139. | UKGI00006646 | Email from Mark Underwood to Laura Thompson, cc'ing Tom Wechsler re: Letter from Freeths - Proceedings Issued for GLO. | UKGI017460-001 |
| 140. | UKGI00006708 | Email from Richard Callard to Patrick Kilgarriff and Gareth Evans cc'ing Laura Thompson regarding POL & Horizon. | UKGI017522-001 |
| 141. | UKGI00006959 | Email from Richard Callard and Laura Thompson CC Claire French re Postmaster Litigation - Update to Board. | UKGI017773-001 |
| 142. | POL00247182 | POL Audit, Risk and Compliance Committee meeting minutes for 30 January 2017. | POL-BSFF-0085245 |
| 143. | POL00027188 | POL Board Meeting Minutes for 28 March 2017. | POL-0023829 |
| 144. | POL00103314 | Email from Jane MacLeod to Paula Vennells, Alisdair Cameron; Tim Parker, and others, re: Postmaster Litigation - Update from CMC. | POL-0102897 |
| 145. | UKGI00042836 | POL Board Meeting Minutes for 23 NOVEMBER 2017 | UKGI051731-001 |
| 146. | POL00041544 | Email from Rodric Williams to Andrew Parsons re. Horizon article. | POL-0038026 |

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| 147. | POL00103333 | Email from Jane MacLeod to Tim Parker, Ken McCall, Carla Stent and others, re: Postmaster Group Litigation - Subject to legal privilege - do not forward. | POL-0102916 |
| 148. | UKGI00020855 | Email from Richard Callard to Patrick Bourke CC Mark R Davies and Jane MacLeod RE: Project sparrow meeting - Nuclear Decommissioning Authority. | UKGI029750-001 |
| 149. | UKGI00020885 | Email from Richard Callard To: Elizabeth O'Neill, Helen Lambert re FW: Meeting with POL. | UKGI029780-001 |
| 150. | UKGI00019311 | Submission to Permanent Secretary re: POST OFFICE – LITIGATION RE HORIZON IT SYSTEM dated 18 May 2018. | VIS00013171 |
| 151. | UKGI00008139 | Email from Richard Callard to Tom Cooper re: Post Office Group Litigation - Subject to legal privilege. | UKGI018951-001 |
| 152. | UKGI00018134 | POL Board Meeting Minutes for 27 March 2018. Minutes of a Meeting of the Board of Directors of Post Office Limited. | UKGI028141-001 |
| 153. | POL00103302 | Email from Jane MacLeod to Tim Parker, Ken McCall, Carla Stent et, RE: Subject to privilege- Postmaster litigation: GLO Application. | POL-0102885 |
| 154. | UKGI00008721 | Email from Richard Callard to Stephen Clarke, Laura Thompson, CC'ing: Tom | UKGI019529-001 |

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| | | Aldred, Richard Watson and others - Re: NAO - POL litigation enquiries. | |
| 155. | UKGI00008787 | Email chain from Richard Callard to Stephen Clarke, Tom Aldred, Richard Watson and others re: NAO - POL litigation enquiries. | UKGI019595-001 |
| 156. | UKGI00020798 | Email from Robert Swannell to Mark Russell CC Rachel Mortimer RE: Post Office and Richard Wohanka - briefing note. | UKGI029693-001 |