

Witness Name: Susannah Storey
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POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF SUSANNAH STOREY

I, **SUSANNAH STOREY**, will say as follows:

1. I am the Permanent Secretary at the Department for Culture, Media and Sport.
2. I was previously employed by the Department of Trade and Industry, formerly BERR (Department for Business, Enterprise and Regulatory Reform), then BIS (Department for Business, Innovation and Skills) prior to July 2016, then BEIS (Department for Business, Energy and Industrial Strategy) (from July 2016), and now the Department for Business and Trade (“DBT”). I worked for the Shareholder Executive (“ShEx”), the predecessor of UK Government Investments (“UKGI”), initially as an SCS1/ Deputy Director from 2006, and from 2011 as an SCS2/ Director. In March 2013, I left BEIS and moved department and became a Director within the Department of Energy and Climate Change (“DECC”), a position I held until 2016 on a part-time basis, as part of a job-share. Between April 2012 and March 2014, I also held the position of the first shareholder representative non-executive director (“Shareholder NED”) on the Board of Post Office Limited (“POL”).

3. This witness statement is made to assist the Post Office Horizon IT Inquiry (the “Inquiry”) with the matters set out in the Rule 9 Request dated 28 March 2024 (the “Request”). In making this statement, I have been assisted by Eversheds Sutherland (International) LLP, who represents UKGI, a Core Participant (as defined in paragraph 5(a) of the Inquiry’s Protocol on Witness Statements) in the Inquiry. I have sought to address all the matters raised by the Inquiry in as much detail as possible, notwithstanding the passage of time since the events with which the Inquiry is concerned. As the Inquiry will be aware, the events that I describe in this witness statement occurred over 10 years ago and I am therefore reliant, to a significant extent, on the contemporaneous documentation I have been able to review, including Board minutes and Board papers. For reasons I explain below, I have not had access to all the documents and e-mails that I would have had at the time. I have sought to make clear in this statement where I have a direct recollection of the matters I describe and where I am relying on the documentation I have seen as part of this Inquiry, some of which I am not aware of having seen at the time. I have also sought to make clear where I am applying hindsight rather than describing my views at the time. My goal is to explain everything I can recall as clearly as possible to assist the Inquiry.

4. I wish to start this witness statement by acknowledging the devastating hardship and injustice suffered by so many sub-postmasters, and the vital importance of this Inquiry in establishing the truth and ensuring that appropriate lessons are learned. I am grateful for the opportunity to contribute to this Inquiry by providing evidence. I have followed the evidence given to the Inquiry closely, in particular the heartbreaking stories told by sub-postmasters and their families. I have reflected

very carefully on my time on the POL Board and whether there were opportunities missed on our part to gain a better understanding of the issues relating to Horizon and to take further action to ensure that they were properly addressed by the company. I have provided a detailed account of those reflections in this witness statement and I sincerely hope that they will assist both in understanding what went so badly wrong in this case, and ensuring that nothing like this ever happens again.

Background

5. Between 1995 and 2006 I worked for Citigroup as an investment banker, joining as a graduate trainee and specialising in UK corporate finance, advising companies on mergers and acquisitions. In 2005, the Government was looking for private sector, commercial skills to assist with the oversight of public sector companies and I agreed a secondment to ShEx which started in January 2006. My secondment was extended to a total period of 18 months, at the end of which I left Citigroup and became a civil servant within BIS working as a Deputy Director in ShEx.

6. As for my career after ShEx, I worked at the DECC from 2013 as Strategy Director in a job-share until 2016 when the then Prime Minister merged that department into BEIS. I stayed as Strategy Director at the combined department until later that year when I went to the Department for Exiting the European Union. In Summer 2019 I became a Director General at the Department of Digital, Culture, Media and Sport ("DCMS") where I stayed until February 2023 when, as part of a Machinery of Government Change, the Prime Minister announced the newly created Department of Science, Innovation and Tech and the bulk of my teams and I were

transferred there. I came back to DCMS as Permanent Secretary in the Summer of 2023.

7. In 2006 when I arrived at ShEx, it was a team in the Department of Trade and Industry (“DTI”). My recollection is that it comprised approximately 70 or so people and was involved with around 25 government-owned companies (including the Royal Mail Group (“RMG”) and POL and other government arms’ length bodies). It advised the DTI and other departments on a range of commercial matters and acted as the shareholder representative.

8. I understand that a detailed account of the structure and operation of ShEx has been set out in the BEIS/UKGI Response to the Inquiry’s Call for Evidence and UKGI’s Opening Statement to the Inquiry. In brief, the principal elements of the role of ShEx in respect of the businesses within its portfolio included a range of shareholder tasks such as appointments of Chairmen to the relevant boards, reviewing financial and performance reports and strategic plans, engaging with the businesses to secure government funding to deliver the policy objectives set by the relevant Department, and in some situations, providing policy advice. This would typically involve working closely with the parent Department (if the entity was not in DTI) and HM Treasury, and providing advice to Ministers on a range of commercial and policy issues relating to the businesses. At this stage, ShEx would not automatically hold a seat on the Board of Directors of the businesses within its portfolio and, in general terms, the model was one of a high degree of delegated authority to the company, including for all operational matters, with often relatively limited formal powers reserved for the shareholder (and therefore ShEx).

9. The objectives for the businesses would be set by Ministers within the parent Department. For DTI's arms' length bodies, including RMG and POL, the Permanent Secretary acted as Principal Accounting Officer, responsible to Parliament.

My Role in ShEx: 2006-2010

10. My initial role in ShEx in 2006 was as part of a small team focussed on the public re-financing of RMG. The Government provided a substantial refinancing package, amounting to £1.75 billion, to RMG in 2007. I then undertook a number of other Deputy Director roles within ShEx including on other government owned companies in its portfolio. In each of these roles, I would work reporting to a Director who in turn reported to the Director General who sat on the Executive Committee and Board of the Department.
11. In around 2009, I was asked by ShEx to resume working on RMG in a role that involved preparatory work for a possible privatisation. An independent review into the future of postal services sector had been undertaken by Richard Hooper in 2008 ('Modernise or Decline: Policies to maintain the universal postal service in the UK') and, following an update, published in September 2010 ('Saving the Royal Mail's universal postal service in the digital age') it became the coalition Government's policy to sell the Royal Mail to ensure its ongoing financial viability. POL as a vital public asset would remain owned by the Government. This involved an initial restructuring to facilitate the sale, separating the Post Office so that rather than being owned by RMG it would be a sister company initially, restructuring the Royal Mail and Post Office pension funds (with the Government taking the liability for the bulk of the very substantial deficit, c.£5bn in 2012, through a transfer of the

assets and the liabilities to the public balance sheet). The regulation of RMG would also move to Ofcom.

12. The objective for the Post Office at that stage was that it would continue in government ownership but that, following a programme of investment for modernisation of the network and the core business, the Government's subsidy would be reduced as the business became financially sustainable and ultimately self-sustaining. It was intended that this should be achieved without closing branches and was against a background of radical change in the market as many of the services the Post Office provided in branch were going on-line. The Government was also interested in exploring mutualisation of the Post Office. To give a sense of scale, the Government provided £1.34bn to POL in 2010 for the period to 2015, and in November 2013 a further £640m for the period to 2018 (announced by Jo Swinson MP on 27 November 2013). This was in addition to the rolling debt facility (of c.£1.15bn).

13. The pre-sale restructuring in 2010-2012 was complex and included ShEx leading the work on the drafting and passage of the Postal Services Act 2011, the work on employee shares for Royal Mail, the work on financing POL, and the approval in the EU of this state aid for services of general economic interest. At this stage, the ShEx team was providing both policy advice to the Government on how they might wish to discharge their stated objectives in relation to the RMG and POL, as well as more traditional shareholding type functions.

14. Given the complexity of this programme of work, we were frequently in contact with our Ministers. I can recall regular contact with Pat McFadden under the Labour

government and, after 2010, Ed Davey and Norman Lamb as Postal Services Ministers under the Coalition government. We also engaged the relevant Secretaries of State and, from time to time, Ministers in other Departments, including HM Treasury, given the implications of the restructuring and refinancing of the businesses had significant cross-governmental implications.

Director – March 2011-March 2012

15. In March 2011, I was appointed as Director of the ShEx Royal Mail and Postal Services (“RMPS”) team. I reported to the ShEx CEO who was a Director General in BIS, and I recall that I had a number of direct reports including the Deputy Director for the Royal Mail, the Deputy Director for the Postal Services Act (until September 2011), the Deputy Director for pension restructuring and the Deputy Director, Post Office. This role was the first time I had any real direct engagement with POL.

16. My role was to lead the RMPS team and organise the work to ensure we could deliver the Department’s objectives and priorities in this area. I had limited involvement in, or visibility of, the day-to-day operation of POL’s business at this stage. The focus of my role was on the implementation of the structural reorganisation of RMG and the management of the implications of that reorganisation, including the very substantial financial implications. The work on POL related matters was led at SCS1 level by Oliver Griffiths until September 2011 and then by Will Gibson until late 2013, when he was replaced by Richard Callard.

17. I should make clear that, in my role as Director of the RMPS team, I had no direct knowledge of, or involvement in, prosecutions brought in the name of RMG (or by

RMG for POL) and I was not aware of either RMG or POL acting as a prosecuting authority. I note from the documentation provided to me by the Inquiry that, in late November 2011, I was copied into an exchange of correspondence (**UKGI00001384**) attaching a statement made by POL (**UKGI00001385**) in response to three cases raised in the course of a BBC 'Inside Out' programme which referred to criminal prosecution but made no reference to RMG and/or POL acting as the prosecuting authority. I do not remember watching the programme and I have no direct recollection of reading POL's statement at the time. However, I expect I would have looked at it given that I was copied into the correspondence, and I would have noted the assertions made by POL that it had full confidence in the Horizon system, that the system had been rigorously tested, and that its full confidence in the accuracy and robustness of the system was shared by the National Federation of Sub-postmasters ("NFSP"). As I explain below, this was the consistent position adopted by the company in relation to Horizon throughout my tenure on the Board.

18. I have not been provided with any other material relating to my time as Director of the RMPS team which relates to prosecutions of sub-postmasters and I cannot now recall receiving any such material, although it is of course possible that I may have been copied into email traffic from the POL team in ShEx which made some reference to the issue. I note that I would not appear to have been sent the Private Eye article in September 2011 (**UKGI00001482**) and I do not recall seeing that article at the time. I do not recall any members of my RMPS team raising any concerns to me regarding prosecutions of sub-postmasters, nor do I recall the issue being raised in any of my interactions with Ministers or other officials in the Department at that time. If my team had had concerns of this nature, I feel

confident that they would have been testing them with POL to get assurance and they would have been raising with me and, if necessary, with our Ministers if that assurance was not provided.

19. The same applies to civil litigation being brought by or against POL by sub-postmasters. I have not seen any contemporaneous material to indicate that this was an issue that was brought to my attention, and I do not recall any concerns being expressed to me regarding the nature or extent of any civil litigation involving POL, whether concerning sub-postmasters or at all.

20. As I have sought to explain, the work that we were undertaking in the RMPS team during my tenure as Director was focussed on getting the companies to address the large structural issues facing them at the time and, in particular, the arrangements for the separation of POL from RMG. I had very little interface with RMG and/or POL on operational issues relating to the day to day running of the business, including any litigation in which the business might be involved, or in which it had an interest. The only circumstances in which an operational issue of this sort might be brought to my attention would be if it reached a threshold of materiality, such that it needed some explicit approval from the Government or if it might be perceived to have a significant impact on the running of the business, whether in financial terms or otherwise. In those circumstances I would expect to be informed and we would routinely inform Ministers of issues of this nature, as and when appropriate. In general terms, I would have expected a large organisation like RMG to be involved in litigation of various types and I would have regarded the monitoring and management of litigation to fall within the delegated operational responsibility of the business.

21. The same applies to the operation of POL's IT infrastructure and services. The RMPS team did not exercise any operational oversight of POL's IT services as far as I know. The operation of the business IT fell within the day-to-day business of the company led by the executives of POL and the RMPS team would only expect to be made aware of IT issues if they had a significant operational impact on the running of the business or cost impact. I do not recall any significant concerns regarding the operation of the Horizon system being brought to my attention during (or before) my tenure as Director, either by RMG/POL or by other members of my team. I have referred above to the POL statement circulated in November 2011 (**UKGI00001385**) expressing full confidence in the accuracy and robustness of the system and I do not recall hearing or reading anything that was inconsistent with those assertions.

22. As I explain below, my awareness of all these issues increased materially after I took up my position as Shareholder NED on the POL Board in April 2012, although it is now clear to me from the material I have seen in the course of this Inquiry that the POL executive had significantly more information than was provided to the Board in a number of important respects that I address later in this statement. As a result of my appointment to the Board, from April 2012 I was given access to the Board papers which contained considerable detail about a range of operational issues facing the business, including IT and litigation. Part of the rationale for the appointment of a Shareholder NED to the Board was precisely to enable that individual to gain a greater degree of visibility of the operation of the business. However, even after my appointment as NED, and for the reasons I explain in more detail later in this statement, the extent to which the ShEx team with responsibility

for POL exercised oversight over operational aspects of the day to day running of the business remained essentially unaltered.

23. On the specific question of the appointment processes relating to POL's Chief Executive Officer and Chair, my recollection is that the position of Chair of the Board of Directors was subject to Ministerial approval and that the recruitment exercise was run by BIS / ShEx as a public appointment. My understanding is that approval rights in relation to the Chair were conferred by the Government's Special Share. I do not recall these rights extending to the appointment of the Chief Executive Officer and I understand UKGI's Opening Statement to the Inquiry has further information on ShEx's role in appointment processes (**SUBS0000006**). I do not recall having any personal involvement in the appointment either of Alice Perkins as Chair of the POL Board or of Paula Vennells as CEO of POL.

The POL Board and my role as NED

24. POL was owned by, and was a subsidiary of RMG prior to April 2012. As such, POL's Board arrangements were consistent with its status as a subsidiary entity within a larger group. At that stage, it did not have a board with a full set of independent non-executive directors conforming to the conventional board structure of the top company or parent company of a large commercial organisation.

25. The decision to separate the RMG and POL businesses led to the establishment of a new POL Board, based on best practice at the time for a large company comprising a Chair, senior executives and a number of independent non-executive directors. In particular, it was agreed by our Ministers that one of the non-executive

directors should be a representative of the Shareholder, thereby providing the Shareholder with a more direct line of sight into the company. There was also a desire, on the part of the Government, to use the separation as a way to ensure that POL had a more developed board to provide rigorous oversight of the company, not least given the difficulties it was facing financially. RMG had never had a Shareholder representative on the Board and ShEx had, from time to time, found the relationship difficult with only limited formal levers available to it. Accordingly, the separation process provided an opportunity to reset the relationship with POL from the start, although, as I describe below, there remained a significant degree of residual nervousness on the part of POL regarding what it perceived to be the potential for conflicts of interest to arise from the presence of a Shareholder NED on the Board, particularly when it came to funding issues.

26. The model was that the Shareholder NED would have the same powers and responsibilities as the other non-executive directors and would participate in collective decision making of the Board. As with any non-executive director, the essential responsibilities were those set out in the Companies Act 2006 including the promotion of the success of the company for the benefit of its shareholders, having regard to the interests of its stakeholders, and exercising independent judgment in delivering effective corporate governance. In reality, of course, the fact that Government was the sole shareholder meant that the interests and priorities of the shareholder included policy objectives and could be readily identified. The position of Shareholder NED did not carry any additional powers or rights beyond those conferred on the other non-executive directors and certainly did not carry a right of veto over collective decision making on the part of the Board.

27. As to the Shareholder's interests and priorities in relation to POL, these are set out in the letter to the Chair from the Secretary of State Vince Cable PM dated 11 January 2012 (**UKGI00041966**). In summary, they included: (i) the success of the legal and practical separation of POL from RMG following the effective date of 31 March 2012; (ii) the effective establishment of the Board and Board committees; (iii) the financial sustainability of the company; (iv) ensuring the Post Office restructured its pension scheme to make it sustainable; (v) identifying a potential path to demutualisation; (vi) obtaining State Aid approvals for Government funding of POL; and (vii) the modernisation of the business. These were all aspects of the overarching objective for the business to be financially sustainable which, as I have outlined above, was a very challenging one given that it was operating at a loss and receiving huge amounts of Government funding at the time.

28. The role of Government as the sole shareholder in POL was also reflected in POL's updated Articles of Association ("Articles"), dated 2 April 2012 (**UKGI00043216**). Those Articles provided that the Secretary of State would be a 'Special Shareholder' in POL mirroring the rights that the Secretary of State had held in RM Holdings and would have certain special rights, including the right to request information, the right to appoint or remove the Chairman or a director (Article 70), and the right to receive an annual strategic plan from the business (Article 72). The formal powers conferred on the Shareholder in the event of fundamental dissatisfaction with the strategy or operation of the business were limited and consisted principally of the power to remove the Chair. However, the intention was that the establishment of the Shareholder NED position would provide a more effective means of engaging with the exercise of many of these rights and provide

a more comprehensive line of sight into to the operation of the business at board level.

My appointment to the POL Board in April 2012

29. At the time I joined the POL Board at its first meeting of the separate company in April 2012, its other members were Alice Perkins (Chair) who was appointed in Summer 2011 and became Chair in September 2011, Neil McCausland (the Senior Independent Director) who joined in September 2011, and Virginia Holmes (Non-executive Director) who joined on 4 April 2012, two weeks before me. Alice Perkins had taken over from Donald Brydon who was RMH Chair and also Chair of POL until then.

30. My letter of appointment as Shareholder NED is at **(UKGI00017300)**. It was envisaged that my term of appointment would be three years, and would be unremunerated. That is to say, it was intended that I would take on this responsibility as part of my civil service employment. My powers and duties as a NED were defined generally as *'such powers and ...such duties as are appropriate to your role as a Non-Executive Director of the Company'*, and I was expressly reminded that it would be my responsibility to *'withdraw from any discussion where you have any interest that may, or may be perceived to, influence your judgment.'*

31. I believed in the important role of the Post Office in our society and I was committed to the separation of the company as a positive step. That said, I do not recall direct knowledge of the decision-making process that led to my appointment as Shareholder NED and the precise reasons why I was considered to be the most suitable person for the role. The ShEx team was small and as Director of the

RMPS team, once the decision was taken to have a POL NED, I believe the working assumption was that I would undertake that role as part of my ShEx job. As I understood it at the time, each of the other non-executive directors were picked for their specific skills to meet the business' needs. In my case, I had relevant experience a result of the work I had done on the separation, in the course of which I had gained an understanding not only of the current perspective of the Government in relation to RM and POL but also the market dynamics. I had also met the Chairman and Chief Executive and I knew the Chairman and Chief Executive of RMG. For my part, although I had not previously acted as a NED, I did have experience of the operation of, and interface with, boards of large companies both in my previous career as an investment banker and from my work in ShEx.

32. As noted in the POL Summary presentation prepared by ShEx in February 2012 with which I have been provided by the Inquiry (**UKGI00018222**), I was on maternity leave at the time of my appointment as Shareholder NED. My maternity leave commenced in March 2012 and ran to March 2013, when I returned to my new role at the DECC. As I recall, the terms of my maternity leave were standard for the Department such that I was technically required to limit any working hours to 10 'keeping in touch' days although in practice I suspect that the time I used, during the period April 2012 to March 2013, for attending POL Board meetings, reading Board papers and correspondence, and having meetings with POL and ShEx officials, extended far beyond this limit.

33. I do not know what, if any, role my maternity leave played in the decision to appoint me as Shareholder NED but, in practical terms, it inevitably meant a degree of

separation from my former team in ShEx and from the regular interaction with Ministers which had been part of my day-to-day work in ShEx. When I went on maternity leave in March 2012, Roger Lowe was appointed as Director of RMPS in my place, and Anthony Odgers took over from him in December 2013.

Operation of the Board

34. At the time of my appointment the Board was not complete and was engaged in setting up its new sub committees and working processes now that it was a stand-alone board. Further non-executive directors were appointed later: Alasdair Marnoch joined the Board in May 2012 (who chaired the Audit and Risk Committee once that started to function later in 2012); and Tim Franklin, (who went on to focus on mutualisation), joined in September 2012. On the executive side, the Board members at the outset were Paula Vennells, Chief Executive, and Chris Day, Finance Director. Alwen Lyons also attended Board meetings as Company Secretary. Other executive team members would come to the Board fairly regularly to deal with specific issues.

35. The Board was in effect “brand new” in April 2012. In particular, all the NEDs (and the Chair) were only recently appointed when I joined. Accordingly, the Board did not have an established institutional culture and there was inevitably a sense, particularly in the early stages, of the Board seeking to get to know each other, and for the NEDs, developing an understanding of the business as well as establishing Board processes and getting to know the executive team and the business. There was a hugely complex agenda facing the business at this time for all the reasons I have described already and, in the first year in particular, we were focussed on

getting to grips with a whole series of significant and pressing issues, as outlined in the Secretary of State's letter to the Chair to which I have referred above **(UKGI00041966)**.

36. My recollection is that the Board would typically meet around eight times a year, with an annual Board Strategy Day – usually offsite – and ad hoc additional single-issue meetings, which would sometimes take place as a conference call.

37. Before each meeting the directors would receive a pack of Board papers. This pack would typically arrive at least a few days advance of the meeting; I generally felt that this provided sufficient time to read and consider them and if necessary to talk to some of the executives or other NEDs before the meeting, with the exception of the first meeting. The papers would typically include the agenda for the forthcoming meeting (which would be set by the Chair), the minutes of the last meeting (to be agreed by the Board), written update papers, reports, and any other documents that we would be required to note but which did not form part of the formal discussion. Later during my tenure, POL introduced electronic board papers where the papers would be uploaded before the meeting and there was also a separate area or electronic 'reading room' where some background papers would be uploaded. The papers would sometimes include a CEO's report, which the CEO would address at the meeting by way of giving an overview of the more operational aspects of the business which were delegated to the executive team to lead.

38. Over time, a number of Board sub-committees were established to facilitate more in-depth consideration of specific issues including: the Audit and Risk Committee ("ARC") chaired by Alastair Marnoch; the Pension sub-committee chaired by Virginia Holmes; the mutualisation sub-committee; the remuneration committee,

the nominations committee and, from early 2014, the Project Sparrow sub-committee, which was established to consider and oversee the complex issues that arose after the Second Sight interim report in 2013 and were by then deemed sufficiently significant that they needed their own committee separate from the ARC. Some of these committees already existed in the pre-separation structure. For example, I note that there was an ARC before Alastair Marnoch joined the Board, but we were keen to enhance the status of the ARC as part of ensuring best practice in corporate governance terms.

39. I served on the ARC from its initial establishment until March 2013 (when I returned to work then at DECC). I note from the material provided to me by the Inquiry that the first separate meeting of the ARC took place on 13 November 2012 (**POL00021430**), although I note that the ARC's sign-off of the Annual Report and Accounts was incorporated in the full Board meeting on 23 May 2012 (**POL00021507**) as it had not yet met as a stand-alone sub-committee. As far as I can tell from the documentary record, I attended two meetings of the ARC (in addition to ARC contributions to full Board meetings of the type I have just described). As in any company, the ARC had a significant role in overseeing the usual areas for audit and risk committees including financial control and accounting issues (including undertaking the assurance work necessary for the Board to sign off the Annual Report and Accounts) as well as exercising oversight of organisation management of key risks. By way of example, the February 2013 ARC meeting minutes shows consideration of POL's annual risk management strategy, identification and monitoring of the key material risks for the business, and POL's "Speak Up" (Whistleblowing) policy (**UKGI00042822**). In addition to the Chair (Alasdair Marnoch) and other NED representatives, ARC meetings would be

attended by the relevant members of the executive team and internal audit and external auditors (Ernst &Young) at key points in the financial year.

40. The reason for my decision to step down from the ARC, which is recorded in the minutes of the Board meeting of March 2013 (**UKGI00018098**), was simply that I did not consider that I had the time / capacity to remain on numerous sub-committees following my return from maternity leave and the start of a new and demanding role at DECC. As reflected in my exchange of correspondence with POL on 28 March 2013 (**UKGI00017360**), at the time I thought it was sensible for me to prioritise my continued membership of the Pensions Sub-committee as pensions-related matters were a particular focus of attention for the government in light of the need for POL to have a sustainable pension scheme. The pension scheme was work I had been engaged on prior to my appointment as Shareholder NED and the only NEDs on that sub-committee were Virginia Holmes (Chair) and me whereas the ARC had three other NEDs already (Alasdair Marnoch, Tim Franklin and Neil McCausland).

41. I also served on the Mutualisation Sub-committee which, as the name suggests, was intended to oversee work undertaken to analyse the Government's desire for the potential for ownership of POL's business to be transferred to a mutual structure, and the available evidence indicates that I attended four meetings of this committee during my tenure.

42. My recollection is that the Board meetings were formal and orderly. At the time, I recall that we were able to engage in frank and robust discussions about a range of significant and difficult issues. I also recall that the Chair was keen to ensure

properly robust challenge from the NEDs. My perception was that the new NEDs did not hold back in this regard, and there were a number of discussions which I expect the executive found challenging, including for example in the aftermath of the interim Second Sight report. At the end of the first year, in the summer of 2013, we undertook a formal board effectiveness review consistent with good practice for corporate governance at the time. The report, which was prepared by the Chair, is annexed to the agenda for the 16 July 2013 Board meeting and was also sent to ShEx. It provides a contemporaneous view of the Board's perception of its operation at that time and, from my perspective, the headline comments made by the Chair reflected the general view of the Board as whole, including the following: *"The creation of a new PO Board has gone remarkably well in a very difficult context and challenging environment. The Board is maturing. It has come a long way since autumn 2011 and is operating very well (8 out of 10). We can be pleased where it has got to and the Shareholder should be pretty pleased. The issue now is how to make it even better."* (POL00099210)

43. In general terms the relationship between the executive and the Board was positive and constructive. The Board or individual members did, from time to time, express its dissatisfaction with the papers from or discussion with the executive (again, the events surrounding the publication of the interim Second Sight report provide a clear example) and, as I explain below, there came a point when I started to have some doubts about the ability of the executive team to deliver on the remedial work that had been identified following the Second Sight interim report. However, at the time, I did not perceive there to be any lack of trust between the Board and the executive, nor did I have any sense then on the part of the Board that the executive was withholding significant information (deliberately or otherwise) or presenting a

misleading picture regarding the operation of the company or the control environment. My view remains that a relationship of trust is a fundamental requirement for the effective operation of a Board and, indeed, good corporate governance more generally, and if the Board had perceived that to be lacking then I would have raised that as a significant concern which needed to be resolved, and I have no doubt my fellow non-executive directors would have done so as well. As with any Board we, the NEDs, were aware that we were only ever sighted on a very small fraction of the material relating to the day-to-day operation of the business, and relied on the executive to bring to our attention significant issues, whether operational, financial, or reputational, however difficult they may be.

44. Our fundamental assumption was that we were being given a true and accurate picture of the operation of the business by the executive and I am quite confident that if we had ever suspected otherwise we would have said so. I considered the Chair and NEDs to be open minded and ready to challenge the executive and, again, I think the position is well summarised in the Chair's report of the Board Effectiveness Review: *"The Board has got better as it has matured. People have become feistier; they are challenging but very respectful of each other and of the business. Board members come well prepared; they are good at listening....The Board is quite different from a year ago. It is stimulating, vibrant, pro-active and searching for solutions in its determination to fix the business."* (POL00099210)

45. I discussed my sense of the executive team and the Board's functionality fairly regularly with the Chair, as we were both keen to ensure there was constructive challenge and I felt the other NEDs, as they came to be appointed, brought more of this. We also had non-executive only meetings with the Chair from time to time

for issues that were better discussed without the executive. We were seeking to ensure good corporate governance consistent with the best practice of the day and I note for example, the reference in the minutes of the ARC meeting of 13 November 2012 to a full analysis of POL's compliance with the UK Corporate Governance Code being underway and the expectation on the part of the ARC that *'there appeared to be nothing which would prevent the Post Office confirming that it upheld the principles of the Code, even if some of the detailed recommendations would not be applicable to a Government-owned organisation'* (POL00021430). I also note that a 'Corporate Governance Review' drafted by the Company Secretary was included in the Board pack for the January 2013 meeting which provided an update on the work being undertaken in this regard (POL00021510).

Relationship with the shareholder

46. I was the first Shareholder NED to sit on the POL Board and I was conscious, from the outset, that POL (consistent also with RMG's position) was very sensitive about what it saw as potential 'interference' from the Shareholder in the running of the business with a direct seat on the Board. Prior to this point, the general approach would have been that the relevant Secretary of State would meet the Chair and the Chief Executive perhaps annually, the Postal Services Minister would meet the company's leadership team much more frequently, and there would be very regular contact between the Post Office executive and ShEx (certainly monthly and often daily), so there was a significant degree of contact between the company and the Shareholder. All of these interfaces continued when I was a NED but having a Shareholder representative on the Board as well was perceived as a significant step change.

47. I have had sight of relevant ShEx documentation in respect of this matter, and note a briefing to the Secretary of State dated 30 September 2011, which sets out the ShEx view of the Chair's concerns as regards a Shareholder NED joining the POL Board (**UKGI00041959**). These concerns were: (i) whether it would be compatible with the Government's vision for a future mutualisation; (ii) whether it would "*in some way prevent Government insulation from the impact of operational decisions*"; and (iii) one Board member having expressed a reluctance to serve on a Board with a ShEx appointee as NED (although the reason for this reluctance is not explained). The briefing provided responses to these points, and in relation to the second concern noted that: "*In reality, the impacts of many operational issues in POL already lead to pressure on the Department, at both official and Ministerial level. We do not see that a ShEx Board member would materially change the position.*" The briefing also emphasised that ShEx practice was to take Board seats in its portfolio assets unless there were compelling reasons not to, and that this was standard practice in other areas where shareholders owned a significant proportion of the relevant business.

48. In addition, I note a letter dated 25 October 2011 from the Secretary of State to the Chair (**UKGI00042610**) confirmed the decision to have a Shareholder NED, and added that "*any Shareholder Executive appointee would be subject to the full range of legal duties applicable to other directors. So there would be no risk that such an appointment would lead to any diminution of the arm's length relationship between the Government and the Business*". A letter from the Secretary of State to the Chair dated 11 January 2012 (**UKGI00041966**) confirmed that "*As we have discussed, and as referred to in my letter of 25 October last year, I expect a*

Shareholder Executive official to take a position on the Post Office Ltd Board from the point of operational separation from Royal Mail".

49. My recollection is that there was also a distinct nervousness on the part of the POL Chair as regards the extent to which having a Shareholder NED might give rise to a conflict of interest on certain issues, particularly in respect of the provision of public funding to the business.

50. I was also conscious of the fact that my position as a newly-appointed Shareholder NED was a novel one and that there was some uncertainty as to the nature and extent of my remit at the outset. To address this uncertainty and the concern as to a potential conflict, it was necessary for me to confirm to the Board the position as to my role and responsibilities concerning these issues at the Board meeting on 23 May 2012 (**UKGI00019348**). Despite this explanation, this continued as a theme through my tenure as Shareholder NED and I did not routinely share Board papers with ShEx as it had been agreed as part of the attempt to reassure the Chair as to the role of Shareholder NED that I would not do so.

51. I am reminded from a review of email correspondence that even this relatively limited and informal level of contact with the Shareholder Team was a cause of concern to POL, which persisted through 2012. For example, I note that there was an email exchange between Will Gibson and me at the end of November 2012 in which we refer to the dissatisfaction on the part of the Chair of the POL Board that I was discussing POL matters with Mr Gibson (**UKGI00017356**). I considered it important that I maintained a line of communication with the Shareholder Team and I explained my position to the Chair who, as far as I am aware, provided some

reassurance to the Chief Executive. I do not consider that these concerns significantly compromised my ability to act as an effective shareholder NED and I never consciously refrained from expressing my views for this reason, but I was always conscious of these concerns on the part of the business and the need to make my own judgement as to how to manage them.

52. My maternity leave arrangements between March 2012 and March 2013 and, subsequently, my transfer to a different department (DECC), inevitably also meant that I was separated from the Shareholder Team in practical terms because I was not physically co-located with the team. This separation was made more acute by the fact that I was on a different IT system from the Shareholder Team. The BIS departmental policy was that women on maternity leave could not use their work IT (computer, mobile phones / devices or email accounts) and so notwithstanding the fact I was undertaking a civil service role to which I had been appointed by the Department, I was required to use my home phone and personal email (which is why my email address has a different surname in some of the correspondence). While this level of separation may have gone some way to mitigating the sensitivity felt by POL around the creation of the Shareholder NED position, because I was simply not in the flow of work from ministers and the department and Shareholder Team's advice, it presented some practical challenges in terms of maintaining an effective flow of information to the Shareholder Team and from them to me.

53. The onus was on me to find a practical way around this and I achieved this primarily through making arrangements for in person meetings and discussions with ShEx – both with my line managers Stephen Lovegrove and then Mark

Russell, and with Will Gibson and Richard Callard, the Heads of the POL Shareholder Team. For example, my recollection is that Mr Gibson and I would exchange emails mostly to set up calls to discuss Board meetings both before and after, and we would frequently meet in person. I note that there are a number of examples of this sort informal of correspondence in the documentation provided to me by the Inquiry (**UKGI00017340**, **UKGI00017341**, **UKGI00017347**). These were important interactions and their primary purpose was to enable me to understand what was on the government's agenda, the Minister's priorities and any departmental focus areas at that time, and for me to keep Mr Gibson up to date with issues being considered and debated by the Board.

54. As I was not part of the Shareholder Team directly and was not involved in the day-to-day interaction between the Shareholder Team and Ministers in this period, I did not routinely take part in the drafting of submissions to Ministers on POL-related issues or their sign off; nor did I assist with the preparation of Ministerial statements or answers to Parliamentary questions. To the best of my recollection, I only attended one meeting with the relevant Minister, Jo Swinson, in February 2013, and only ever as an additional attendee alongside the POL Chair and CEO and core Shareholder Team. However, there were frequent meetings between the Minister and the Shareholder team, and between the Minister and the POL Chair and/or Chief Executive, and I have now seen a large volume of correspondence and associated documentation relating to this contact of which I was not aware at the time. The level of contact I had with Ministers during my tenure as Shareholder NED was in marked contrast to the very regular meetings I had with Ms Swinson's

predecessor, Ed Davey and Norman Lamb, during the period 2011-12 when I was working in the Department on RMG and POL-related issues.

Knowledge of Horizon-Related Issues at Appointment

55. As I have explained above, I had very limited knowledge of POL's operational business prior to my appointment as Shareholder NED, having been focussed on the high-level issues surrounding separation of the business from RMG. As well as various ShEx in-person briefings before I started, I received some limited induction into my role from POL itself, which largely focused on an introduction to POL as a business. I was sent some hard copy documents for this purpose, which I reviewed and which gave me an insight into the financial position of the company in particular. As a new Board, we also went on a number of visits to Post Offices. In the early part of my tenure I also requested meetings with the executive team on specific issues that were coming up at the Board in order to gain a better understanding of the operational context. For example, I wrote to Alwen Lyons on 11 May 2012 asking for a briefing on legal and compliance issues (**UKGI00017336**), and I also recall receiving a briefing on IT related issues, at my request, from Lesley Sewell (which, from recollection, was also attended by Virginia Holmes).

56. I note that I was copied into email correspondence attaching POL's statement in response to the Inside Out programme and the three cases to which it referred but as I have set out above (**UKGI00001384**), I do not recall receiving any other material relating to prosecutions of sub-postmasters, or which expressed concern about the reliability of the Horizon system more generally as part of my role as Director of the RMPS team.

57. I have been asked a number of questions relating to my knowledge of POL's IT provision in general, and the Horizon system in particular, at the time of my appointment. I recall being aware of the existence of the Horizon system at the time of my appointment as Shareholder NED and I had a general, high-level understanding that it was the system operated in branches across the country. I do not have any recollection at that stage of expressly considering the operation of Horizon in the context of the prosecution of sub-postmasters but it would have been self-evident that, if the prosecution included reliance on accounting information drawn from the branch computers, the data would likely be drawn from the Horizon system. I do not recall being aware of concerns regarding remote access to the Horizon system until many years after I had left the Board.

58. I do not now have any express recollection of being aware that Fujitsu was the IT contractor responsible for the Horizon system when I started as a NED, but it is entirely possible that there would have been reference to this fact at meetings I had attended in my capacity as the Director of the RMPS team in ShEx, or in documents that passed across my desk in that capacity, and I had a general awareness that Fujitsu was a supplier of IT services to the public sector at the time. The choice of IT contractor, and the detail of the contractual relationship, would have been regarded as 'business as usual' issues for the company to deal with and it did not form any part of ShEx's role to oversee decisions such as choice of IT contractor, which would have been subject to established public procurement procedures in any event. It is likely that there would have been some engagement between DTI and RMG when the original contract was entered into in 1999 given its scale but that was long before my time in post. Given the delegated authorities,

when I was on the Board, I have been reminded that any spend over £50m required authority from the Shareholder at that time, and I assume that the Horizon contract would have crossed whatever the relevant threshold was back when it was introduced.

59. I do not recall being conscious of any specific concerns regarding the nature of the relationship between POL and Fujitsu at the time of my appointment. I have some recollection, at a later stage of my tenure, of there being a degree of concern expressed to the effect that it would be expensive for POL to replace Fujitsu as a principal IT contractor and I am reminded by the material provided to me by the Inquiry that there was a significant piece of work being undertaken by POL during 2012 to review its IT infrastructure and what was described as the 'evolution of Horizon' (see, for example, the series of papers on IT related issues included within the September 2012 Board pack) (**POL00103348**).

60. My understanding was that this programme of work was being driven by a perceived need to update the company's IT infrastructure generally, and this was a theme that came to the Board in a number of different papers in terms of considering the forward-looking strategy for IT. For example, it was described in the September 2012 'Information Technology and Change Transformation Programme Update' as the need "*to deliver the significant business and technological transformation which underpins the strategic priorities of Post Office for the next three years*" (**POL00103348**).

61. I am reminded by an email from Tim Franklin to Alwen Lyons dated 22 July 2013 which I have been shown as part of this Inquiry (**POL00099418**) in which Mr Franklin refers to the IT Transitional Services Agreement and expresses the view

that Horizon is a complex Fujitsu proprietary system and any move other than renewal would "*present unacceptable risk*". While I do not now have any direct recollection of this email at the time reading the email now it would appear that he considered that replacing Fujitsu as POL's IT services provider would mean having to replace the entire Horizon system and that this placed Fujitsu in a very strong negotiating position.

62. I do not recall receiving any 'technical reports' concerning the operation of the Horizon system in my capacity as a Shareholder NED, other than the brief references to the operation of the system in the Second Sight interim report. As I have described, we did receive a number of papers concerning POL's IT infrastructure and the proposals for its evolution, some of which were quite technical in nature including in relation to normal risk management areas such as disaster recovery (which came to the ARC), but they did not address the operation of the Horizon system itself as far as I am aware.

63. The various streams of IT related work that were brought to the attention of the Board during my tenure were often complex and detailed. They included the need to renew the Fujitsu contract, issues relating to ensuring the resilience of POL's IT infrastructure and what was needed to make it resilient in light of the anticipated future development of the business, whether to outsource some IT services to India (the Towers strategy), and the approach to the end of the transitional services from RMG which had been put in place at separation. My recollection is that part of the skillset for the new NEDs (particularly Neil McCausland, Alasdair Marnoch and Tim Franklin) was their IT expertise. I did not have this background and, as I have said above, I recall requesting some additional briefing from Lesley Sewell at some

point in 2012. The briefing I received was POL's IT infrastructure and operation in general and I do not recall it addressing specifically the technical operation of Horizon, or concerns relating to its accuracy and/or integrity.

64. As to my understanding of the risks and/or compliance issues which could arise from POL's reliance on data generated by Horizon, I was aware at a general level, that the Horizon accounting system was integral to POL's network and so it would have been apparent to me, had I had cause expressly to consider the issue, that deficiencies in the data produced by Horizon could have implications for the business at a financial level, and might also give rise to compliance issues. However, I would also have been aware that as a financial / accounting system, it would have been subject to external audit assurance as part of the financial accounts and that any material issue would have been flagged to the Board because without this, it would not have been possible to sign off the accounts on an unqualified basis, which is what happened in 2012 and 2013. At this stage, I do not recall making any link in my mind between the issues of the reliability of Horizon data and the soundness or otherwise of prosecutions of sub-postmasters.

65. I do not recall being told anything, at the time of my appointment, about POL's role as a prosecuting authority or about any history of concerns relating to the operation of the Horizon system. I also cannot recall this issue being apparent in the allocation of responsibilities on separation of the businesses and all the legal work that went into that process; nor do I recall seeing any reference to it in the organisation's structure charts that I saw as part of my induction at POL. I became aware of these issues, over time, through my attendance at Board meetings and in the circumstances I describe below.

66. As far as I am now able to recall, my awareness, at the time of my appointment as Shareholder NED, regarding civil claims being threatened by sub-postmasters was limited to the information contained in the first significant litigation report ("SLR"), dated March 2012, and sent to me as part of the Board pack for my first Board meeting as a NED in April 2012. The SLR (**UKGI00018251**) appears to have been included with the Board papers but 'below the line' and for noting only (i.e. not for discussion by or at the Board). As I have explained, the Board papers would include papers that were intended to form the basis of discussion by the Board and papers which we were requested to note for information but not usually discussed. The first SLR I saw contained reference to 'Horizon claims' and recorded that notification of five claims had been received, one of which had been struck out.

67. At the time, I expect that I noted the SLR, as requested. It consisted of summary details of various types of litigation, including employment-related disputes, of a type which seemed to me to be the sort of matters which could be expected to arise in the ordinary course of business for a large organisation such as POL with thousands of staff and a very wide variety of commercial activities and on which the executive would be leading. The way this issue was presented, below the line simply as a matter to note at the end of the meeting, made it clear that the POL executive did not regard it to be particularly significant at this stage and the Board was not being invited to treat it as such.

68. It follows that I do not recall having any particular concerns about the merits of these civil claims at the time of my appointment. The information contained in the SLR was to the effect that four of the threatened claims had yet to be issued, and the one that had been issued had been struck out. Moreover, and as far as I can

recall, no concerns were being expressed by the POL executive that the claims might have merit, or otherwise indicate systemic faults with the Horizon system.

69. I have been asked by the Inquiry to address a series of questions concerning the way in which any concerns I may have had regarding a number of issues relating to the operation of Horizon developed over the course of my tenure as Shareholder NED. I have also been asked to address the steps that I took to satisfy myself that these concerns were being adequately addressed by POL and my perception of the adequacy of the Board's oversight of the measures taken by POL, including the engagement of Second Sight and the establishment of the mediation scheme. Inevitably, my perception of the issues relating to Horizon and the measures being taken by POL to address them developed over the course of the two years I spent as the Shareholder NED and so I have sought to address these questions by providing a chronological account of my tenure which deals with the issues raised by the Inquiry at the various points at which they came to the attention of the Board.

70. Before turning to the detail of the chronology, I hope it may assist if I make clear that throughout the entirety of my tenure as Shareholder NED the consistent and unequivocal message given to the Board by the POL executive was that it had complete confidence in the accuracy, integrity and robustness of the Horizon system. A number of reasons were given in support of that position including the vast number of transactions performed by the system, the confidence in the system expressed by the NFSP, and the 'rigorous testing' to which the system had been subjected. It was robustly and consistently asserted and that any concerns being expressed about the operation of the system being fundamentally flawed were unjustified. I have already made reference to the POL response to the Inside Out

programme in November 2011 which made all these points in forceful terms, and I recall the same line being repeated in a number of further occasions while I was on the board, both in the course of oral updates given to the Board, in documents circulated in advance of Board meetings and in correspondence. Simply by way of example, I note the following extract from an email sent to the Board by the Chief Executive following the appointment of Second Sight in June 2012 (**POL00096692**): *“The Post Office continues to have absolute confidence in the robustness and integrity of its branch accounting processes. Over the past ten years, many millions of branch reconciliations have been carried out with transactions and balances accurately recorded by more than 25,000 subpostmasters. The Post Office has no hesitation in agreeing to an external review of these few individual cases that have been raised with us by a number of MPs.”*

71. This essential position remained unaltered throughout my tenure. In particular, it did not change following production of the Second Sight interim report. Purely by way of example as to the message being presented to the Board as regards the interim findings of Second Sight, I have seen the speaking notes prepared for the 1 July 2013 update to the Board on the Second Sight investigation, which provided the following explanation in relation to the references by Second Sight to two anomalies with the Horizon system (**POL00098878**): *“This is a red herring. In both cases the errors were picked up and either have been or are in the process of being addressed with the affected sub-postmasters; a comprehensive audit has been performed to check there weren’t further cases we weren’t aware of; and new procedures are being put in place to ensure such anomalies are spotted at an early*

stage in the future.” Those notes are consistent with the message I recall being given to the Board at that time, and until I left the Board in March 2014.

Chronology – Second Sight and Mediation

72. I deal below with the chronological detail of my tenure as POL Shareholder NED, with particular regard to Horizon-related issues. The narrative is structured primarily around the Board meetings I attended during that period as this was the principal forum for my interaction with the company and it was through Board papers and oral briefings to the Board by POL Chair, Chief Executive and management that I became aware of the concerns relating to Horizon and the steps being taken by POL to address those concerns. It is important to note, however, that during my tenure as Shareholder NED I had numerous meetings and calls with others, including the POL executive team and members of the ShEx Shareholder team which would not necessarily have been routinely minuted. I have excluded the vast bulk of all the other issues the Board was considering and doing during this period as I understand the focus of the Inquiry’s questions to be on the Horizon issues and the Board’s knowledge of, and response to, those issues.

73. Before I go into the chronology, and as I explain in this section of my witness statement, the Board was provided with updates concerning ongoing prosecutions in the form of SLRs which were included from time to time in the Board packs, for the Board to ‘note’. These SLRs provided short and impersonal summaries of the prosecutions limited, for the most part, to the procedural progress of the case and (if applicable) the outcome. I am now acutely aware of the devastating impact of these prosecutions (and many others like them) on the sub-postmasters involved

and their families and I wish to make clear that in providing the Inquiry with an accurate account of the sparse and anodyne information regarding these prosecutions with which the Board was provided I have not lost sight of the enormous distress and suffering that lies behind each one of these cases.

January 2012 Board meeting

74. I note that the minutes of the January 2012 POL Board meeting (**POL00021503**) record that I attended for part of the meeting but not as a Board member. This was before the establishment of POL as a separate public corporation and before my appointment as the Shareholder NED. I have no direct recollection of this meeting, but it would appear from the minutes that the purpose of my attendance was only to address the issue of remuneration and it is likely that my attendance was limited to this part of the meeting alone. I do not recall any discussion of Horizon-related issues during my attendance at this meeting and I am confident that I would not have been involved in any such discussion had it taken place.

18 April 2012 Board Meeting

75. On 18 April 2012, I attended my first Board meeting following my appointment as Shareholder NED to the POL Board. The minutes record (**UKGI00018112**), that Paula Vennells reported that she had met with the CEO and Vice-Chairman of Fujitsu. I cannot now recall the detail of the update, but I do not recall any specific reference to Horizon as part of this update and I note that there is nothing in the documentation I have reviewed to indicate that Ms Vennells' report of her meeting related to any concerns regarding the integrity of the Horizon system. It appears to

have consisted of a general operational update given the contract needed to be extended or renewed within the next few years.

76. The minutes also record that the Board was asked to note the SLR, dated March 2012, to which I have referred above. As I have explained, my recollection is that it was through the inclusion of this paper in the Board pack, which the Board was invited to note, that I was first informed that POL was involved in civil litigation which included allegations of defects with the Horizon system. I do not recall any discussion of the SLR at the Board meeting and I note that there is no record of any such discussion in the minutes.

23 May 2012 Board Meeting

77. On 23 May 2012, I attended my second meeting of the POL Board. I have reviewed the minutes of that meeting (**UKGI00019348**) and I note that I provided the Board with an explanation of my role and responsibilities as the Shareholder NED at this meeting. My recollection is that this was necessitated by a degree of uncertainty and concern on the part of POL as to my remit and status and I sought to provide a degree of reassurance by setting out the position concerning information sharing and potential conflicts, particularly given the on-going work on the POL financing (eventually agreed and announced in November 2013). Despite the reassurance I sought to provide at this meeting the concerns regarding my appointment and the potential for conflict persisted, at least to some extent, and I am reminded of the exchange of correspondence I had with Will Gibson (**UKGI00017356**) in which I tell him that Alice Perkins had spoken to me at length about POL's concern that I was maintaining contact with ShEx, which I continued to regard as essential.

78. Towards the end of the meeting, as part of 'Any Other Business', Paula Vennells and Alice Perkins reported to the Board that they had met two Members of Parliament, James Arbuthnot and Oliver Letwin to discuss concerns expressed by a number of their constituents regarding the integrity of the Horizon system. As far as I recall this was the first I had heard of this meeting. We were also informed that the business had agreed to engage a forensic accountancy firm to investigate the system and "*give further comfort to those concerned about these cases*". Save for the references to Horizon in the November 2011 'Inside Out' statement and the March 2012 SLR, which I have described above, this is the first time I recall as a NED becoming aware that there were significant concerns on the part of some sub-postmasters regarding the integrity of the Horizon system, and the first occasion on which I had heard directly from the POL executive about this issue. To the best of my recollection, it was also the first time that we had discussed the engagement of Second Sight to undertake the investigation. It may be that ShEx had some involvement in the decision to commission Second Sight but I have no memory of being aware of that at the time and I note that there was no Board paper informing the Board of the MP's concerns, or POL's intended response, circulated prior to the meeting.

79. At this initial stage, my reflection is that it seemed to me that the issue was being dealt with appropriately and with seriousness by POL not least given the Chair's direct involvement and the impression I gained from the CEO and the Chair was that POL had the matter in hand. Given that concerns had been raised by two Members of Parliament, it was obviously appropriate that they be investigated and taken seriously and, from my perspective, the engagement of forensic accountants

to undertake an investigation appeared to be an appropriate response by the business. At this stage I was not aware of the extensive background to the issue, including the fact that POL itself had acted as the prosecuting authority in a large number of criminal cases involving the Horizon system.

80. Although I do not now specifically recall receiving it, I expect that my overall impression that the business was taking proactive steps to address any potential concerns in relation to the integrity of Horizon was reinforced by an email that I received from Paula Vennells on 21 June 2012 (**POL00295355**), drawing attention to potential press coverage in connection with POL's decision to appoint forensic accountants to investigate. In that email, Ms. Vennells confirmed that the appointment of external investigators was a "*deliberate decision by us to be utterly transparent and hopefully to close down what has become a bandwagon based on no fact*" [sic]; and that, "[w]hatever the review finds, good or bad, we will respond to it".

81. I also note that this meeting included a presentation by Alisdair Marnoch in his capacity as Chair of the ARC and with Chris Day to the effect that the sub-committee had reviewed the annual report and audited accounts (**UKGI00019348**). There was no suggestion that the auditors had identified any material reportable issues relating to Horizon, or that this represented a significant risk to the business of which the Board should be aware.

4 July 2012 Board Meeting

82. The July Board meeting was preceded by a Board strategy 'away day' which ran across 19 and 20 June 2012. The principal topic of discussion was mutualisation, the Government having recently published its response to the consultation on the

mutualisation of the Post Office. I do not recall there being any consideration of the integrity of Horizon or any update on the progress of the Second Sight investigation of which the Board had been informed at the previous meeting.

83. However, the Board was provided with a brief update during the meeting on 4 July 2012 (**POL00021508**). Specifically, we were told by the Chair that there was a meeting taking place that day between Second Sight and Mr Arbuthnot, and that the Board would be kept informed. I do not recall having any concerns arising from this update although it would have been interesting to me that there were further meetings with these stakeholders. At this stage there had been no indication of any issues or concerns arising from the Second Sight investigation, which had only recently been commissioned. Apart from the reference to the meeting between Mr Arbuthnot and Second Sight, I do not recall there being any further information provided to the Board concerning the integrity of the Horizon system and other references to IT-related issues in the minutes of this meeting (including to Horizon) were part of the general strategic planning for updating POL's IT infrastructure.

84. I can see from the minutes of the meeting that the Board was again invited to note the SLR, without discussion. As before, I would have read the SLR as one of the Board papers provided in advance of the meeting and I would have noted the summary information it contained regarding the various pieces of litigation in which the company was involved at the time, including the five Horizon-related claims.

19 September 2012 Board Meeting

85. In early September 2012 Jo Swinson MP was appointed as Parliamentary Under-Secretary of State for Employment and Postal Affairs replacing Norman Lamb and

I understand that she had a meeting with Alice Perkins and Paula Vennells on 18 September 2012, the day before the next Board meeting. I did not attend that meeting and, to the best of my recollection, I did not meet Ms Swinson before February 2013.

86. The pack of Board papers for the meeting on 19 September 2012 contained a paper providing a 'Horizon Evolution Update' (**POL00103348**). This paper was forward-looking and concerned the future of POL's IT provision; it did not touch upon issues surrounding the integrity of the Horizon system. I do not recall there being any discussion regarding the integrity of the Horizon system at this meeting.

87. I see that the Board were asked to note the SLR, dated 12 September 2012 (**POL00103348**). This continued to contain reference to the five Horizon-related claims that had been summarised in earlier iterations of the report but also now included a reference to media reporting that a firm of solicitors, Shoosmiths, had been consulted on a further 85 cases, although POL had yet to be notified of any further claims. I do not recall any discussion of this aspect of the SLR by the Board at the September 2012 meeting and the minutes do not record any such discussion. By this stage, the forensic accountants' investigation had been commissioned and we had received repeated reassurance from the POL executive that the matter was being taken seriously. My recollection is that the Board was content, at this stage, for the Second Sight investigation to run its course.

88. I also note that the SLR now also included, for the first time in my experience, a section entitled 'Principal Criminal Cases Brought By Post Office Limited' (Part B). As at the previous two Board meetings, the Board was simply requested to note

this report and, as the minutes reflect, it was not a subject for discussion. Accordingly, whilst I would have looked at the report, I would not have spent a long time studying it or thinking about its potential implications at the time. As I have explained above, I do not recall being aware at this stage that the Post Office had adopted the role of prosecuting authority itself; nor did I have any awareness of the historic background as to how it had undertaken that role. Although I cannot now recall exactly what I understood by this list of 11 criminal cases, I expect my assumption would have been that potential offences had been identified by POL, reported to the police, and that prosecutions had followed in the usual way.

23 October 2012 Board Meeting

89. My involvement with POL prior to the next Board meeting, on 23 October 2012, consisted primarily of work relating to the financial sustainability of the business, and my attendance at the meeting of the Pensions Sub-Committee on 11 October 2012. There was a significant amount of correspondence generated during this period but neither strand of work engaged with Horizon-related issues.

90. It would appear from the minutes (**POL00027610**) that there was no further discussion at the Board meeting concerning the integrity of the Horizon system, the concerns raised by Mr Arbuthnot and Mr Letwin earlier in the year, or the ongoing investigation by Second Sight. My understanding at this stage was that the Second Sight investigation was underway and progressing as intended.

21 November 2012 Board Meeting

91. The November 2012 Board meeting was preceded, on 13 November 2012, by the first stand-alone meeting of the ARC, chaired by Alasdair Marnoch. I attended that

meeting which was primarily concerned with the establishment of the sub-committee. I do not recall there being any discussion of the integrity of the Horizon system at that meeting and I note that there are no references to this issue in the minutes (**POL00021430**).

92. At the meeting of the full Board, on 21 November 2012, the Board was again provided with, and invited to note, an SLR, dated 14 November 2012 (**POL00107831**). Part A of the report provided a limited update on the progress of the Second Sight report and recorded that Second Sight were now reviewing up to 16 cases involving allegations that Horizon had caused sub-postmasters to experience losses. It also noted that POL was actively considering proposals from the JFSA to develop a “no blame” framework within which sub-postmasters could raise concerns with Horizon which would be considered by Second Sight. The Board was asked to note the report, which I assume I would have considered to provide a broadly reassuring picture. The engagement between POL and the JFSA appeared to be a positive development and although the summary indicated an expansion in the scope of Second Sight’s investigation the total number of cases remained relatively low.

93. It appears that there was no material change to the criminal prosecution section of the SLR, which again provided brief summaries of 10 cases. Of those 10 cases we were informed that six had been resolved by guilty pleas, there had been one conviction, and three remained outstanding. As before, no information was provided as to the nature of the defences (if any) that were being advanced and

there was no reference to the integrity of the Horizon system being called into question.

94. Other than being invited to note the SLR and the update regarding the Second Sight investigation, I do not recall the Board being provided with any further information about any concerns regarding Horizon at this meeting, and the minutes would indicate that the issue was not discussed at the meeting. To the best of my recollection the Board was aware that the investigation by the forensic accountants was ongoing and we were awaiting its outcome.

95. By this stage, approximately six months had elapsed since we had been informed that expert forensic accountants had been engaged by POL to investigate the concerns that had been expressed regarding Horizon. We had subsequently been informed that Second Sight had engaged with relevant stakeholders including Mr Arbuthnot and the JFSA, and that POL was seeking to establish a 'no blame' framework under which individual sub-postmasters could present their concerns to Second Sight. As far as I can recall, my general impression was that this work was being undertaken appropriately. We were dealing with a raft of issues of existential significance to the business and, in light of the information available to us at the time, I do not recall that the NEDs were being given reason to believe that there being any cause for concern as to the conduct or progress of the Second Sight investigation.

23 January 2013 Board Meeting

96. At the 23 January 2013 Board meeting I see that the Chief Executive provided the Board with an update concerning the work being undertaken by Second Sight as

part of 'Any Other Business' (**POL00021510**). We were informed of the timeline, namely that a cut-off date had been given to the JFSA and individual sub-postmasters to bring forward any cases or concerns that they wished to be included in the investigation, and that Second Sight hoped to complete their work by summer 2013. We were also told that, "*to date there was no evidence to suggest fault.*" The Second Sight investigation was plainly taking longer than I had initially envisaged and providing an extended period for sub-postmasters to submit cases for consideration by the investigators seemed to me to be an appropriate way to proceed.

97. The Board was also invited to note the SLR, dated 16 January 2013 (**POL00340162**). The update concerning the Horizon civil claims broadly echoed the Chief Executive's update to the Board. I do not recall any specific discussion about the contents of this SLR at the Board meeting.

February 2013 Meeting with Jo Swinson MP

98. In February 2013, I recall that I attended a meeting with Jo Swinson MP, together with Alice Perkins and Paula Vennells. I have not seen any minutes of this meeting. However, I do not recall a discussion of concerns regarding the integrity of the Horizon system during that meeting.

20 March 2013 Board Meeting

99. Prior to the March 2013 Board meeting I attended my second standalone (and, as far as I can recall, final) ARC meeting (**UKGI00042822**). The Board was seeking through the ARC to improve the business's risk management framework and we

set out a process by which the business would identify the key (5-10) material risks facing the business for consideration by the Board. The meeting went on to consider a number of specific risks identified by the executive at that stage, including a number of financial and commercial risks none of which related to the integrity of the Horizon system, and I do not remember there being any discussion of Horizon, or the ongoing Second Sight investigation at that meeting. As to future governance arrangements, it was agreed at the meeting that: *“Policy breaches identified by management and any oversight processes should be notified to internal audit. The Head of Internal Audit would report any significant policy breach to the Committee.”*

100. At the meeting of the Board, on 21 March 2013, I informed the Board that I had left my role in BIS to take up the position of Director of Strategy and Change at the DECC on a part-time basis as a job-share. I explained that the move would not affect my position on the board of POL, but that I would step down from the ARC. I have dealt with the reasons for this decision above.

101. I note from the minutes that there is no record of any discussion of Horizon-related issues at this Board meeting and I do not recall any such discussion taking place. I have no direct recollection but I assume that, in light of the previous update to the effect that the Second Sight investigation was expected to conclude in the summer, the Board was content to await the completion of the investigation and the production of the report.

102. As usual, the Board was invited to note the SLR (**UKGI00018254**), which contained an update regarding Horizon-related claims to the effect that the Second Sight

investigation was underway; a deadline of the end of February had been set for the notification of additional claims to Second Sight; and Second Sight were reviewing the material they had obtained thus far and were seeking input from both POL and the JFSA. I do not now recall seeing anything in this update which gave me any cause for concern. The criminal prosecutions section of the SLR continued to refer to the 10 most significant criminal cases and provided the same level of summary detail as to the status of those prosecutions.

9 April 2013 Board Meeting

103. I have reviewed the minutes of the April 2013 Board meeting and it appears that there was no discussion of Horizon-related concerns. I do not recall any such discussion taking place and I would not necessarily have expected the Board to be pressing for an update at this point for the reasons I have already explained: we had been told that the investigation was progressing with the input of the relevant stakeholders and a report was expected by the summer.

104. As reflected in the minutes, the focus of the meeting was on the very significant challenges faced by the business at this point, a little over a year post-separation. As noted in the minutes (**POL00021512**) of the part of the meeting concerned with Network Transformation, the CEO and CFO explained to the Board that POL was at 'crisis point' and changes needed to be made in order to prevent widespread branch closures in the future. My recollection is that it was far from clear at this stage how POL would be capable of meeting its obligations to become a viable and financially sustainable business.

5 May 2013 – Briefing to Jo Swinson

105. I understand now that on 5 May 2013, Jo Swinson MP received a briefing from POL. I was not present at that meeting and nor was involved in the preparation of the briefing. I do not know what was discussed and whether the Minister was provided with any information concerning Horizon and the ongoing investigation by Second Sight. The same applies to a further such meeting which I now understand to have taken place on 11 July 2013 with Vince Cable, the Secretary of State. I see now that there were a series of further meetings with Jo Swinson that summer, which I expect were focussed on the strategic plan, funding and mutualisation and network transformation.

21 May 2013 Board Meeting

106. I attended the next meeting of the full Board on 21 May 2013. As the minutes reflect, the Board wanted to receive an update on the progress of the Second Sight investigation, which we had previously been told was expected to be complete by the summer of 2013. We were also aware that it had now been two months since the deadline for submission of new cases to Second Sight had expired. Accordingly, the Board directed that a written update be provided by POL to inform the Board of the progress of the Horizon investigation. The action was assigned to POL's General Counsel, Susan Crichton (**POL00021513**).

107. I cannot now recall whether there was anything that prompted the Board to require a written update at this meeting beyond the passage of time since the last oral update provided by the CEO at the January 2013 Board meeting, and the minutes of the meeting do not assist in this regard. In any event, I think it was appropriate for the Board to seek an update at this stage as it had now been a year since we

had been told that Second Sight had been commissioned to conduct an investigation and we probably wanted more detail as the regular updates had been process focused and we had seen no substance.

108. An SLR, dated 15 May 2013, was provided for the Board to note (**UKGI00018260**).

The report explained that POL was cooperating with Second Sight's investigation by providing background data and "*explanations to discrete issues raised*". That seemed appropriate as far as it went but, as I have explained above, the Board wanted to be provided with a more detailed update. The section of the SLR concerning criminal prosecutions was in standard form and provided no details of any defences raised or the extent to which the integrity of the Horizon system was being relied upon, or called into question, in any of the prosecutions.

109. As I have noted above, the meeting also included a presentation by the Chair of ARC concerning the Annual Report and Audited Accounts, which had been reviewed by the ARC, and which did not contain any reference to reference to concerns relating to Horizon.

1 July 2013 Board Meeting

110. On Monday 1 July 2013, I joined an ad hoc, single issue Board meeting which took place by conference call in light of what turned out to be the significant urgency of the subject matter (**POL00021515**). As far as I recall, no papers were provided for the Board to consider in advance of the meeting, and we were simply sent an agenda (**UKGI00017289**).

111. The only item of business that day was the Second Sight work and we received an oral update from the Chief Executive. We were informed that an interim report by Second Sight was to be presented to MPs on 8 July 2013. Critically, we were told that there were no systemic issues found with Horizon, which was consistent with what the executive had been telling the Board from the outset. However, numerous areas had been highlighted for improvement and it was also explained that two historic anomalies had been identified which had been dealt with and had not caused any losses to sub-postmasters. I remember also that at the time there was a strong focus on the need to address the issue of training for sub-postmasters that Second Sight flagged. In process terms it was also made clear to the Board by the executive that they were not very impressed with the report. In particular, we were informed that it was not as factual as POL had expected, and the Chief Executive was worried that the report could generate 'loose language' at the forthcoming meeting with MPs.

112. As far as I recall, this update was provided in the form of an oral briefing from the Chief Executive rather than by way of a written report from the POL General Counsel (as had been agreed at the previous Board meeting). I expect this was a reflection of the urgency as I note it was now getting very close to when the Second Sight interim report was eventually published and I would assume there was a serious concern about the Board not being sufficiently sighted. We were being told that the interim report was being presented to MPs in a week, so there was very little opportunity for us to do anything about it. I cannot recall if we raised concerns about the failure to provide the written update we had commissioned at the May meeting but I recall being concerned about the lack of notice provided to the Board of the presentation of the interim report: we had asked for an update on 21 May

and we were now being told that the report was going to be presented to MPs in a few days' time. That concern was compounded by the fact that we were also being told by the Chief Executive that there were inaccuracies and deficiencies in the report.

113. In light of the fact that the Board had been told that POL executives considered there to be material inaccuracies in the report, it asked POL to, "*challenge Second Sight to ensure changes were made to the report where possible..., and to prepare their communications to combat any inaccuracies*" (POL00021515), although we had not yet seen the report itself. I was concerned, as was the rest of the Board, at the prospect of a report being presented to MPs, and potentially placed in the public domain, which was inaccurate.

114. My sense now is that as a Board we would have wanted to see the Second Sight draft as swiftly as possible, but it is apparent from the minutes that it was envisaged that there was to be some further interaction between POL and Second Sight regarding the drafting of the report over the course of the following week, with a view to producing an updated version. It is not clear from the minutes of the 1 July call whether the Board pressed the executive for a copy of the draft report at that stage. If we did not, it may have been at least partly due to the reassurance provided by the Chief Executive to the effect that there was nothing of significant concern in the report. In this regard I note that an email update was prepared for the Board by the Chief Executive on 4 July 2013 regarding the Second Sight report in which it was stated that that, "*we understand that they have not found any evidence yet of systemic issues with the Horizon system (and it should be noted*

that this is based on a detailed review of their four “best” cases in terms of compelling evidence)” (POL00099003).

115. In the event, the Second Sight interim report was provided to the Board as an attachment to an email sent on 8 July 2013. The covering email informed us that the attachment was the ‘final draft’ and that it was subject to an embargo until 6pm that day. I do not now recall precisely when I read the report following receipt of this email, but I expect it would have been relatively shortly after it arrived. I note that there appears to be a copy of the Second Sight interim report within the Board papers circulated in advance of the meeting on 16 July 2013, and I have also seen an email from Alwen Lyons, the Company Secretary, dated 14 July 2013 (POL00192017), instructing that a copy of the report in a file of Horizon related papers in the electronic ‘Reading Room’ and so it may be that I reviewed the report more than once.

9 July 2013

116. On 9 July 2013, Jo Swinson MP made a statement in Parliament about Horizon (UKGI00001822). She informed Parliament about the publication of Second Sight’s interim report and outlined that the report had found no systemic issues. To that extent the statement was consistent with the briefing given to the Board by the Chief Executive at the 1 July meeting. The Minister explained that the report made no comment about the safety of historic convictions and noted that, even had the report done so, the Government could not intervene in the legal process to review or appeal convictions. She made clear that despite the Government’s shareholding, POL operated at arm’s length. She welcomed POL’s future initiatives to deal with the issues raised by the report.

117. I do not recall knowing when we had the Board call on 1 July that the Minister was planning to make a statement to Parliament about it and indeed the Shareholder Team may not have given her advice on this until they and she had seen the report. I was not involved in the preparation of the statement. I also do not now recall receiving any advance notification of what she was going to say although I assume I did speak repeatedly to Will Gibson in the days leading up to the publication of the Second Sight interim report and the Minister's statement given the Board's and ShEx's concerns about this issue. I do not recall having any information or insight concerning the Second Sight interim report which ShEx did not have and I have seen from documents provided to me for the purposes of preparing this statement that, as I would have expected, there was significant engagement between ShEx and POL on this issue. The Shareholder Team would have provided the Minister with support in preparing the statement (and I believe that an embargoed copy of the report may have been provided shortly before the Ministerial statement for this purpose), but I was not asked for any input into that process.

118. I have been asked a number of questions by the Inquiry concerning my perception of the concerns raised by the JFSA and MPs concerning the integrity of Horizon, whether I considered POL was taking these concerns sufficiently seriously, and the steps I took to satisfy myself that the concerns were being properly investigated at the time. I hope it may assist if I address those issues as matters stood at this point in the chronology.

119. As I have explained, the first time I was informed of the concerns being expressed by MPs concerning the integrity of Horizon was at the May 2012 Board meeting. At the same time, I was informed (along with my fellow non-executive directors) that Second Sight had been commissioned to undertake an independent, forensic investigation and that POL was confident it would demonstrate that there were no systemic issues with Horizon. Thereafter the Board received updates as to the progress of the investigation, including engagement with stakeholders and the steps that were being taken to encourage sub-postmasters to report any concerns they might have. I do not recall at any stage prior to 1 July 2013 being told that the Second Sight report was expected to be critical, whether in respect of the integrity of Horizon or at all. As far as I was concerned it was for Second Sight to reach an independent assessment of the issue and I had an open mind as to what the outcome might be.

120. In general terms, therefore, it seemed to me that POL were taking the issue seriously, by commissioning and (as far as I was aware) facilitating an independent investigation by forensic accountants. I recall being aware that the Chair herself was heavily involved in the process of commissioning the investigation and that she had discussed the issue with Mr Arbuthnot. The means by which I sought to satisfy myself that the concerns were being properly investigated was by considering updates as to the progress of the investigation and, in May 2013, commissioning (along with the rest of the Board) a written update from POL's General Counsel. Up until July 2013 I considered this to be an adequate and appropriate way for the issue to be investigated, and the level of oversight exercised by the Board to be sufficient.

121. The events surrounding the presentation of the interim Second Sight report in early July 2013 inevitably caused me to reassess the position. I was very concerned to discover that a report was shortly to be presented to MPs containing significant criticisms the detail of which the Board had received no prior notification. I was also concerned to hear that POL was concerned about the accuracy and/or quality of the independent report it had commissioned to provide reassurance on this important issue, again without any prior indication that this would be the case. Most significantly, I saw from the report itself (**POL00031813**), when it was finally circulated to the Board, that although its findings were said to be preliminary, they contained both the statement that there were no systemic issues and a number of significant criticisms of POL, including reference to the presence of 'bugs' and/or defects in the Horizon system and shortcomings in the training given to sub-postmasters. Accordingly, my view at the time was that this issue had been poorly handled by POL, and my recollection is that this view was shared by the rest of the Board, along with the view that there needed to be prompt and extensive action on the part of POL to address the issues that had been raised and to help the Board reach a view on the underlying issues.

122. After 8 July there was a period of intense activity through the Summer of 2013 in relation to this issue as the Board sought to get more clarity on the key issues. I turn now to describe the action taken by the Board in response and my perception at the time of the adequacy of the measures put in place by POL to address the concerns raised by the Second Sight interim report.

16 July 2013 Board Meeting

123. I attended the meeting of the POL Board on 16 July 2013. The CEO provided the Board with a further oral update on Horizon. I do not have a full recollection of the update but I note now from the minutes (**POL00021516**) that the briefing was expressed in generally positive terms, explaining that the business had been praised in Parliament for commissioning an independent review and that no systemic issues with Horizon had been found. Notwithstanding there being some doubts about Second Sight's Interim report, and noting that it was interim at this stage, the Board was taking its content very seriously.

124. However, the minutes also make clear that, notwithstanding this positive message from the CEO, the Board raised a concern about whether the Second Sight findings left the business open to claims of wrongful prosecution. In response to this query, the CEO explained to the Board that RMG had historically acted as the prosecuting authority through a specialist criminal team forming part of the business, and that they had been the prosecuting authority at the time of many of the cases within the review. She further explained that POL was a prosecuting authority and brought its own prosecutions, but that, since the separation of POL from RMG, the General Counsel had proposed that prosecutions would be brought through the CPS.

125. To the best of my recollection, this was the first time that I became aware that POL was able to act (and was in fact acting) as a prosecuting authority itself and I remember being uncomfortable about this when I first discovered that fact. Even so, I would have assumed that POL was exercising any role it undertook properly and I did not know what if any other organisations had this sort of function. However, I found it very difficult to understand why this had not been brought to

our attention before. As I have explained above, the summary reports of the most significant criminal prosecutions contained in the SLRs provided to the Board did not make any reference to the identity of the prosecuting authority and I had assumed that these were conventional prosecutions brought by the Police and the CPS.

126. As can be seen from the minutes, the Board expressed strong views that the business had not managed the Second Sight review well (**POL00021516**). The minutes are always written in rather bland language and I think the reference in the minutes to the Board expressing 'strong views' on the subject is a reflection of the level of frustration. As I recall, there were a number of overlapping concerns but the primary issue, at least as far as I was concerned, was that, for over a year, the Board had repeatedly been reassured that a thorough, independent review by forensic accountants was ongoing; that the executive team was confident that there was no systemic / significant issue with Horizon; and now, in marked contrast, the position we found ourselves in by mid-July 2013 was one in which an interim report had been produced which still said that there were no systemic issues but was also significantly critical in several respects, and further, which we were told by POL was of poor quality.

127. My recollection is that I was frustrated that there was not a clear position and by the lack of clear information flow from the executive and that this frustration, which was shared by other members of the Board was reflected in our direction, recorded in the minutes that in future, papers provided by POL, "*needed to be clear, not overly optimistic, and commercially focussed so questions of fact would not be necessary*"; and further, "*The Board asked for earlier warning when risks and*

issues arise to ensure that they were not 'blindsided'." (POL00021516) I do not recall the Board feeling that it had been deliberately misled by the executive, which would clearly have been very serious indeed, but rather that we were concerned that we were not being provided with sufficiently clear, objective information and supporting facts to enable us to gain a proper understanding of the issue.

128. In light of these concerns, and in addition to its general expression of dissatisfaction, the Board directed a number of urgent actions. The Chair requested that POL's General Counsel provide an analysis of the process to date so that the Board could better understand the deficiencies in the way the matter had been handled. The CFO was tasked to ensure that POL's insurers were notified of Second Sight's findings. I also recall Alasdair Marnoch as ARC Chair offered to take a more direct lead on Board oversight of the work done by the company to address the concerns revealed by the report.

129. In addition, the Chief Executive was informed that the Board expected to be informed promptly as to her proposed way forward in light of the criticisms made by Second Sight and the further work that was clearly required. In this regard, we had already received an outline update from POL's General Counsel, dated 12 July 2013 (POL00099218), which provided a brief summary of the background, a list of activities currently underway and a set of 'proposed way forward actions'. These included the proposed establishment of a working party (to include the JFSA) to complete the review process and look at the thematic issues emerging from the interim report and the establishment of a mechanism described as an 'independent safety net' to adjudicate on disputed cases. My recollection is that the Board made clear that it urgently required a fully worked up set of proposals.

130. As to my thoughts concerning the substance of the Second Sight report, it is hard to be definitive now but I think that they are accurately reflected in the minutes of the Board meeting. As I recall, we were surprised and concerned by the criticisms that the report contained. I also think there was a degree of concern that, after an investigation that had been ongoing for more than a year (as we understood it), the report was light both on detail and clear conclusions, although I did note that the findings were expressed to be preliminary and that Second Sight had made clear that considerable further work was required.

131. In addition to the Horizon update provided by the Chief Executive, the Board was also asked to note an SLR, dated 11 July 2013 (**POL00027548**). That report again asserted that Second Sight had found “*no systemic problems with Horizon*”, but explained that POL was now conducting a review of the criminal and civil proceedings issued against sub-postmasters, where issues with Horizon had been raised, to establish which cases may have been vulnerable to challenge. In light of what we had learned from the Second Sight interim report, a review of both criminal and civil cases seemed to me to be appropriate, particularly in view of the fact that, as I had now been informed, POL/RMG had acted as prosecuting authority in the criminal cases.

132. On 26 July 2013, POL’s General Counsel produced an update for the Board concerning the measures that the company proposed to take in response to the Second Sight report (**POL00298004**). Four ‘key workstreams’ were identified, described as: (i) completing the review of cases started as part of the Second Sight investigation, with the aim of seeking some form of resolution; (ii) meeting our duty to review cases that have been subject to criminal prosecution; (iii) identifying

improvements in the training, support and other processes related to the Horizon system and branches, including a new Branch User Forum for sub-postmasters to provide direct feedback on the way they were trained and supported; and (iv) meeting our commitment to review how an independent safety net could be introduced to help resolve disputed cases with sub-postmasters in the future. The update went on to set out a relatively detailed account of the way in which POL intended to take forward these workstreams. In addition, the paper noted that *“in response to the Board’s request for a post-mortem [at the 23 July 2013 Board meeting], Internal Audit has now been tasked with carrying out a review of our response to the Second Sight investigation, reporting to the ARC. The terms of reference will be agreed with the Chair of ARC over the coming weeks.”*

133. My general impression at this stage was that POL appeared to be taking the issues raised by Second Sight seriously and had identified an appropriate programme of work to start addressing those issues. The proposals in the 26 July 2013 update were significantly more developed than those outlined in the 12 July 2013 document and given that we were only a little over two weeks beyond the publication of the report I considered that this demonstrated a reasonable degree of urgency and focus on the part of the business, at least at this stage. I was conscious that it would be an important part of the Board’s function going forward to monitor and oversee this work to ensure that it was carried out effectively and the momentum was maintained.

134. In addition to the engagement at Board level with the work being done to address the issues identified Second Sight I can now see from the contemporaneous documentation that there was a significant degree of activity on the part of POL,

NEDs and the Chair in relation to this issue, including engagement with stakeholders including the JFSA and Mr Arbuthnot. ShEx was also actively engaged. I do not recall being aware of all of the detail or extent of this activity at the time but I did have the general impression that it was being taken seriously and a significant amount of work was being done across the board.

25 September 2013 Board Meeting

135. At the Board meeting on 25 September 2013, and at every board thereafter in my tenure, the Board received an update from the Chief Executive on Horizon-related issues by reference to the list of actions produced in late July by POL's (then) General Counsel to which I have referred above. The Chief Executive explained that POL had established an independent mediation scheme, run by the Centre for Effective Dispute Resolution ("CEDR"), and the intention was for this scheme to be overseen by a working group with an independent Chair. She informed the Board that she had met with Sir Anthony Hooper to discuss the possibility of him acting as the independent Chair, and that the meeting had been positive (**POL00021518**).

136. In response to the Inquiry's question, I can confirm that I have no connection either by birth or marriage to Sir Anthony Hooper.

137. In advance of the meeting, the Board had also been provided with a paper concerning 'Project Sparrow' (the project name given by POL to the workstream relating to the resolution of Horizon-related issues), dated September 2013, drafted by POL's General Counsel, Susan Crichton (**POL00304636**). I infer from the documents that this paper was the response to the direction that the Board had given at the last meeting for Ms Crichton to provide an analysis of the process that

had been undertaken to date and the plan for how the concerns relating to Horizon, which clearly remained unresolved, would be definitively addressed. That paper also referred to the July 2013 action list, and included confirmation of the commencement of an initial mediation scheme which had been launched on 27 August 2013 and was envisaged to run until the end of March 2014.

138. The Project Sparrow paper also addressed the issue of criminal prosecutions and provided an update on the review to which reference had been made in the July 2013 SLR. The Board was informed that an external firm of solicitors had been appointed to undertake the review and that it had undertaken an initial sift of cases, leading to a number of cases being discontinued and the Second Sight report being disclosed in a number of other cases. The paper further explained that a meeting had taken place with Brian Altman QC who was going to be commissioned to undertake a review of POL's conduct of prosecutions. There was also some information about the associated administrative arrangements including budget and proposed next steps.

139. Some further information concerning POL's proposed way forward was set out in the SLR, which explained that the Second Sight investigation was still underway and POL was actively co-operating with that investigation. The SLR also explained that, in respect of criminal prosecutions, *"POL is not issuing any new criminal summons pending the instruction of a new independent expert who can give evidence to support the Horizon system. The process of identifying this expert is underway."*

140. The Project Sparrow paper, the SLR, and the Chief Executive's update to the Board set out between them what appeared to be a fairly extensive package of measures

and actions which had been either implemented or were in train. In summary, and based on the information provided to the Board at this stage:

- a. A mediation scheme had been established and 23 submissions had been received from sub-postmasters (**POL00304636**);
- b. CEDR had been appointed to provide a panel of independent mediators (**POL00304636**);
- c. Sir Anthony Hooper had been approached to act as the independent Chair of the Horizon Working Group overseeing the mediation process (**POL00021518**);
- d. A firm of solicitors, Cartwright King, was undertaking a review of criminal prosecutions with the result that, thus far, four cases had been discontinued and the Second Sight report had been disclosed to defendants' legal representatives in nine cases (**POL00304636**);
- e. Brian Altman QC had been instructed to oversee the review of prosecutions and advise in relation of POL's disclosure obligations (**POL00304636**);
- f. All criminal prosecutions had been paused pending the instruction of an expert to provide an analysis of the Horizon system per an SLR dated 16 September 2013 (**UKGI00018245**);

g. A programme for the future conduct of the necessary work had been established, together with a budget which was to be monitored (POL00304636).

141. My view at this point, which I believe was shared by the Board as a whole, was that the work undertaken by POL in the two months or so since the 16 July 2013 Board meeting was extensive and reflected the very clear expectation we had set at that meeting that the issue of understanding the integrity of the Horizon system needed to be taken very seriously alongside the concerns over prosecutions and training for sub-postmasters. It was plainly important that any mediation scheme was fully independent and I was pleased to see that CEDR and Sir Anthony Hooper were to be involved in that aspect of the process. I was also encouraged by the appointment of an external firm of specialist solicitors and a QC to deal with the prosecutions issue.

142. I nevertheless remained concerned about the issues raised by the Second Sight report and the fact that there was a detailed programme of work underway was obviously no guarantee that these issues were going to be satisfactorily resolved. Will Gibson was shortly to depart on paternity leave and I recall flagging my concerns to Mark Russell, the ShEx Chief Executive, at around this time and I was pleased that he agreed to attend the next meeting of the POL Board.

31 October 2013 Board Meeting

143. I attended the 31 October 2013 Board meeting. My recollection is that I was accompanied by Mark Russell, the Chief Executive of ShEx who attended at least

part of the session. During the meeting, the role of ShEx, the Business and the Board was discussed particularly relating to the post-funding period (the funding settlement was announced on 27th November 2013). The issue about the relationship between those parties had been long running, and I think that the departure of Will Gibson from the Shareholder Team had prompted the Chair to seek a discussion including with Mark Russell about his replacement and how the relationship with the shareholder team would work going forward.

144. From the minutes of the meeting, I can see that, during her report, the CEO updated the board about the progress of Project Sparrow and the appointment of Sir Anthony Hooper (**POL00021519**). The CEO's written report dated 24 October 2013, included within the Board pack, also provided an update on Project Sparrow (**POL00021519**), including the information that there were likely to be 150 cases considered for possible mediation. The report also included reference to the ongoing work in respect of prosecutions being undertaken by Cartwright King and Brian Altman QC, and indicated that a paper would be submitted to the 27 November 2013 meeting of the ARC regarding prosecutions.

145. The Board papers also included the ARC Briefing Book for the Half Year ended 29 September 2013 (**UKGI00018126**). This repeated POL's assertion that the Second Sight interim report had identified "*no systemic problems with Horizon itself*", as well as providing an update on the mediation scheme and the review of criminal prosecutions. I see now that the Briefing Book also noted that no claim had been brought against POL in the civil courts, and no appeal had been made to the Court of Appeal in relation to any conviction.

146. As usual there was an SLR included in the Board papers, which the Board was invited to note. This contained no additional information regarding the ongoing Horizon-related work. The number of criminal cases included in the prosecutions section of the SLR had fallen to four.

147. I was not present for the whole of this Board meeting. I was exceptionally busy at this time in my day job at DECC undertaking a major piece of work to take £50 off all domestic energy bills¹. I have no recollection of any discussion of Horizon-related issues during the part of the meeting that I attended. I expect that I read the papers circulated in advance of the meeting in the usual way and so would have been aware of the updates in respect of both the mediation scheme and the prosecutions review set out in the Chief Executive's report. On the face of it, the extensive programme of work that had been commissioned following the Second Sight interim report appeared to be progressing as planned and there were no indications, at this early stage, that the mediation scheme was running into any significant difficulties.

27 November 2013 Board Meeting

148. There was a Board meeting on 27 November 2013 which, as far as I recall, I did not attend given my work at DECC conflicted on that day. Although I plainly would have wished to attend, as I have explained above, this was a particularly busy time for the Government on energy policy. I expect that I would have reviewed the Board pack circulated in advance of the meeting, but given my competing professional commitments at the time I may not have done so until shortly before the following Board meeting, which I did attend in full (**POL00021520**). It was becoming clear to

¹ [Government action to help hardworking people with energy bills - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

me by this stage that I simply did not have enough time to devote to my role as POL Shareholder NED alongside my other professional commitments working for a different Secretary of State/Department. I made this clear to ShEx and asked them to start the process of arranging for my replacement, which took place early the following year, 12 months before the expiry of my three-year term of appointment.

149. I have reviewed the minutes of the meeting and the Board papers circulated in advance. I note that the Board received a written progress report on Project Sparrow from the interim General Counsel, Chris Aujard, who had taken over from Susan Crichton who had now left the business (**POL00027482**). The paper informed the Board that the mediation scheme had received more applications than anticipated and the cost would therefore be increased. It also noted that a paper reviewing the prosecutions policy was presented to the ARC on 18 November 2013.

150. The minutes of the meeting also record that the Board asked for an analysis of the risk to the business posed by the Horizon-related issues to be produced by POL's General Counsel and also asked to be kept regularly updated (**POL00021520**). There was also a discussion about the future of prosecutions, during which it was explained that the business was reviewing its approach to acting as a prosecuting authority.

151. The Board pack included a further paper from Chris Aujard which highlighted the risk to the business posed by allegations relating to Horizon, noting that such allegations might raise issues surrounding the robustness of POL's core systems,

which, among other things, might damage public and Government confidence **(POL00027483)**.

152. In general terms, the Board papers and minutes of the meeting indicate that addressing the Horizon-related issues, in respect of both the mediation scheme and the review of prosecutions, was being treated as a high priority by both the business and the Board, which was clearly appropriate. There was an early indication of potential concern regarding the mediation scheme I see now with the reference to more claims having been received than anticipated and the need for additional funding but, otherwise, both workstreams appeared to be progressing broadly as planned.

21 January 2014 Board Meeting

153. The early indications of concern regarding the capacity of the mediation scheme to deliver an efficient and acceptable resolution of claims made by sub-postmasters based on alleged deficiencies with the Horizon system had increased significantly by the time of the next Board meeting on 21 January 2014. The Chief Executive provided the Board with an update and informed us that Project Sparrow was taking longer than expected. This was clearly a concern although I note from the minutes that the Chair was reassured by Sir Anthony Hooper's governance of the process, which she thought would give the business the best chance of reaching a final resolution of the issue **(POL00021521)**. It was agreed that the ARC would consider an update on Project Sparrow at its February 2014 meeting, which would include a piece of work on lessons learned, along with a paper dealing with the prosecutions review. The full Board made clear that it wanted to be sighted on all

the papers presented to the ARC on the issue and asked for an update to be provided at the next full Board meeting.

154. In the Chief Executive's report, which formed part of the Board pack circulated in advance of the meeting, we were informed that the mediation scheme had closed to new cases on 18 November 2013 having received 147 cases. However, it appeared as though unfortunately the scheme was making slow progress in dealing with the cases that had been submitted (**UKGI00017290**). The Chief Executive's report referred to only 27 full questionnaires having been submitted for the investigation by the Post Office. It was anticipated that the majority of cases would be reviewed by the second quarter of the financial year 2014/15, but it was not at all clear how many cases would have been through mediation by that point. Overall, the report suggested that the mediation scheme was looking likely to be a far more protracted and difficult process than the Board had been initially led to believe, with a combination of higher volumes and slower progress.

155. My recollection looking back was that I was troubled by the lack of progress, with the mediation scheme in particular. From my perspective, there had been an encouraging degree of activity in July and August 2013 in response to the Second Sight interim report concerns, including the establishment of the mediation scheme and yet now, over six months later, limited progress seemed to have been made and, as it appeared, we were no closer to achieving a mutually satisfactory resolution of the sub-postmasters' concerns. However, whilst I would certainly have wanted to see better progress, I was conscious of the fact that the mediation scheme had been set up to be an independent process with independent oversight by the Working Group and direct intervention by the Board would not have been

appropriate. As far as I could tell, the principal reason for the apparent delay was the receipt of more claims than initially anticipated and, from my perspective, it was important that the process was thorough and comprehensive in addressing the full range of claims.

26 February 2014 Board Meeting

156. I was accompanied to the February 2014 Board meeting by Richard Callard who had been appointed as my successor as Shareholder NED (**POL00021522**). The purpose of Richard Callard's attendance at the meeting was to introduce him to the Board and to enable him to gain an early understanding of the issues facing the business in order to achieve as smooth a handover as possible. He had been the SCS1 / Deputy Director on the Shareholder Team since Autumn 2013 taking over from Will Gibson and so had an appreciation of the issues generally but I was keen that he came to see the Board and Alice Perkins agreed.

157. This full Board meeting was preceded by a meeting of the ARC, conducted by conference call and attended by the full Board. The meeting included presentation of a paper on the POL prosecution policy. This was obviously an important issue that was now high on the Board's agenda and I deal with in further detail below in response to the Inquiry's questions relating specifically to prosecutions.

158. The second significant event which took place at this meeting was that the Board was informed that the mediation scheme was facing increasing challenges and that resolution of all the claims that had been notified to the scheme remained a long way off. The reasons for this were summarised in a paper prepared by Belinda Crowe dated 20 February 2014 (**POL00027452**), which informed the Board that

the scheme was proceeding more slowly than expected, and that an 'increasing expectation gap' was developing between POL and the sub-postmasters as to the level of redress under the scheme. We were also told that there were issues with cost, 'general stakeholder management', and the scope of Second Sight's remit.

159. The Board was concerned by this update. There appeared to be very little control being exercised over the duration of the process and the cost of compensation, and there seemed to be no clear path to a successful resolution of the claims. By this stage the mediation scheme had been in existence for six months and very little seemed to have been achieved.

160. The Board remained conscious of the fact that the mediation scheme was an independent process being overseen by the Working Group, but we nonetheless wanted to gain a better understanding for ourselves of the nature of POL's contractual relationship with sub-postmasters and the extent of its potential liability for any Horizon-related losses. Accordingly, the Board resolved to commission its own independent legal advice on POL's position in order better to understand POL's potential exposure and provide a better understanding as to how the mediation process might realistically be taken forward. Linklaters LLP was commissioned to carry out this piece of work. I was pleased with the proposal to involve Linklaters since, as I confirmed in an email at the time, I felt that POL should be taking a "*belt and braces*" approach to the issues being considered as part of Project Sparrow (**UKGI00045509**).

161. The SLR contained no additional information of any significance, and there was no change to the section concerning the Horizon litigation. It was noted that there were

now only five criminal prosecutions before the Court, three of which were concerned with post-conviction financial recovery only.

26 March 2014 Board Meeting

162. The Board meeting of 26 March 2014 was my final Board meeting as the Shareholder NED and I note that the minutes record my departure and the thanks I was given for my contribution to the Board (**POL00021523**). I was again accompanied by Richard Callard as part of the handover between us.

163. Project Sparrow was at the top of the agenda and Christa Band, from Linklaters, presented the advice which the Board had commissioned in February. The advice itself was included within the Board pack circulated in advance of the meeting (**POL00030724**) and comprised a detailed analysis of POL's legal liability to pay compensation on the basis that the Horizon system was not responsible for discrepancies or losses. The Project Sparrow update paper (**POL00105529**) prepared by POL included in the Board pack also made clear 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."*

164. The Linklaters advice was helpful as far as it went but it was obvious that it left unaddressed the fundamental question of whether the assumption that the Horizon system was not responsible for discrepancies and losses was sound. This had not been fully resolved by the Second Sight interim report either. I therefore agreed with the decision of the Board, and as suggested in the Linklaters advice, that a further piece of work was needed to interrogate this assumption and that further work should be commissioned by the Board to address this separate question

(POL00021523). I note that the scope of the further work was set to include: (i) how the system works; (ii) the data integrity aspects of the system; (iii) all audits and tests carried out on the system; and (iv) a response to the most significant thematic issues identified by Second Sight. My understanding is that Deloitte was commissioned to undertake this further piece of work and it would be crucial, but I had left the Board by the time it was completed.

165. Aside from the Linklaters report, the general impression that the mediation scheme was running into intractable difficulties remained. The Chief Executive's update (POL00030724) indicated that there remained a fundamental mismatch between the expectations of at least some of the sub-postmasters involved in the process and POL's understanding of the extent of its liability. We were also informed that Sir Anthony Hooper had expressed some concern regarding the quality of Second Sight's report in individual cases. In general term the mediation scheme seemed to be no closer to delivering successful resolution of individual cases than it had a month earlier.

Reflections on Project Sparrow and Mediation Scheme

166. I have been asked a number of questions by the Inquiry concerning Project Sparrow and the Mediation Scheme, most of which I have addressed in the chronological account I have set out above. In summary, I considered that the programme of work established by POL in the immediate aftermath of the Second Sight interim report, which included the establishment of the mediation scheme with the oversight of the independent working group, was an appropriate and proportionate means of addressing sub-postmaster concerns regarding the integrity of Horizon and would provide an independently managed process within

which those concerns could be aired and addressed. I do not have any express recollection of receiving this correspondence at the time, but I note that I was copied into to a note from the Chief Executive in late August 2013 in which she reported that POL has shared the mediation scheme with Mr Arbuthnot and "*he was happy to endorse this as a way forward*" (**POL00027792**). I expect I would have drawn some reassurance from this, along with the reports that we received to the effect that, at least at the outset, the process was supported by the JFSA.

167. The updates we received as to the establishment and operation of the scheme did not give rise to any significant cause for concern until early 2014 when it started to become clear that the scheme seemed increasingly unlikely to deliver the mutually satisfactory resolution it was intended to achieve.

168. When those questions and concerns started to emerge the Board took action to better understand the nature of the problems and the potential way forward by, in the first instance, commissioning a report from Linklaters and, subsequently, a further piece of work by Deloitte to address the background to, and validity of, the fundamental concerns with the system that were being expressed regarding the integrity of Horizon. Given that the mediation scheme had been set up as an independent process, I considered that this represented an appropriate level of proactive engagement on the part of the Board.

169. On the specific issue of the number of requests for compensation made within the mediation scheme, I do not recall developing any particular concerns in this regard. In the November 2013 update prepared by POL's General Counsel (**POL00027482**) the Board was informed that 140 applications had been received,

of which 82 had been approved, 9 had been rejected and 49 were awaiting determination. That figure was materially higher than the 64 cases referred to in the Chief Executive's October 2013 update (**POL00027136**) but I do not recall any concerns being raised about this increase at Board level, save for the issues raised by POL concerning the increased expense of the scheme. From my perspective it was important that the mediation scheme was as comprehensive as possible. In general terms, it was troubling that so many sub-postmasters had a grievance with POL that required resolution but that served to reinforce the importance of the mediation scheme and the other aspects of the work that were being undertaken as part of Project Sparrow.

Conduct of Private Prosecutions

170. As I have explained above, I have no recollection of being aware that POL acted as a prosecuting authority itself in cases involving sub-postmasters and Crown employees at the time of my appointment as Shareholder NED in April 2012, and I believe that the first time I became aware of POL's role as a prosecuting authority was when the Chief Executive explained POL's prosecutorial function to the Board during the course of the July 2013 Board meeting (**POL00021516**). Prior to that point, my assumption as a non-lawyer had been that references to prosecutions that I had seen in the documents sent to me (including the SLRs) were to prosecutions brought in the conventional way, involving the Police and the CPS. I also had no sense of how POL executed its responsibilities within the context of these prosecutions.

171. Accordingly, my awareness of the fact that POL had acted, and continued to act, as a prosecuting authority coincided with POL's proposal to undertake a 'Prosecution Case Review', as described in the update by POL's General Counsel provided to the Board in late July 2013 (**POL00298004**). In particular, the Board was informed that POL was undertaking a case-by-case assessment of whether it had discharged its disclosure obligations in past prosecutions with the assistance of an external law firm, Cartwright King; and that Brian Altman QC had been instructed to exercise independent oversight of the review process and make recommendations regarding POL's future prosecution strategy. So, whilst I was concerned to learn that POL had previously acted as a prosecuting authority itself, and troubled by the fact that I had not previously been aware of this important information, it seemed to me as though a robust process had been instituted to ascertain whether POL had complied with its obligations in this regard.

172. To be clear, my understanding throughout the period between the Second Sight interim report and my departure from the Board 8 months later was that the issue as far as past prosecutions was concerned, and the focus of the review that had been commissioned by POL, was on the question of whether POL had discharged its disclosure obligations and, in particular, whether there may be a need to disclose the Second Sight interim report to the defence representatives in a small proportion of cases (repeatedly said to be about 5%). As a non-lawyer I did not draw a clear link in my mind between ensuring POL met its disclosure obligations and unsafe convictions based on false or misleading evidence, and I do not recall the issue ever being expressed to me in those stark terms.

173. I do not now recall any specific occasions on which I expressed my concerns regarding POL's role as a prosecuting authority to officials in ShEx although the issue would likely have arisen during the course of one or more of my conversations with Will Gibson, Mark Russell and Richard Callard during the latter part of 2013 and the early part of 2014, especially given that Richard Callard came to the February and March Board meetings. I do not remember being conscious of knowing more about this issue than my ShEx colleagues, and I have described above the means by which the information came to me from updates provided by the POL executive in the aftermath of the Second Sight report. I did not have any dialogue with Ministers on this issue not least because of the structural separation but also because my perspective would likely have been that in order to advise ministers in more detail than what they already knew, ShEx would need more robust information which at that point we did not have as far as I was aware.

174. I am not aware of the extent to which ShEx briefed Ministers on the issue of prosecutions following the Second Sight interim report. Given the prominence of the report, including the fact that it had prompted a Ministerial statement in Parliament (which only happened a small number of times in two years), I expect both ShEx and POL provided full updates to the Department concerning the work that was being undertaken by the company in response to the report as it developed.

175. As to the steps that I took in my capacity as Shareholder NED to satisfy myself that POL had acted in accordance with its legal obligations in bringing past prosecutions, I (along with the rest of the Board) noted that a review of past prosecutions by external lawyers that had been commissioned by POL, with

independent oversight by a senior QC, as set out in the early update from POL's General Counsel in late July 2013. I see now that I was also aware from the same update that POL was engaging with the Criminal Cases Review Commission (CCRC), and that part of Mr Altman QC's remit would include overseeing POL's response to questions posed by the CCRC (**POL00298004**). It seemed to me that this constituted a robust process of review incorporating specialist expertise. This process of review was still ongoing by the time I stepped down from the Board in early 2014 and so I did not form any concluded view as to its adequacy, but as far as I can recall I had no reason to believe that the review process was not proceeding effectively prior to my departure.

176. As I have explained above, the clear expectation on the part of the Board, which was also reflected in the risk management framework set by the ARC, was that the executive would have been responsible for the detail of this process and would proactively bring to the Board's attention any significant issues which had the potential negatively to impact the business, financially, reputationally or in terms of compliance. That would obviously include any information that indicated POL might have acted as prosecuting authority in securing unsafe convictions or any other failure to comply with legal obligations which should have been communicated up the line of responsibility to the CEO and Board, as well as being put on the relevant risk registers, and flagged to internal audit and ARC as part of the control environment. I deal below with a number of the specific documents that were not provided to the Board relating to this issue but, in general terms, I have no recollection during my tenure of the Chief Executive, the General Counsel (or any other POL executive) saying directly to the Board that the business was at risk of

being found to have been responsible for serious miscarriages of justice in criminal prosecutions based on Horizon data.

177. As to whether I considered it appropriate for POL to continue to act as a prosecuting authority after I became aware of its role in July 2013 my views are accurately reflected in the contemporaneous correspondence surrounding the review of POL's prosecutorial policy undertaken in the aftermath of the Second Sight report.

178. The update from POL's General Counsel in late July 2013 informed the Board that POL intended to review its 'future prosecutions strategy' and that it would invite Mr Altman QC to make recommendations in this regard. In her report to the Board dated 24 October 2013 (**POL00027136**), the Chief Executive provided an update to the effect that POL intended to submit a paper to the November 2013 ARC meeting 'reviewing our overall policy for investigating and prosecuting future cases' to be informed by a separate report being prepared by Mr Altman. I do not recall the detail of that paper and, as I have explained above, I was not a member of the ARC by this stage and I did not attend the November 2013 full Board meeting. However, I was sent, and did review, an updated 'Prosecutions Policy' paper prepared by POL's General Counsel and dated 7 February 2014 (**POL00030716**).

179. The February 2014 papers states that it had been prepared for consideration by the ARC but it was circulated to the full Board and I do recall receiving it at the time. The paper outlined three broad options which were, in summary: (a) preserving the status quo in relation to POL's prosecution policy; (b) adopting a modified policy focussed on high value cases and incorporating a number of procedural safeguards, including all prosecutions to be conducted through an external law

firm; and (c) ceasing all prosecuting activities and leaving any future prosecutions to the police and CPS. The paper strongly recommended the second of these options.

180. I note that I was sent a copy of the paper on 7 February 2014 and that I wrote to the Chair copying the other board members on 10 February 2014 expressing the view that option (c) (ceasing prosecutorial activity) should be explored further (**POL00027687**). I could not understand why it was necessary for POL to act as a prosecuting authority itself, and why it was considered to be sufficiently different from other comparable organisations to require such an approach. I also wanted to gain a better understanding of how the rate of prosecutions brought by POL compared with prosecutions relating to other organisation, and I observed that I found the prosecution statistics for POL to be 'surprising'.

181. At this stage I wanted to understand the context and how POL compared with other organisations when it came to prosecution rates and whether there were any particular reasons why there might be a higher rate of prosecutions arising in the context of POL's business. I do not recall that I had formed any views as to what, if anything, the statistics relating to POL prosecutions might indicate as to the conduct of those prosecutions.

182. I note that my email expressing these views was written shortly after an email from the Chief Executive, dated 9 February 2014 (**POL00027692**) in which she explains that 'the key difference is one of scale', and that there are a number of reasons, specific to POL's business, why it was appropriate for it to take a different approach to bringing prosecutions as compared to other organisations which might be thought to be comparable. I cannot now recall precisely what I thought when I saw

this correspondence but the contents of my email to the Chair the following day would suggest that I did not find the Chief Executive's explanation to be sufficient, and I wanted more information.

183. In the event, the decision taken at the February 2014 Board meeting was to endorse POL's recommendation of option (b), a modified prosecution policy focussed on higher value cases with a number of additional procedural safeguards. From recollection, my position had not changed between my email of 10 February 2014 and the Board meeting on 26 February 2014. I still did not consider that I had a clear understanding of why it was necessary for POL to act as a prosecuting authority and I thought that cessation of all prosecutorial activity should remain on the table for further consideration. However, I did not hold any form of veto over collective Board decision making and it is clear that the majority of the Board disagreed and chose to endorse option (b).

184. Whilst I considered that the issue required further thought, it was clear that there were benefits to option (b), at least compared with the status quo. I took some reassurance from the plan to delegate the conduct of future prosecutions to an external law firm, and I noted that the new policy would be kept under close review. Whatever issues may have arisen in the past, which I understood to be still under investigation, the procedure going forward appeared to be reasonably robust in ensuring that POL discharged any relevant duties as a prosecuting authority. I do not recall being made aware any prosecutions pursued by POL under the new policy between the February 2014 Board meeting and the end of my tenure as Shareholder NED the following month.

185. I have been provided by the Inquiry with a number of documents relating to the work commissioned by POL in the aftermath of the Second Sight report relating to the review of past prosecutions and the formulation of a new prosecutorial policy. I have been asked in each case whether I saw the document in question, what action I took in response to the risks and/or compliance issues they raised, and whether I think they ought to have been communicated to me (if they were not). I address each in turn.

186. I do not recall seeing the advice from Simon Clarke of Cartwright King dated 2 August 2013 (**POL00006799**) in which he advises POL as to its disclosure obligations in the context of the operation of the 'central hub' set up to manage Horizon-related disclosure and, in particular, the extension of disclosure obligations to information which is not written down. I have also reviewed the Board materials relating to this point in the chronology and I cannot find any reference to this advice being sent to the Board.

187. Reading this document now, with the benefit of hindsight, I can certainly see that it is troubling that, given POL's role as a prosecuting authority, individuals within the organisation appeared to have a basic misconception of the nature and extent of criminal law disclosure obligations, such that they needed to be advised of these matters by Mr Clarke in relatively robust terms. I am also troubled by the reference to a disclosable document having been 'shredded'. Even if it was thought unnecessary for the Board to have been provided with the full advice I certainly think that the fact of Mr Clarke's advice, and the reasons why it had been necessary for it to be given, should have been brought to the Board's attention. It seems to me that a potential failure on the part of the business to comply with its disclosure

obligations to the Court in respect of criminal cases where it has acted as prosecuting authority falls squarely within the scope of significant reputational and/or compliance issues that should be reported to the Board. I do not know why this was not done.

188. I also have no recollection of being sent the Interim Review prepared by Mr Altman QC, dated 2 August 2013, whether in my capacity as Shareholder NED or otherwise (**POL00006583**). I have also been unable to find any reference to the provision of this document in the Board materials and associated correspondence. The Board was made aware, in late July 2013, that Mr Altman QC had been instructed to provide independent oversight of the review process (**POL00298004**) but I do not think we were provided with anything in writing from Mr Altman QC. I note that there is a brief summary of Mr Altman QC's 'initial advice' in the Project Sparrow update provided to the Board in September 2013 (**POL00304636**) by which the Board was informed that he had emphasised that any new, potentially disclosable information be collated and passed on to the external firm of solicitors on a regular basis. I have no direct recollection of seeing that summary at the time but it would inevitably have struck me as sensible and appropriate advice.

189. As to whether I consider that this initial review should have been sent to the Board I would not have regarded that to be necessary unless it revealed some fundamental problem with the review, or the manner in which it was being conducted, which does not appear to be the case. As I have sought to explain above, the Board's perspective was that a review had been established, and was operating under independent oversight. We would certainly have wanted to be informed of any adverse findings identified by the review, and of any significant

issues regarding the conduct of the review itself, but this document does not appear to contain any information of that nature and I think it is unlikely that it would have prompted any action on the part of the Board.

190. I do not recall seeing Mr Altman QC's 'General Review' of the past prosecutions review process dated 15 October 2013 (**POL00006581**) and I have not been able to find any record of the Board being provided with this document. I see that in the Chief Executive's report to the Board prepared for the purposes of the October 2013 Board meeting, the Board was informed that Mr Altman QC had reached the conclusion that POL's overall process for reviewing past prosecutions was 'fundamentally sound' and I expect that the Board would have been reassured by that report, which may provide at least a partial explanation as to why the Board would not appear to have called for a copy of the review itself.

191. As to whether Mr Altman QC's review (**POL00006581**) should have been provided to me (and the Board) at the time my view is largely the same as the one I have expressed above in relation to his initial review, produced two months' earlier. Whilst it was important to know that the review was being conducted under independent oversight, and to be kept up to date with its progress, I would not have regarded it as necessary for the Board to receive copies of legal advice produced in the course of that process, unless that contained significant adverse findings or revealed fundamental problems with the operation of the scheme. If the report to the Board that Mr Altman QC had found the review process to be 'fundamentally sound' had been an accurate summary of his material conclusions then I would regard that as being sufficient in terms of keeping the Board up to date.

192. However, I have now read the review in full and I see that the update given to the Board was not an accurate summary of his material conclusions. In particular, at paragraphs 136-156, I note that Mr Altman QC refers to the expert evidence of Gareth Jenkins and, in the course of doing so, cites advice on the same topic by Mr Clarke dated 15 July 2013 (**WITN06740105**). Both Mr Clarke's advice and Mr Altman QC's analysis of it strike me as profoundly concerning as they appear to indicate that Mr Jenkins gave flawed and potentially misleading evidence to the Court concerning the integrity of the Horizon system. I would certainly have wanted to know about this issue at the time, and I am confident that my colleagues on the Board would have wished to know about it as well. I have no doubt it would have prompted the Board to ask for further information as to the implications of these concerns regarding Mr Jenkins' evidence and what POL intended to do about the issue. I do not know why this information was not brought to the Board's attention and I have no doubt that it should have been.

Resignation from the Board

193. As I have sought to explain, my decision to step down from my position as Shareholder NED in March 2012, a year before the expiry of my three-year term, was simply due to the demands of my new role at DECC and the fact that I was finding it increasingly difficult to devote sufficient time to POL. This was an unpaid role for a different department.

194. I have described above my perceptions of the various strands of work that were being undertaken by POL in relation to Horizon at the time of my departure but, in summary:

- (a) The Board had commissioned Deloitte to provide an empirical analysis of whether there were in fact systemic issues with Horizon.

- (b) The review of past prosecutions being conducted by Cartwright King under the oversight (as I understood it) of Mr Altman QC was ongoing and the Board had not been informed of any significant issues or concerns arising from that review, at least by that stage. I have made the point that we were not aware of the concerns regarding the evidence of Mr Jenkins, and that we certainly should have been, but I was not aware of that omission at the time and, in broad terms, my impression was that POL had identified an appropriate process for the review of past cases which had been independently assessed as 'fundamentally sound', and the work was ongoing.

- (c) There had been review of future prosecutorial policy leading to the adoption of 'option (b)', which included a significantly enhanced set of procedural safeguards, including the use of external lawyers and a regular programme of review. I was in a minority on the Board as regards my view on ceasing prosecutorial activity entirely, but I saw no fundamental difficulty in waiting to see how the new policy operated in practice.

- (d) There had been very limited movement in relation to the civil claims brought by sub-postmasters during my tenure, with the SLRs repeatedly telling broadly the same story in relation to the small number of claims that had either been brought or threatened.

(e) I have dealt above with my perception of the mediation scheme and the concerns felt by the Board as to the future progress of the scheme and the work commissioned by the Board to try and find a way forward. It was clear that the mediation scheme was running into significant difficulty and I was far from confident that it was going to be capable of achieving a satisfactory resolution in the large number of cases that had been identified. I hoped that the work commissioned by the Board at the March 2014 meeting (which became the Deloitte review) would help in providing some independent analysis of the concerns relating to Horizon.

195. In summary, therefore, my perception at the time of my departure was that the key risks lay in getting to the bottom of the issues raised by the Second Sight interim report; the future conduct of the mediation scheme and whether a mutually acceptable way forward could be found that would enable the scheme to operate effectively; and in the outcome of the ongoing review of past prosecutions, the findings of which had yet to be presented to the Board.

196. The principal means by which I sought to brief my successor, Richard Callard, about these potential risks, along with other relevant aspects of the role was to obtain permission for him to accompany me to my last two Board meetings in February 2014 and March 2014 so that he was part of the Board discussions relating to the Horizon-related issues, and had access to the relevant Board papers. I recall that we had a number of other discussions by way of hand-over and I remember, in particular, that we agreed on the importance of him sitting on the newly-established Sparrow sub-committee and ARC.

197. As to whether I consider, on reflection, that I had sufficient information to assess the risks facing POL at the time of my departure, I think that, by March 2014, the Board was in possession of a relatively large amount of information concerning the issues and workstreams that had been set in train by the Second Sight interim report. I think we were well sighted on the progress of the mediation scheme and the difficulties that it was encountering, to the extent that was realistically possible given the independent nature of the scheme. There was clearly a long way to go in getting to the bottom of the concerns relating to the integrity of Horizon, and it was for this purpose that Deloitte had been engaged. On the past prosecutions issue it is now clear that there was a large volume of material that was not shared with the Board including the important Gareth Jenkins material I have referred to above. On the future prosecutions policy, we had given the matter careful consideration and a detailed set of new procedures had been formulated and approved. In summary, therefore, the answer must be that I think we had sufficient information to assess some risks but not others and that the risks relating to Horizon integrity and past prosecutorial conduct were still inadequately understood.

198. In general terms, when it comes to information flow into the Board on Horizon-related issues, there is a distinction to be drawn between the periods before and after the publication of the Second Sight interim report in July 2013. Prior to that point the Board had very little information concerning any Horizon-related issues, save for the fact of Second Sight's engagement and the summary detail contained in the SLRs. When Horizon issues were raised they tended to be raised orally and as an item of 'any other business'. By contrast, after July 2013, it is clear that the

volume of information relating to Horizon increased dramatically and included regular written updates.

199. While it would have been unusual and I do not recall the board meeting stakeholders systematically given the need to delegate to the executive and not cut across them, with the benefit of hindsight I think that it could have been of potential value for the Board to have heard directly from key stakeholders, perhaps including Second Sight and the JFSA. That might have given us a better insight into the nature and scale of the concerns relating to Horizon along with some of the historical background, which would have been of particular value to me given I was part of a new board with no collective memory except for what the executive told us or shared with us. In particular, it might have prompted the Board to have the information from which to feel the need to ask more challenging questions about the conduct of past prosecutions earlier and having looked back at the contemporaneous documentation I think this is an issue which should have received closer attention from the Board in late 2013 / early 2014. We were told that there was a review of past prosecutions underway and that was clearly appropriate as far as it went, but in light of what I know now it is clear that I had no real appreciation of the scale of POL's past prosecution activity and the implications for many hundreds of sub-postmasters, and that is something that I very much regret.

General Reflections

200. The Inquiry has asked me to reflect on my time as Shareholder NED and to set out whether there is anything I would have handled differently with hindsight in relation to the Horizon IT systems and its associated issues, with particular regard to: (i)

the information I provided to officials and government ministers; (ii) the extent to which I (and ShEx) maintained effective oversight of POL; (iii) how POL handled challenges to the integrity of Horizon; (iv) POL's approach to prosecutions and its disclosure obligations; and (v) whether there were missed opportunities on the part of the Board to uncover and expose the failings of Horizon.

Information to Officials/Ministers

201. Having carefully reviewed the contemporaneous documentation for the purposes of preparing this statement I have not identified any instances where I obtained important information regarding Horizon which I was not able to pass on to the Shareholder Team, nor I have I seen anything to contradict the assumption I had at the time that ShEx and Ministers were aware of the steps being taken by POL to address the Horizon-related issues raised by the Second Sight interim report (indeed sometimes the ShEx team appears to have had more information relating to these issues than the Board) and that there was regular communication between ShEx and the department on these issues. Notwithstanding the practical difficulties caused by my maternity leave and, later, my move to a different department, I maintained a very regular dialogue with my ShEx colleagues throughout my period as the shareholder NED and when I obtained significant information relating to the business of which I thought they should be aware I passed it on.

202. I have described how ministerial briefing fell outside the scope of my role during this period but my understanding at the time, which would seem to be borne out by the contemporaneous documentation, was that ShEx also had a full shareholder team working on POL, which was in regular dialogue with the department and

actively involved in briefing Ministers. I was also aware, in general terms of significant engagement between the POL executive and both ShEx and the Department and I have no recollection of any concerns being raised with me to the effect that the information I provided to ShEx was inadequate or that ShEx was finding itself unable to keep Ministers adequately informed of the issues relating to Horizon and the steps being taken by POL to address them.

203. On a personal level the fact that I was obliged to take on the Shareholder NED role at a time when I was on maternity leave, and then to continue the role after I had taken up a new and demanding position in a different department, posed significant challenges and I had to work hard to ensure opportunities to speak to my ShEx colleagues, as the contemporaneous correspondence demonstrates. I have no doubt that the model ShEx adopted for my successor, Richard Callard, of combining the roles of head of the Shareholder Team and Shareholder NED, and the provision of POL Board papers directly to the Shareholder Team was an improvement in that it established a more efficient and streamlined procedure and open lines of communication. The same applies to Mr Callard's direct contact with Ministers and departmental officials as the Board member.

204. In short, therefore, I consider that, within the constraints in within which I was obliged to work as the first Shareholder NED, which had to take account of the considerable reservations on the part of POL as to whether there should be a Shareholder NED at all, I did an effective job of providing information on Horizon (and other issues) to ShEx and I am not aware of any significant information

relating to Horizon of which I became aware as a NED and which did not come to the attention of ShEx.

Effective Oversight of POL

205. For the reasons I have sought to explain, I am not best placed to provide an assessment of ShEx's oversight of POL during my tenure as Shareholder NED given that I was not part of the Shareholder Team within ShEx during this period and I was both physically and institutionally separated from it. My perspective of ShEx's oversight functions is drawn primarily from the ad hoc contact I was able to maintain with members of the team, including Will Gibson, and from being copied in, from time to time, to correspondence relating to POL. The general impression I gained was that ShEx was actively engaging with POL and was well sighted on the steps that the company was taking to address Horizon-related issues, particularly after the publication of the Second Sight interim report and the increased focus on Horizon that it generated. However, I am not in a position to assist the Inquiry with a detailed assessment of precisely what was done by ShEx in this regard, or how effectively it was done.

206. By way of general reflection on ShEx's role during this period, I would observe that the Shareholder had limited formal powers in relation to the company. I have described the powers set out in the Articles and they did not include any mechanism for dictating how it should deal with a particular operational issue. It was important, therefore, for ShEx to maintain regular engagement with the company in order to understand how the executive were dealing with significant issues and, where necessary, to provide its input. In general terms, my impression

was that this was being done and that meetings and discussions were taking place on a relatively regular basis but, for the reasons I have explained, I was not directly involved in that process.

207. As to my personal position as Shareholder NED, I reflect that when the Board was established in 2012, we took significant steps (from a low base) to build the governance and drive the processes and culture of the organisation towards best practice. On separation, we had an active phase of corporate governance with renewed processes, new Board committees and challenging scrutiny of the executive in a way that had not happened before at POL. Significant progress was made in this regard, which is reflected in the Board Effectiveness Review, and I think we came a long way in a relatively short space of time. In particular, the very robust response of the Board to the Second Sight interim report in July 2013, which saw the Board expressing its strong dissatisfaction and demanding the urgent production of a programme of remedial work, shows a Board that was prepared to be proactive and challenging and hold the company to account. I think the same applies to the Board's decision to commission its own advice in relation to Horizon, from Linklaters and Deloitte, once it started to become apparent that the Mediation scheme was running into significant difficulty. We also gave robust consideration to the new prosecutions policy and whilst I ended up in the minority when it came to the decision as to whether POL should continue to prosecute at all, I felt that the issue was subject to detailed and rigorous scrutiny by the Board.

208. However, and with the benefit of hindsight and having considered the evidence to the Inquiry to date, it is now apparent to me that my ability, and that of my fellow NEDs to maintain effective oversight of POL in relation to Horizon was hampered

by the lack of reliable and objective information we were given as to the nature and extent of the issues. We were, despite best efforts, given repeated assurances from the executive and the business that turned out not to be entirely correct, and we were also given incomplete information by the executive team at critical points in this process. By way of example, I would say that firstly, at separation and when we started as a new Board, we were not given anything like the level of clarity on this issue as we should have been from RMG which had been managing this IT system and the prosecutions since 1999 nor from those POL staff involved; and while from July 2013, the level of Board's direct oversight of Horizon increased significantly and the Board received regular and relatively detailed updates on the work being undertaken in response to the Second Sight interim report at every meeting after this, I now know from my preparation for this Inquiry, that at precisely the time when the executive should have been at their most open with us as a Board because of our questions and concerns, there was important information that we did not see. In respect of the past prosecutions issue, in particular, it is quite clear that the Board was not provided with important documentation (including the material relating to Mr Jenkins' evidence) and that we never received a clear and frank account of the nature and scale of the risk that POL had acted as prosecuting authority in a large number of prosecutions that might now prove to be unsafe.

POL's Handling of Challenges

209. As to how POL handled challenges to the integrity of the Horizon IT system by sub-postmasters and Crown Office employees, Members of Parliament and the press, I have sought to set out my reflections on this issue in the course of the

chronological account I have provided above, as my impression of the POL executive performance in this regard changed over time.

210. In general terms, I think the chronology of my tenure as Shareholder NED can be divided into two distinct periods, in respect of this issue at least. From April 2012, when I first learned directly as a non-executive Board member of the concerns being expressed by MPs on behalf of a number of their constituents until July 2013, when the Board was informed of the impending publication of the Second Sight interim report, the essential picture being presented to the Board was that concerns had been raised by MPs on behalf of sub-postmasters, POL was taking the important step of instructing an independent firm of specialist forensic accountants to investigate, and there appeared to be a desire to resolve this. The investigators were engaging with relevant stakeholders including MPs and the JFSA, and a report was awaited which was expected to provide reassurance as to the integrity of the system. We took comfort from the impression that the Horizon issue was being treated seriously by the business; we also did not have significant external audit or other red flags that led us to take more action sooner, and we were repeatedly told by the executive that there were no systemic issues with Horizon. The Chair as well as the CEO and other executives were engaged directly with managing the Second Sight process which at the time I thought was a positive sign.

211. However, from July 2013 onwards it was clear that the issue was far more serious, complicated and intractable than the Board had been led to believe. I recall the Board's profound dissatisfaction at that state of affairs, as expressed at

the 16 July 2013 Board meeting. At our request, there was an extensive degree of activity from POL in the immediate aftermath of the Second Sight interim report which, at the outset, appeared to provide a realistic way forward and a viable means of addressing the issues relating both to claims for compensation and the review of prosecutions. That programme of work appeared to remain on track until late 2013 when it started to become apparent that the mediation scheme, in particular, was running into significant difficulties. As I have sought to reflect in my account above, I think that the updates the Board was receiving on the Horizon-related work in late 2013 and into 2014 started to reveal that the POL executive was struggling to deliver on the programme of work that had been established in the aftermath of the Second Sight report and that, in particular, its plan for a mediation scheme to resolve the dispute with sub-postmasters was not working.

212. It is very difficult for me to identify, even now, the reasons for this and I am not in a position to judge the extent to which the POL executive was genuinely committed to a resolution of the issues that had been raised and approached the process with a suitably open mind. From my perspective, with the benefit of hindsight and taking into account all that I have read in preparing for this Inquiry, I reflect now that POL's ability to adequately handle these challenges was hampered by at least three issues. The first was, executive capability. We, the Chair and NEDs, felt at the time that the executive team needed to build its capability. This was usual for a business in transition and which had come from a subsidiary status. My recollection is that we discussed this as a Chair and NED group but we felt at the time, on the balance of risks that we knew about then, that we needed to continue to support the status quo and coach and support the CEO and her team.

213. Secondly, I consider, with the benefit of hindsight, that there was insufficient expert IT advice coming to the Board on the operation of the Horizon system. In spite of the Second Sight interim report and some of the NEDs having experience of IT, I think the Board should have acted sooner to commission our own expert advice on the operation of Horizon and we should identified a need for the work being done to update POL's IT systems to look backwards at historical concerns with Horizon as well as forwards at how the IT infrastructure should be updated to support the development of the business. I think the Board's decision to commission the Deloitte review so as to gain a better understanding of the issues being raised regarding the integrity of Horizon was sensible and appropriate, but I think more should have been done to bring relevant IT expertise to the Board at an earlier stage. I recognise that even today getting c-suite IT and cyber expertise is hard, and in 2012 even more so; but there is no doubt that the questions around the nature of the system could have had more insight from more expertise.

214. Thirdly, and with the benefit of hindsight, I would like to highlight cultural issues which appear to me to have been problematic in POL. All corporate governance is about processes and also people and culture and POL was no different. It was moving towards greater maturity in this regard and there was considerable effort including by the Chief Executive to improve and develop the culture right across the organisation. But I feel concerned now about whether there was a persistent failure from some in the executive team to approach these issues with a sufficiently open mind. I acknowledge that aspects of these issues had perhaps been building up throughout the decade since 1999 when Horizon was rolled out and overseen by RMG, and it is hard to unpack problems from before many of the executive were

even in post; but notwithstanding this, was there sufficient curiosity from and oversight by various executive teams? This makes me reflect that despite our attempts as a Board to drive positive changes in the culture, the behaviour of the executive team contributed to the fact we were not able by March 2014 to have seen this issue entirely for what it actually was.

215. Whether there was a deliberate attempt on the part of the POL executive to present the Board with a misleading or sanitised picture relating to the extent of the Horizon-related issues and the action being taken by the Board to address those issues I am not in a position to say. We certainly did not feel at the time that we were being given a deliberately misleading picture, and if we had this would obviously have been extremely serious. I have referred above to the direction in the July 2013 Board minutes to stop presenting the Board with overly optimistic papers which needed to be 'fact-checked' but the perception, at least on my part, was that the papers were lacking quality rather than credibility. However, there is no doubt that there was important information relating to Horizon that the Board was not shown or told about (and I have given examples above, including the material relating to past prosecutions), and it is also clear that the unequivocal assertions made by the POL executive as to the integrity of Horizon, established by 'rigorous testing' were overstated. At the very least I think this reveals a defensive and closed mindset on the part of the executive.

POL's approach to prosecutions/disclosure

216. The Inquiry asks me to reflect on POL's approach to prosecutions and disclosure to sub-postmasters and Crown Office employees convicted on the basis

of Horizon data. I have dealt with this issue at some length above and my overarching reflection is that POL's handling of this issue was inadequate. I do not consider that the Board was properly briefed on the historical background to this issue when it was formed. I think it is profoundly unsatisfactory that I (and, as far as am aware, some or all of the other NEDs) only learned of POL/RMG's historic role as a prosecuting authority when it was explained to us by the Chief Executive in July 2013. I think that there was a serious failure to provide the Board with key documents relating to the past prosecutions review started in July 2013, including the advice from Mr Clarke on disclosure obligations and Mr Jenkins' evidence. And I think that there was a persistent failure to give the Board a true and frank account of the nature and scale of the issue and the risks that it posed for the company.

217. As for the actions of the Board in relation to this issue, in light of the information that we did have, I regret now that the Chair and I did not push harder for 'option (c)', to cease all future prosecutorial activity, in the course of the debate on prosecutions policy. I also consider, with the benefit of hindsight, that the Board could have been more proactive in relation to the past prosecutions review between July 2013 and March 2014. Having reviewed the contemporaneous documents it seems to me that whilst a good deal of attention was paid to the mediation scheme and the future prosecutions policy which I have covered above, less attention was paid to the past prosecutions review, with the Board largely noting the updates provided as to the commissioning of the review and the independent oversight of the process. This was because, simply put, at the time the understanding based on the information that had been provided was that there were no systemic issues with Horizon. And whilst I have explained that I do not

think it was necessary for the Board to see every document relating to this process I am now very conscious that I did not have a clear understanding of the scale of the past prosecutions issue going right back to long before separation. Having listened very carefully to the heartbreaking evidence given by so many sub-postmasters to this Inquiry, I very much regret the missed opportunity on the part of the Board to focus more intensely on the issue of past prosecutions and to obtain a better understanding of the implications of the concerns relating to Horizon for those prosecutions.

Missed Opportunities

218. Finally, as to whether opportunities were missed by the Board to uncover and expose the failings of the Horizon during the March 2012 to March 2014, period I have obviously reflected very carefully on this issue. I do continue to think we were robust in our scrutiny and challenged the executive when we had the information to enable us to do so. And while there were numerous proactive steps that I have detailed in this document my view now is that it is impossible not to feel now that more should have been done, even if the signs at the time did not point us to that place given the assurances we were being given. For example, had the Deloitte report been commissioned alongside or in place of the Second Sight report in Spring 2012, could things have moved faster? I think it might also have been possible for the Board to gain a clearer understanding of the issues if, in this instance, it had heard directly from Second Sight, the JFSA and/or the external lawyers conducting the review of historic prosecutions, even if that meant taking a specific decision to cut across the conventional approach of delegation to the executive and relying on them to draw significant issues to the attention of the

Board in an accurate and frank manner. The fact the Chair and CEO were directly engaging gave us some comfort but there was plainly more information it would be useful for us to know as a Board and so I think that more direct engagement with the individuals I have listed would have been beneficial.

219. It has also struck very forcefully, having heard the compelling and distressing accounts that sub-postmasters have given to this Inquiry that the Board would have benefitted greatly from hearing directly from those affected by the Horizon issue we were attempting to grapple with at the time. Again, this would not necessarily have been a conventional approach for a Board in 2012 but we were seeking to engage directly with sub-postmasters on other issues, including mutualisation of the business and in setting up the Branch User Forum in 2013, and from my point of view I now think it would have been better if I had heard more from them directly at the time. In particular, this might have prompted the Board to ask more challenging questions about the conduct of past prosecutions earlier and having looked back at the contemporaneous documentation I think this is an issue which should have received closer attention from the Board alongside everything else in late 2013 / early 2014. We were told that there was a review of past prosecutions underway and that was clearly appropriate as far as it went, but in light of what I know now it is clear that I had no real appreciation of the scale of POL's past prosecution activity and the implications for many hundreds of sub-postmasters, and that is something that I very much regret.

220. Let me close by saying that I hope this Inquiry can get to the bottom of what happened and I stand ready to assist the Inquiry in any way that I can. I hope that

the Inquiry will achieve the resolution that sub-postmasters and Crown employees affected by these issues so greatly deserve.

Statement of Truth

I believe the content of this statement to be true.

Signature

GRO

Date

23/05/2024

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1.	Email chain from Katharine Wilson (ShEx) to Will Gibson (ShEx), Jane Hoy (ShEx), Mike Whitehead (ShEx) and others re Horizon computer system	UKGI00001384	UKGI012198-001
2.	Post Office Statement re: the Horizon computer system [BBC Inside Out]	UKGI00001385	UKGI012199-001
3.	Email from ShEx to unknown (redacted) cc ShEx and Will Gibson RE: JFSA and Private Eye	UKGI00001482	UKGI012296-001
4.	Opening Statement on behalf of UK Government Investments	SUBS0000006	SUBS0000006
5.	Chair's letter to Alice Perkins from Vince Cable	UKGI00041966	UKGI050861-001
6.	Articles of Association of Post Office Limited	UKGI00043216	UKGI00043216
7.	Letter of appointment from Alwen Lyons to Susannah Storey - Non-Executive Director of Post Office - Susannah Storey	UKGI00017300	UKGI028258-001
8.	Post Office Ltd - Shareholder Executive: POL - Summary	UKGI00018222	UKGI028229-001
9.	Minutes of the Audit, Risk and Compliance Sub-Committee held on 13 th November 2012	POL00021430	POL-0018060
10.	Meeting minutes: minutes of a Board meeting held on 23 rd May 2012	POL00021507	POL0000040
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