

IN THE MATTER OF:

AN INQUIRY UNDER THE INQUIRIES ACT 2005

INTO THE CULTURE, PRACTICES AND ETHICS OF THE PRESS

CHAired BY THE RT HON LORD JUSTICE LEVESON

FIRST WITNESS STATEMENT OF SLY BAILEY

I, **SLY BAILEY**, Chief Executive, Trinity Mirror, One Canada Square, Canary Wharf, London E14 5AP **WILL SAY** as follows:

1. I am the Chief Executive of Trinity Mirror plc (**'Trinity Mirror'**), one of the UK's largest newspaper publishers through its subsidiary group companies (the **'Group'**), including MGN Limited (**'MGN'**).
2. I am making this statement in response to a notice dated 5 August 2011 pursuant to section 21(2) of the Inquiries Act 2005 (the **'Notice'**). A copy of the Notice is annexed hereto at pages 1 to 4 of Exhibit SB-1.
3. I understand that the Notice has been sent to me in connection with Part 1 of the Inquiry chaired by The Right Honourable Lord Justice Leveson into the culture, practices and ethics of the press (the **'Inquiry'**), the Terms of Reference for which were published by The Right Honourable Mr David Cameron MP, Prime Minister on 20 July 2011 (the **'Terms of Reference'**). The Notice requires me to provide evidence to the Inquiry panel in the form of a witness statement and to provide any documents in my custody or under my control as specified in the Notice.
4. Where the contents of this statement are within my own knowledge they are true and where the contents are not within my own knowledge I indicate the source of my belief and believe them to be true. Where my evidence is on behalf of Trinity Mirror, I am authorised to make the statements contained herein.
5. I am not authorised to waive any privilege on behalf of Trinity Mirror and nothing in this statement is intended to constitute a waiver of privilege on behalf of Trinity Mirror.
6. There is now produced and shown to me a bundle of the documents to which I refer in this statement, which I refer to as Exhibit SB-1. I believe that these documents are true copies of the documents that I mention. Where I understand that documents are being produced in response to the notice dated 5 August 2011 from the Inquiry to Paul Vickers in his capacity as Company Secretary (the **'Document Request'**), I cross-refer to Mr Vickers' response to the Document Request.

Overview of statement

7. The Notice asks me, in my capacity as Chief Executive of Trinity Mirror to provide evidence in relation to a wide range of issues spanning a number of years, focussing on three of Trinity Mirror's national titles published through MGN, namely the Daily

Mirror, the Sunday Mirror and The People. I understand that the Inquiry has agreed that I should focus on the period from 1 January 2005, which coincides with the period for which Trinity Mirror has been asked to provide documents according to the Document Request.

8. Trinity Mirror's intention is to cooperate fully with the Inquiry and so in this statement, I have been mindful of the Inquiry's request for important additional evidence beyond the scope of the Notice, which pertains to Part 1 of the Terms of Reference, which I understand requires the Inquiry to look at the culture, practices and ethics of the press and tasks it with making recommendations.
9. Referring to the Inquiry's questions as 'Matters' and using the Inquiry's numbering in the Notice, I have therefore split my statement into four sections as follows:
 - (1) My experience and role at Trinity Mirror (I cover Matters 1, 10 and 11 in this Section);
 - (2) An overview of Trinity Mirror, including its culture of ethics (I deal with Matter 9 as part of this Section);
 - (3) Corporate governance at Trinity Mirror (in which I deal with Matters 2 to 6 and 21); and
 - (4) Editorial management in respect of the Daily Mirror, the Sunday Mirror and The People, where I cover Matters 7 and 8 and 12 to 20.
10. For the Inquiry's convenience, I have also attached a Schedule in the Appendix hereto which summarises where I respond to the Inquiry's questions.

SECTION 1

My experience and role at Trinity Mirror

11. Matter 1 asks me to cover who I am and to provide a brief summary of my career history in the media.
12. I was appointed Chief Executive of Trinity Mirror in December 2002, joining the Group on 3 February 2003. I give an overview of my role at Trinity Mirror after summarising my background and wider experience below.

Background

13. I joined Trinity Mirror from IPC Media ('IPC'), the largest consumer magazine publisher in the UK. I had begun my career in 1984 as a sales executive with The Guardian newspaper, moving to The Independent newspaper in 1987 as an Advertisement Sales Manager. I joined IPC Magazines in 1989. After holding a number of senior commercial roles within IPC, I was appointed to the IPC Magazines Board in 1994: at 31, I was the youngest-ever Board member of IPC. In 1997, I became Managing Director of the Company's most profitable division, the television magazines division, IPC tx. As a Board member of IPC media I gained extensive experience in portfolio management as IPC published many titles which competed in the same markets. As IPC was a large publisher, I also gained experience over a long period of time in the both the launch and development and also closure of a number of titles. This experience has subsequently proven to be highly relevant in the management of the Trinity Mirror portfolio.
14. At IPC, I was part of the Board team that undertook the Cinven management buy-out of the IPC business from Reed Elsevier in early 1998. At the time, this was the UK's largest buy-out. In December 1999, I was appointed Chief Executive of the entire IPC business. In October 2001 I successfully led the sale of IPC to Time Inc, the publishing division of AOL Time Warner, the world's largest media organisation. The deal was the biggest-ever transatlantic media deal.

Wider experience

15. During my time at Trinity Mirror, I have also held non-executive directorships.
16. I was a non-executive director of EMI Group plc ('EMI') from April 2004 to August 2007, when EMI (one of the world's largest recorded music companies) was sold to Terra Firma and de-listed from the stock exchange. From February 2007 I was also Senior Independent Director and Chair of the Remuneration Committee at EMI.
17. In November 2009 I became a non-executive director of Ladbrokes plc, the major betting and gaming company. I also sit on the Remuneration Committee.
18. I was appointed to my position of non-executive director at the Press Association in 2003, where I also chair the Remuneration Committee. The Press Association is the UK's leading multimedia news agency, information provider and media services

supplier. Amongst other functions, it provides a continuous feed of text, pictures, video and data into newsrooms around the country. Trinity Mirror is a significant (and the biggest) shareholder in the Press Association and one of its major clients, with a number of contracts ranging from newswire to newsroom services.

19. In June 2006 I was appointed to the panel advising the government on the review of the BBC's Royal Charter. I am a trustee of The English National Ballet School and am the current President, since 2003, of the charity NewstrAid, which helps people and their immediate dependents who have been employed in newspaper and magazine distribution in the UK and who are in need.
20. In April 2002 I was shortlisted for the Veuve Clicquot Businesswoman of the Year Award. I was given the PPA Marcus Morris Award in October 2002 for an outstanding contribution to the publishing industry. In October 2005 I was awarded an honorary degree (MA) from the University of East London.

My role at Trinity Mirror

21. To put my role at Trinity Mirror in context, Trinity Mirror is a public company listed on the London Stock Exchange. It is owned by its shareholders and run under the governance of a Board of Directors (the '**Board**'), the majority of whom are non-executive, as I return to in Section 3 below. I sit on the Board as one of the three executive directors (Mr Vickers and the Group Finance Director, Vijay Vaghela, being the other two). The Group's non-executive Chairman, currently Sir Ian Gibson CBE, is responsible for running the Board. There is a clear divide in this regard between Sir Ian's role on the one hand, and my role as Chief Executive on the other. I have included a summary of my role and responsibilities at page 5 of Exhibit SB-1, together with a summary of the Chairman's role and responsibilities at page 6 of Exhibit SB-1.
22. As Chief Executive, I am responsible for developing the Group's strategy, which I present to the Board, for the Board to approve. I then have delegated authority from Trinity Mirror's Board for the execution of the Group's strategy and operations. I am responsible for the overall performance of the Group. In particular, I am responsible for taking such actions on day-to-day management as I believe are in the best interests of the Group in all matters other than those expressly reserved to the shareholders or the Board under companies legislation, Trinity Mirror's Articles of Association, or the company's formal list of Matters Reserved to the Board, a copy of which is at page 7 of

Exhibit SB-1. My role also covers investor relations, maintaining relationships with key Trinity Mirror customers and suppliers and dealing with public affairs and corporate communications. Much of my time is spent with my executive team of direct reports in the management of our portfolio of businesses.

23. To assist me in my role, as I return to in Section 3 below, I have a team of highly qualified and experienced executives, whose responsibilities and authorities I determine in relation to the day-to-day operations of Trinity Mirror's different divisions and businesses. Together, we form the Executive Committee ('ExCom').
24. As Chief Executive, my role is to create value for shareholders, ensuring the Group is as successful as possible through the execution of a long term and sustainable strategy. I am involved in proactive engagement with shareholders, including for example at investor road shows following Trinity Mirror's reporting of results, but also generally throughout the year. Trinity Mirror has an engaged and supportive group of shareholders. Its leading shareholders include such city institutions as Schroders, Aviva, Standard Life, Royal London and Legal & General.
25. I am mindful here of Matter 10, which asks me to cover *"the extent to which [I], as a proper officer of Trinity Mirror, feel or have felt any financial and / or commercial pressure from others, and if so from whom, and whether any such pressure affected any of the decisions that [I] made as a proper officer of Trinity Mirror (such evidence to be limited to matters covered by the Terms of Reference)"*. I do not feel, and have not felt, 'pressure' in any way which I believe adversely affects, or has adversely affected, my decision-making as Chief Executive, in relation to the matters covered by the Terms of Reference, or at all. By adversely affected, I mean by acting improperly, or tolerating any improper action by anyone else in the Group. This extends to Trinity Mirror's shareholders which, as mentioned, are engaged with the Group's performance, but from which I have never felt any pressure to run the Group in any particular way.
26. My remuneration package at Trinity Mirror is set according to the policies of the Group and the Board. It is focussed on three aspects of the Group's performance that cover the short, medium and long-term. As such, my remuneration is linked to the overall performance of the Group and shareholder-aligned, in that a considerable part of my reward is related to share price performance and is awarded in shares. Accordingly, in response to Matter 11, which asks me the *"extent to which [I], as a proper officer of Trinity Mirror, had a financial incentive for [our] newspapers to print*

exclusive stories", I have not had, and do not have, any direct financial benefit from one-off exclusive stories.

SECTION 2

Overview of Trinity Mirror

27. The Trinity Mirror business employs circa 6,350 people. Its portfolio includes circa 165 national and regional newspapers plus over 500 websites and digital products, many of which are household names. They include the Daily Mirror, the Sunday Mirror and The People, as well as the Daily Record, the Liverpool Echo and the Newcastle Chronicle, and new digital brands such as Mirrorfootball, Totally Legal and Smartnewhomes. In March 2010 the Group acquired the Manchester Evening News along with a number of other local newspapers and related websites in Greater Manchester. The Group owns and operates nine print sites. In addition to printing our own titles we are the largest contract printer of newspapers in the UK with customers including The Daily Mail, the Independent and the i, the Racing Post and the Scotsman. The Group's strategic goal is to build a growing multi-platform media business by developing and sustaining strong positions across print and digital, with products and services which meet the needs of our customers, both readers and advertisers.
28. Trinity Mirror is structured into two trading divisions, its Regionals division and its Nationals division. The five national titles, including the Daily Mirror, the Sunday Mirror and The People, sit within the Nationals division.

Corporate responsibility

29. Trinity Mirror has a strong presence in the community and is dedicated to social responsibility initiatives. We regard community engagement as being at the heart of our company and all our brands. It is fundamental to us that our brands are both from and for the communities which they serve. Accordingly, Trinity Mirror's titles are involved in numerous activities each year, ranging from large-scale national events such as the Pride of Britain Awards, owned and run by the Daily Mirror and televised on ITV, to important local events and projects such as Great Scot, North East Community Champions and the Pride of Reading.
30. Trinity Mirror has won six successive Gold Awards from the Royal Society for the Prevention of Accidents ('RoSPA') in relation to health and safety, showing its

commitment to staff with a belief that any injury is one too many. In 2010, Trinity Mirror achieved accreditation to the international ISO 14001 Environmental Award and the OHSAS 18001 Health and Safety Award across all its print sites, and invested in the Reading print site which it acquired from GMG Regional Media in 2010 to bring it up to Trinity Mirror standards. Trinity Mirror was also the first company in the UK to be re-awarded the Carbon Trust Standard, for its real and sustained carbon use reduction. Trinity Mirror is committed to managing and minimising its impact on the environment wherever possible.

31. Trinity Mirror also has a policy of supporting charities primarily through the pages of its newspapers. This usually takes the form of publicising the aims and works of charities along with appeals for donations. Such support is at the decision of each newspaper's Editor. Trinity Mirror mainly supports charities connected with the newspaper, printing or advertising industries and charities operating in the communities immediately surrounding the Group's offices and print sites. There is a general pool of funds available at Group level for charitable contributions. In addition, the Group is active in making donations in kind, for example of used computers, furniture and books. It has community involvement programmes, which include the Group making members of staff available for volunteering and mentoring programmes. The Group is a co-sponsor of the Catch-22 programme, a charitable initiative which gives opportunities to young people, including through work experience on our Southern titles and on the Daily Mirror.

Culture of Ethics

32. Matter 9 asks me the extent to which I consider that ethics can and should play a role in the print media and what I consider 'ethics' to mean in this context.
33. As Chief Executive, I firmly believe that ethics have a central and important role in the print media, as well as across everything that we do. The continuing success and well being of Trinity Mirror plc depends on all of our staff maintaining the highest standards of integrity and personal conduct in all matters which involve the Company. The reputation of the Company is one of the most vital of resources and depends for its protection upon the honesty and integrity of every single employee. We take our obligations in this regard most seriously, whether it be in our approach and dealings with readers, advertisers, shareholders, suppliers and the communities in which our businesses operate.

34. For many years, Trinity Mirror has had a policy on Standards of Business Conduct that reaffirms our continuing values and practices of maintaining the highest standards of integrity and personal conduct in all matters which involve the Group. With regard to Editors and journalistic staff, there is, in addition, the Editors' Code of Practice published by the Press Complaints Commission (the 'PCC' and the 'Editors' Code'). As I explain below, the Editors' Code is incorporated into staff contracts and I myself have emphasised the message that it must be adhered to in practice, together with the law. A copy of the Editors' Code is at tab 1 of the bundle responding to category (a) of Trinity Mirror's response to the Document Request.
35. With specific regard to the print media I believe ethics to mean that our journalism has truth, accuracy and fairness at its heart, with no tolerance of bullying or harassment, unlawful activity or corruption in our newspapers and websites. I see high standards of ethics as being critical to our success. As a result, we take any exceptions extremely seriously to reinforce a positive culture that success cannot come at the cost of ethics, which would be damaging not only to our reputation but also to success itself.

SECTION 3

Introduction to corporate governance at Trinity Mirror and overview

36. In this Section and in light of the above context, I cover corporate governance at Trinity Mirror, focussing on its application to the Daily Mirror, the Sunday Mirror and The People as requested in the Inquiry's Notice.
37. The Board and its Chairman, Sir Ian Gibson CBE, are ultimately responsible for ensuring good corporate governance and compliance with the UK Corporate Governance Code (formerly the FRC Combined Code). As I explain below, the Board has substantial experience and expertise relating to corporate governance. The Board has overall responsibility for Trinity Mirror's internal control and oversees the ongoing process of risk management which accords with the Turnbull Guidance on Internal Control for directors. Central to Trinity Mirror's system of corporate governance are the four Committees to whom specific responsibilities are delegated. These are the Audit & Risk, Nomination, Remuneration and Administration Committees. Each Committee has written terms of reference, copies of which are at pages 8 - 18 of Exhibit SB-1.

38. As Chief Executive, I am responsible for ensuring that corporate governance systems are followed and policies adhered to in practice. In discharging this responsibility, I rely on our defined policies, procedures and authority levels being complied with (which includes taking disciplinary action in the event of material systems exceptions), regular reviews of the performance of businesses and individuals, a robust internal audit process, the existence of appropriate training programmes, clear and regular communication across the Group and my team of line managers through ExCom. (I note that this addresses Matter 4, which asks me to cover my role in ensuring that corporate governance documents and all relevant policies are adhered to in practice).
39. Trinity Mirror has a long history of strong and proactive corporate governance systems at Board and plc level. I believe that we have robust and sophisticated systems in place to ensure lawful, professional and ethical conduct in the Group. As I will come back to below, to the best of my knowledge, Trinity Mirror's policies and practices are adhered to in practice. I would add at the outset that Trinity Mirror's policy is (and at least in my time as Chief Executive, and so far as I am aware before then, has always been) that its publications must be produced in accordance with the Editors' Code and the law.
40. Accordingly, in a manner which I hope will assist the Inquiry, I begin by introducing Trinity Mirror's corporate governance culture. I then summarise the Board's expertise and experience, before turning to the structure in which Trinity Mirror's corporate governance systems operate on a day-to-day basis and the systems which we have in place: this is where I address Matters 2, 3 and 6 about corporate governance in practice. I then deal with Matter 5 (compliance in practice) and Matter 21, before providing additional information about the internal review which Trinity Mirror has been undertaking in light of the allegations concerning activities at News of the World, which led to this Inquiry.

Trinity Mirror's corporate governance culture

41. Trinity Mirror's ambition of best practice corporate governance was set relatively early in Mirror Group plc ('Mirror Group'). The Mirror Group was an early adopter of new corporate governance standards or recommendations in the 1990s. For example, it had a fully functioning Audit Committee before such committees were common and it began appointing non-executive directors to make up a majority of the Board relatively early on. It also adopted a policy of transparency in reporting, exceeding regulatory requirements on areas such as disclosures pertaining to director emoluments. This was

in part a reaction to the discovery in the early 1990s that its former owner, Robert Maxwell, had defrauded the group's pension funds of millions of pounds. After Mr Maxwell's death in 1991, structures and systems were put in place to prevent a repeat of his abuses. After the merger of Mirror Group with Trinity plc, this strong corporate governance culture has persisted.

42. Due to the nature of the media business that it is in, which is perceived as exciting and interesting, Trinity Mirror has been able to attract a very high calibre of non-executive directors who mainly serve as directors of major, often FTSE 100, companies. They bring with them experience and practices from those companies, as well as an expectation that corporate governance should be of a high standard. Accordingly, they hold Trinity Mirror to a very high standard of systems and processes, on which it prides itself.
43. Trinity Mirror's strong corporate governance culture is reflected in independent corporate governance voting research conducted by proxy voting agencies including two of the largest agencies, the Institutional Voting Information Service ('IVIS') provided by the Association of British Insurers ('ABI') and RREV / ISS, which in its ISS arm is linked with the United States where institutional investors tend effectively to sub-contract voting to proxy agencies, making such research highly influential. IVIS' Proxy Report for Trinity Mirror in May 2011 graded Trinity Mirror's corporate governance in the highest grading. RREV / ISS also gave Trinity Mirror an overall favourable report in April 2011.

Board expertise and experience

44. Trinity Mirror's Board is well-established, with significant experience and expertise. In addition to myself, there are currently seven directors, the majority of whom are non-executive: in keeping with its corporate governance culture, Trinity Mirror has more non-executive directors than required by the UK Corporate Governance Code. To give the Inquiry context to our corporate governance structure, I have included short biographies below. As a Board, we govern Trinity Mirror according to very clear terms of reference, which I have included at page 19 of Exhibit SB-1.
45. Sir Ian Gibson CBE was appointed Chairman in May 2006, succeeding Sir Victor Blank. He is also non-executive Chairman at Wm Morrison Supermarkets plc. In September 2010, he was appointed non-executive member of the Public Interest Board

for PricewaterhouseCoopers LLP. His earlier experience includes senior positions at a number of major plcs. He was President of Nissan Europe and has been on the Court of the Bank of England.

46. Mr Vaghela, our Group Finance Director, is a qualified chartered accountant who began his career in private practice with Deloitte. In 1994, he joined Mirror Group as an internal auditor, subsequently becoming Group Treasurer and then Director of Accounting and Treasury. Mr Vaghela was appointed Group Finance Director and joined the Board in May 2003.
47. Our Secretary and Group Legal Director, Mr Vickers, was a director of the Mirror Group and on merger, joined the Trinity Mirror Board in September 1999. His background is as a barrister at private practice at the Bar. He was legal manager of the London Daily News, and subsequently became Assistant Managing Director at TV-am. He was previously a non-executive director of Virgin Radio. Mr Vickers is a director of the Press Standards Board of Finance, the body that funds and sets the remit for the PCC.
48. Our Senior Independent Director, Garry Hoffman, was appointed to this position in May 2007, having joined the Board in March 2005. He is a non-executive director. He was appointed Chief Executive of NBNK Investments plc from May 2011 and he is also a director of Visa Europa. His earlier experience is also at major regulated businesses, including holding the position of Group Vice Chairman at Barclays plc.
49. Jane Lighting joined as a non-executive director in January 2008 and was appointed Chairman of the Remuneration Committee in 2009. She is a Trustee and Fellow of the Royal Television Society and Council Member of the British Screen Advisory Council and was appointed as a non-executive director of Paddy Power plc in September 2009. She was previously Chief Executive of Five and of Flextech plc.
50. Kathleen O'Donovan is a non-executive director, who joined in May 2007. She is Chairman of Trinity Mirror's Audit and Risk Committee, which I elaborate on below. She is the senior independent director of ARM Holdings plc and is a non-executive director of Prudential plc, where she was also the Chair of its Audit Committee. Previously, she was on the Court of the Bank of England and held non-executive directorships at O2 plc and EMI. Between 1998 and 2002 she was Chief Financial

Officer of Invensys plc, having previously been the Finance Director of its legacy company BTR plc.

51. Laura Wade-Gery was appointed as a non-executive director in August 2006. She is an executive director at Marks and Spencer plc for Multi-channel E-commerce. Her earlier experience was in senior positions at Tesco, including Chief Executive of Tesco.com, Director of Tesco Bank and Group Strategy Director, Tesco plc; prior to Tesco, she held positions with Gemini Consulting and Kleinwort Benson.

Corporate governance systems

52. Matters 2 and 3 ask me to cover how the system of corporate governance is supposed to work at the Daily Mirror, Sunday Mirror and The People and Trinity Mirror, with particular emphasis on systems to ensure lawful, professional and ethical conduct (by reference to any relevant documents) and how I understand the system of corporate governance to work in practice at the Daily Mirror, Sunday Mirror and The People and Trinity Mirror, again with particular emphasis on systems to ensure lawful, professional and ethical conduct.
53. As I explain below, Trinity Mirror has a clear structure of corporate governance and a sophisticated 'living' system of risk identification, evaluation and management. Trinity Mirror has policies in place which emphasise that it and its staff must act lawfully, professionally and ethically. The delegation of authorities appropriately throughout the management structure is key to how the systems work in practice, together with certainty and clarity about who is authorised to take which decisions.
54. In response to Matter 6, which asks me to cover whether practices have changed, either recently as a result of the phone hacking media interest or prior to that point, there have been no changes to the essence of our corporate governance practices (in this context, compliance with the Editors' Code and the law and the Trinity Mirror Code of Business Conduct), although as I explain below, they have been reaffirmed and reemphasised over the years in response to external events. In addition, certain of our policies have been updated in particular to reaffirm our continuing values and practices following the coming into force of the Bribery Act 2010 in mid-2011. A copy of the Trinity Mirror Code of Business Conduct is at tab 2 of the bundle responding to category (a) of the Document Request.

Structure in which the corporate governance system operates

55. Day-to-day corporate governance at Trinity Mirror is run through ExCom. As explained in outlining my role above, I lead ExCom through the powers delegated to me by the Board. In addition to me, ExCom is currently made up of my two fellow executive directors, Mr Vickers and Mr Vaghela, together with four senior executives, all of whom report directly to me. Amongst other matters, ExCom is central to the decision-making process of which authorities are delegated to whom and at what level.
56. As explained above, Trinity Mirror is structured into two trading divisions, Regionals and Nationals. The Daily Mirror, the Sunday Mirror and The People sit within Nationals. The Managing Director of Nationals is Mark Hollinshead, who sits on ExCom. Since August 2008, the Editors of all National titles, including the Daily Mirror, the Sunday Mirror and The People, have reported directly to him and he is responsible for the overall performance of our National titles and the matters as delegated to him. Mr Hollinshead in turn delegates matters of authority to the Editors of our National titles, i.e. the editorial budget of each title is set and it is the Editors responsibility to work within that. Prior to August 2008, since 1998, Mr Hollinshead was Managing Director of Trinity Mirror's National titles that circulate predominantly in Scotland, the Scottish Daily Record and the Sunday Mail. Before joining Mirror Group, Mr Hollinshead held senior positions at a number of papers before then, having entered the newspaper industry in the 1980s. He is also a director of the Newspaper Publishers Association Limited, the trade association for British national newspapers.
57. During the time covered by the Inquiry (the beginning of 2005 to August 2008), the Editors of the Daily Mirror, the Sunday Mirror and The People reported to me. Mr Hollinshead's predecessor as Managing Director of the business (Richard Webb) had strategic and operational responsibility for the commercial aspects of the business. The decision to make the change of reporting lines on Mr Hollinshead's appointment was a reflection of his greater experience as a publisher, whereas Mr Webb came from a purely commercial background. In Scotland, the Editors of the Scottish Nationals had reported to Mr Hollinshead, as had Editors when he ran regional newspaper businesses.
58. In addition, there is a Managing Editor for the Nationals, currently Eugene Duffy. Mr Duffy is a former News Editor of the Daily Mirror. His span of control is across all five of Trinity Mirror's National newspapers and he reports to Mr Hollinshead. Mr Duffy's role includes responsibility for cost management within the editorial function.

He is also an important link between human resources and editorial and is responsible for ensuring that human resources policies and procedures are followed, although the Editors also play a role in this and Mr Hollinshead is accountable.

Internal Audit and Risk Management

59. Trinity Mirror's risk management system is a key component of its corporate governance systems and is central to the Group's identification, evaluation and management of risk, including the risk of a catastrophic editorial error which leads to the loss of readership, damaged reputation and / or legal proceedings. Trinity Mirror has a 'top down' approach to risk identification, evaluation and management.
60. I have previously mentioned the four Committees of the Board which are central to Trinity Mirror's system of corporate governance. These committees include a very experienced Audit and Risk Committee, which, as mentioned, is chaired by Ms O'Donovan. We then have a very highly developed Internal Audit department with dual reporting lines both to me (not Mr Vaghela) and to Ms O'Donovan. The head of Internal Audit, Charmian Steven (whose title is now Director of Audit and Risk) joined in October 2003. Previously, she was the Group Head of Internal Audit for Orange. She has held senior internal audit roles at NatWest, PPP Healthcare and Coopers & Lybrand. In her team, there is a Senior Internal Audit Manager, an Internal Audit Manager and an IT Auditor. Internal Audit is segregated from other aspects of the business, including ExCom and Finance.

Internal Audit Work Plans

61. Internal Audit pursues areas of risk according to work plans, which are agreed in advance with the Audit and Risk Committee. Internal Audit gives progress reports against the work plans to the Audit and Risk Committee and, where appropriate, gives findings from reviews and makes recommendations, according them priority ratings having regard to the level of attendant risk.

Risk Map

62. An essential day-to-day tool in Trinity Mirror's process of risk identification, evaluation and management is its Risk Map, which was introduced in 2008. Prior to 2008, Risk Action Plans were used as part of the year-end process – relevant extracts from the Risk Action Plans have been provided at tab 11 of the bundle responding to

category (b) of the Document Request. The move to the Risk Map was to emphasise the living nature of risk management throughout the year, particularly against the backdrop of the global economic recession.

63. The Risk Map is a detailed chart which identifies top risks to Trinity Mirror's business, who at ExCom level is ultimately responsible for managing the risks, their levels if unmanaged in terms of their probability of occurrence and impact on the business, actions underway or to be taken, policies, sources of assurance from Internal Audit and where applicable external audit, and an assessment of current risk. There are currently 27 top risk areas, which include Editorial (as already mentioned), Circulation, Advertising, Treasury and Tax, Organisation and People, Brand Reputation, Business Interruption and Regulation and Compliance, as I come back to below. The Risk Map is formally updated three times a year. Relevant extracts from the Risk Maps since 2008 have been provided at tab 17 of the bundle responding to category (a) and tab 10 of the bundle responding to category (b) of the Document Request.
64. The Risk Map is created from individual discussions with the relevant direct reports of each ExCom member, followed by discussions with each ExCom member him or herself, then discussion with me and Mr Vickers. It is then reviewed and signed off by the Risk Management Group, which is ExCom together with the Group Services Director Mike Shaw and Ms Steven, before discussion with Ms O'Donovan and approval by the Audit and Risk Committee, with the involvement of external Auditors.

Risk Management Certifications

65. In addition, as part of the year end processes, circa 70 senior personnel, including the Editors of the Daily Mirror, the Sunday Mirror and The People, are required to sign declarations assuring the Board that systems are functioning effectively in identifying, evaluating and managing risk in an appropriate manner. According to the declarations, they are to have brought any significant matters to the attention of the Board. I then prepare a summary for the Board of any exceptions to the systems which may have occurred. The Risk Management Certifications are therefore important for giving me and the Board confidence that Trinity Mirror has adequate systems and controls in place. A template Risk Management Certification is included at tab 16 of the bundle responding to category (a) of the Document Request.

Section 418 declarations

66. It is also fundamental that Trinity Mirror's internal audit system should be and in fact is robust, in order for me and the Directors to make our statutory declarations under section 418 of the Companies Act 2006 that there is no relevant audit information of which Trinity Mirror's external auditors are unaware, so far as we are aware having taken all appropriate steps. Documents relating to the section 418 certification process are at tab 13 of the bundle responding to category (a) of the Document Request.

Policies in relation to lawful, professional and ethical conduct

67. Trinity Mirror does not tolerate any unlawful conduct, including fraud, bribery and corruption and using information obtained by unlawful means, both on paper and in practice.
68. Trinity Mirror's corporate governance system identifies risks arising from editorial matters, including the risk of catastrophic editorial errors, which would include publishing stories based on information obtained unlawfully. They also include the risk to circulation of poor editorial content, the risk to the organisation and people of not having an appropriate structure, culture and availability of talent, the risk to brand reputation of damage caused by employee actions or negative publicity and the risks associated with regulation and compliance thereto. The risk relating to employee actions covers the risk that employees may of their own volition and in breach of their obligations to Trinity Mirror act unlawfully or otherwise than in compliance with Trinity Mirror's Code of Business Conduct, the Editors' Code and the Policy on Financial Dealings. Trinity Mirror has a Fraud Policy and Whistleblowers' Charter in place which connects with this risk. This document is at tab 5 of the bundle responding to category (a) of the Document Request.
69. Trinity Mirror's Code of Business Conduct, which I mentioned in Section 2 above, is included in every new joiner's contract of employment and the induction programme (disclosed at tab 6 of the bundle responding to category (a) of the Document Request). It is clear that staff must act with the highest standards of honesty, integrity and personal conduct. The Code of Business Conduct has been updated to reaffirm our continuing values and practices following the coming into force of the Bribery Act 2010 in mid-2011, although as explained earlier, Trinity Mirror's policies and our expected practices have not changed. These practices flow through into Trinity

Mirror's Group Procurement Policy and Expenses Policy as well – these have also been updated in light of the Bribery Act. The previous Code of Business Conduct, Group Procurement Policy and Expenses Policy are at tabs 3, 4 and 6 respectively of the bundle responding to category (b) of the Document Request. The updated policies are at tabs 2, 3 and 4 of the bundle responding to category (a) of the Document Request.

70. For as long as I have been Chief Executive (and indeed from before I was appointed), the Editors' Code has also been incorporated in its entirety into the employment contracts of all journalistic staff, as has a Policy on Financial Dealings for Journalists. This is a very restrictive policy, the purpose of which is to give guidance to journalists to avoid conflicts of interest between their personal financial and property dealings and the carrying out of their professional duties. This applies in addition to the standards expected in the Editors' Code, in particular what is now clause 13 thereof (Financial Journalism).
71. I have firmly reiterated Trinity Mirror's policies in respect of conduct. For example, after the Information Commissioner published his report examining the unlawful trade in confidential personal information in 2006 (*What Price Privacy?*), together with Mr Vickers I called a meeting of the Editors of the Daily Mirror, the Sunday Mirror and The People, the Group Managing Editor and the then Head of Editorial Legal (now the Deputy Secretary and Group Legal Director) to reiterate that Trinity Mirror's policy was that it and its staff did not break the criminal law. As I come back to below, to the best of my knowledge and belief, this policy was at the time and is in fact adhered to in practice, but I nevertheless wanted to take the opportunity to re-emphasise it. I made it clear that I was not declaring an amnesty had there been any breaches in the past and that I wanted it understood that there would be no tolerance: if any Editor, or one of his or her journalists, broke the law then the Editor would be held responsible and would be dismissed. The tone of this meeting was very serious and all of those present confirmed to me that they understood.
72. At a meeting that took place in March 2007 after the convictions of Clive Goodman and Glenn Mulcaire, and with the same group of people in attendance, I repeated the same message and sought assurance from each Editor that he or she understood my message, notwithstanding that again, to the best of my knowledge and belief, Trinity Mirror's policy was at the time and is in fact adhered to in practice. Each gave me this confirmation.

Compliance with systems

73. As stated, to the best of my knowledge and belief and in response to Matter 5, Trinity Mirror's policies and practices are adhered to, and have been adhered to, in practice.
74. Our systems and structures, compliance with them, and reporting on them as against the requirements of the UK Corporate Governance Code are audited each year by our external auditors. They are also reviewed at the time of our Annual General Meeting by the proxy voting agencies, including ABI's IVIS and RREV / ISS, as mentioned above. We consistently get a clean bill of health.
75. My belief is also supported by the following. In early August 2011, following discussions at Board level, Mr Vickers sought confirmations from 44 senior editorial executives that during their employment and since October 2000 to their knowledge neither they nor anyone on their staff or instructed by them or their staff has intercepted any mobile or fixed line telephone messages, made any payment to a serving police officer, or illegally accessed the police national computer system or the criminal records bureau. All 44 gave this confirmation.

Internal review

76. Matter 21 asks me to cover whether Trinity Mirror has conducted any inquiry into phone hacking or computer hacking or 'blagging' or bribery or corruption and, if so, my role in the inquiry and the outcome. Trinity Mirror has not instigated any 'inquiry' as such.
77. However, notwithstanding that to the best of my knowledge and belief Trinity Mirror's policies and practices are adhered to in practice, in July 2011 following meetings of the Board and the Audit and Risk Committee, and in light of the disclosures about alleged activities at News of the World, on my request, we decided to instigate an internal review of editorial controls and procedures, mindful of our corporate governance obligations. I appointed Mr Vickers to be the Board sponsor of this review. Mr Vickers and I decided that Ms Steven of Internal Audit should lead the review team, which as a matter of good practice deliberately comprised people who are independent from the Editors.
78. In this review, we reconsidered the outputs of our review in 2004 against the backdrop of the allegations about News of the World and also the introduction of our new

editorial IT production system, ContentWatch, in many of our newsrooms:

ContentWatch was implemented in our UK Nationals at the end of 2010. It replaced a previous system, which was about 10 years old. This new technology has enabled us to look at processes in relation to newsgathering and has resulted in efficiency savings, which we wanted to test to ensure that they did not compromise the robustness of our systems.

79. By way of background, our 2004 review followed the Hutton Report into the death of Dr David Kelly and the perceived failings of editorial systems at the BBC, when a BBC journalist had named Dr Kelly as the source of various quotations. Although these perceived failings were on a different form of media and nothing to do with Trinity Mirror or any of its publications, we decided to take what we regarded as the responsible and proactive step of conducting a review. The results of the review were reported to me: it was concluded that risk was at an acceptable level and that it was unlikely that any potentially contentious items would appear in the papers without being checked by the responsible Editor.
80. Our latest review included looking at whether any additional processes are needed to ensure that the provenance of stories is properly understood at senior editorial levels. We have also considered whether sufficient safeguards and checks exist to ensure that if the public interest is considered sufficient justification for a prima facie breach of the Editors' Code or the Data Protection Act, authority is sought from the most senior editorial executive prior to any steps being taken. We reviewed our controls and processes for authorising contributions and other editorial payments, including cash payments, as well.
81. The review found that controls and procedures had developed since the earlier post-Hutton review and that, in general, Trinity Mirror's controls are robust. The review identified a number of areas in which controls could be strengthened and practices and procedures updated to reflect current best practice. The review made a number of recommendations for specific areas, which were accepted and adopted by the Board on 28 September 2011 and now form Group policy. These include that a training plan should be developed to ensure all journalistic staff are fully aware of the need to verify sources and of the relevant legal, regulatory and compliance issues which may affect the approach to obtaining a story. Editorial executives will be reminded that it is their responsibility to understand the provenance of material and to satisfy themselves that it has been appropriately obtained. It was recognised that this authority may need to be

delegated where it is impractical for one person to have oversight. It was, however, agreed that it should be made clear that story provenance is ultimately the responsibility of the Editor. The Editor should take any issues over provenance (and in particular the identity of sources) into account when making their judgement on whether to publish, ask pertinent questions, and seek legal advice if necessary. A formal guidance note will be issued to all editorial staff dealing with working practices when considering the public interest, in particular establishing a protocol for the Editor signing off in advance of any actions that might be taken when a public interest defence will later be relied upon. In addition, the review recommended editorial departments in all the Group's National and Regional newspapers should implement best practice whereby an editor holds a weekly review of any legal issues with their team. In respect of contract agencies and third parties, recommendations were made to ensure that Trinity Mirror's requirements in respect of compliance with the Editors' Code and the criminal law are understood and followed. A copy of the review is at tab 2 of the bundle of additional information provided by Trinity Mirror.

SECTION 4

Editorial management

82. As explained above, the identification, evaluation and management of risk of errors at the editorial level is firmly embedded within Trinity Mirror's system of corporate governance.
83. The Inquiry's Matters 7 and 8 and 12 to 20 relate, as I interpret them, to the way in which the Editors of the Daily Mirror, the Sunday Mirror and The People manage their titles, within the framework of Trinity Mirror's policies. Therefore, in this Section I cover to the best of my knowledge and belief: the system of editorial oversight in respect of editorial decisions (Matter 19), the sourcing of information for stories (Matters 7 and 8), the use and payment of external sources (Matters 12 to 18) and 'computer hacking' (Matter 20).

Editorial oversight

84. Ultimately, the Editors of the Daily Mirror, Sunday Mirror and The People are accountable to the Board of Trinity Mirror, which has the power to appoint or remove them. As explained above, Trinity Mirror's policy is that Editors and journalistic staff

should comply with the Editors' Code and must act within the criminal law. I expect, as a minimum, that Editors and their staff will do their jobs properly and lawfully.

85. The final decision as to what is published in a title belongs to the Editor of that title. The Editors of the Nationals have a large amount of responsibility given to them and are expected to ensure that everything we publish both complies with the Editors' Code and is within the law. It is inherent in the Board's relationship with the Editors that they are entrusted with making judgment calls on what to publish.
86. To support the Editors, the system is set up so that they can take guidance or advice from senior and experienced colleagues, including legal advice: Trinity Mirror has a team of in-house legal advisers who are experienced in providing advice on publication-related matters, including pre-publication issues. In addition, there are clear authority levels for approving payments in relation to contributions for stories and journalists' expenses. Mr Hollinshead and Mr Duffy have important roles in this regard. They each have regular one-to-one meetings with the Editors to discuss matters such as editorial development plans, staffing and budgetary requirements.
87. I believe that appropriate checks and balances are in place, based on my current experience and on my experience when the Editors of the Daily Mirror, the Sunday Mirror and The People reported to me prior to August 2008. We are specific that Editors must obtain my approval to authorise expenditure above a certain level i.e. a contribution payment. They must also have my written approval before any journalist is sent to a war zone. In addition to specific authority levels I work with the Editors on the basis that they will be open with me on matters that are appropriate to draw to my attention or on major exclusives, or when decisions are made which might have consequential effects for other aspects of the business. It is not my role, and never has been my role, however to determine the day to day editorial content of our newspapers and websites. However the Editors will often seek my views on a particular area of editorial development or focus. When the Editors reported to me, I would discuss with them matters such as the overall direction and development of their newspapers, sales performance, the competitive landscape, reader research, expenditure levels, staffing matters and training and development. In terms of specific content or exclusives I would rarely know of this pre-publication as this is a matter for the Editor. The exception to this being our two national Sunday newspapers where I would discuss the leading exclusive each week with each Editor. This is a matter of good portfolio management as they are competing products and as such, need to be different from

each other in order to maximise reader appeal. Mr Hollinshead now oversees this process.

88. To give examples of my role regarding pre-publication of stories, in 2005 the Daily Mirror exclusively ran its 'Cocaine Kate' story about the model Kate Moss' alleged cocaine use. I was informed in advance of this story because my authorisation was required in order to pay the source for the video footage behind this story. In giving approval, I sought assurance from the Editor that the footage was legitimate, as well as forming my own judgment on whether the investment was commercially sound. In 2006, the Daily Mirror ran its exclusive which revealed that John Prescott, the then Deputy Prime Minister, had been having an affair with his secretary. I was informed in advance due to the nature of the allegations and the seniority of Mr Prescott in Government, so that they would not come as a surprise. In late July 2011 the news of the singer Amy Winehouse dying broke late on a Saturday afternoon at a time when the Sunday Mirror was required to come off-stone early due to increased circulation demand. The Editor informed me of her immediate decision to extensively cover the death of Ms Winehouse as this would mean considerable late changes to the paper which would in turn result in changes to the printing and distribution schedule which required immediate onward communication.
89. On the occasion that there are editorial errors, the company considers whether the cause of the error gives rise to a need for disciplinary action and / or a wider review. Depending on the materiality of the error, I may or may not be involved: I am not usually involved in disciplinary matters, although I expect to be informed if something major has gone wrong.

Responsibility for checking sources of information

90. Matter 7 asks me "*where the responsibility for checking sources of information (including the method by which the information was obtained) lies: from reporter to news editor / showbiz editor / royal editor to editor, and how this is done in practice (with some representative examples to add clarity)*".
91. As stated above it is Trinity Mirror's policy that it and its staff operate within the Editors' Code and do not break the criminal law. Ultimately the provenance of stories is the responsibility of our Editors.

Board awareness of sources

92. I refer now to Matter 8, which asks me to cover the extent to which *"board members are aware, and should be aware, of the sources of the information which make up the central stories featured in [our] newspapers each day (including the method by which the information was obtained)"*.
93. Sources of information are a matter ultimately for the Editors, not for the Board. Board members (including myself) expect that Editors and their journalists are operating within the law and the Editors' Code. Beyond this, the Board does not expect, nor could it expect, to be aware of the sources of information for stories featuring in Trinity Mirror's titles.
94. On rare occasions, as Chief Executive I am sometimes made aware of stories in advance, as explained above. Although this will usually involve me confirming with the Editors that they are content with all aspects of the particular story, I do not expect to be told the source and I do not review the underlying material for the story.

Private investigators

95. In relation to the use and payment of, or connection with, private investigators by Trinity Mirror's newspapers in order to source stories or information, which I am asked about in Matter 12, it follows from my statement above that I am not in a position to answer this question with direct knowledge. In response to Matter 13, I had no role in instructing, paying or having any other contact with private investigators.
96. However, as explained above, following the Information Commissioner's report in 2006 and convictions of Clive Goodman and Glenn Mulcaire in 2007, I emphasised to the Editors (amongst others) that Trinity Mirror's policy is strict adherence to the criminal law. Following the events at News of the World, as set out above, the use of private investigators has now been banned with effect from July 2011, notwithstanding that to the best of my knowledge, and also in response to Matters 15 and 16, any private investigators who may have been used in connection with stories in Trinity Mirror papers acted lawfully.
97. Insofar as private investigators were used, in response to Matter 14, how they were used was a matter for the Editors, within the overarching framework that their newspapers must comply with the Editors' Code and the law, as well as Trinity

Mirror's policies on contributions and procurement, to which I return below in connection with Matters 17 and 18.

98. Matter 20 asks me to cover whether I, or the Daily Mirror, Sunday Mirror and The People (to the best of my knowledge) ever used or commissioned anyone who used 'computer hacking' in order to source stories, or for any other reason. To the best of my knowledge, there have been no instances of 'hacking', whether of computers, telephones or any other kind of device.

Other external providers of information


99. Matter 12 also asks me whether to the best of my knowledge, Trinity Mirror's newspapers paid or received payments in kind for such information from the police, public officials, mobile phone companies or others with access to the same. Again, I am not in a position to answer this question with direct knowledge and, in response to Matter 13, I had no role. But, to the best of my knowledge, responding also to Matters 15 and 16, there have been no payments to or from anyone within these categories (or otherwise) in connection with improperly or unlawfully sourced information for stories, or (in response to Matter 20) in connection with 'hacking'. Again, Trinity Mirror's policy is strict adherence to the law.
100. When external providers of information are used, in response to Matter 14 and as set out above, how they are used is a matter ultimately for the Editors, acting within Trinity Mirror's policies of compliance with the Editors' Code and the law and also its policies on contributions and procurement, to which I now turn.

Expenses and remuneration to external sources of information

101. Matters 17 and 18 ask me to cover, first, the extent to which I am aware of protocols or policies operating at the Daily Mirror, Sunday Mirror and The People in relation to expenses or remuneration paid to 'other' external sources of information and, second, the practice of these newspapers in relation to payment of expenses and / or remuneration paid to 'other' external sources of information (in both cases whether actually commissioned by them or not).
102. I am aware of all of Trinity Mirror's policies in relation to payments of all descriptions. Trinity Mirror has strict systems in place in relation to all financial matters, overseen by Mr Vaghela as Group Finance Director. Essentially, as explained above, Trinity

Mirror's controls operate on a system of delegated authority levels for different categories of expense, namely purchases of goods or services, contributions towards stories and staff expenses, including the expenses of journalists and Editors associated with pursuing stories. The authority levels are communicated to the authority holder in writing with a policy that if a request exceeds the authority holder's authority, it is put to an authority holder with greater authority and greater seniority.

103. Unless my authority level is engaged to authorise a contribution in relation to a particular story, and other than expecting authority holders to fulfil their responsibilities in approving any payment (which would include not authorising any payment connected with unlawful activity or that breaches Trinity Mirror policy), I am not involved in the decision-making in practice for contributions payments. From my perspective, I expect all payments to be justified commercially and not to be harmful to Trinity Mirror, its titles and their reputation. Trinity Mirror has a Fraud Policy and Whistleblowers' Charter designed to pick up any potentially harmful irregularities.



Sly Bailey

Dated: *S* October 2011