

Dear Mr Adams

With reference to your letter of 9<sup>th</sup> June I would reply as follows.

In evidence to the Committee, Mr Chappell stated that he had sought your advice in relation to BHS. It would be very helpful if you could confirm:

a. How you know Mr Chappell.

Mr Chappell contacted me in December 2014 and we met in January 2015. He indicated that he was in negotiations to acquire BHS and wanted to recruit a Chairman. In March 2014 I had been introduced to a Mr Paul Sutton by a partner in Deloitte (Lee Manning) but after an initial meeting I did not hear from him again. When I first met Mr Chappell I referred to my previous meeting with Mr Sutton and he (Mr Chappell) stated that this transaction had no connection to the Mr Sutton approach and that Mr Sutton was not involved.

By way of background, since 2005 I have served on a number of Boards as Chair or nxd and it is not unusual for me to receive approaches in connection with possible corporate transactions.

b. What contact you had with Mr Chappell prior to and following the sale of BHS and when.

I met Mr Chappell and some members of his team on five or six occasions in the period January to March 2015. We subsequently met on four occasions between October 2015 and January 2016.

c. The nature of any discussions and/or advice you provided.

The main topic for discussion was Mr Chappell initially interviewing me for the role as Chairman and then seeking to persuade me to take on the role (which I declined as I believed the role would be a full time Executive one and at that time I held four other Non-executive appointments). In the course of the meetings we discussed a range of topics concerning the business although I would not say I gave him (or RAL) any advice on the acquisition of BHS. In addition to discussing the Chairman role, this included my view on the appropriate Board structure and the experience / skills required; the governance implications of separate RAL /BHS Boards; observations on the Turnaround Business Plan; possible equity / incentive structures for the Executive Team; and general trading and market conditions.

d. Whether you had any contact with other representatives of BHS, Arcadia Group or Sir Philip Green, and if so what was the nature of that contact, when did it take place, and what was discussed.

BHS representatives

- I met with Richard Price on two occasions in January / February 2015 (he had resigned from BHS but was still employed and I was interested in his view of the business) and with Darren Topp on two occasions in November 2015 and in January 2016 (although I had declined to become involved on a formal basis Mr Chappell asked me to meet with Mr Topp). I also joined a presentation by a number of BHS Executives in November 2015 when they were reviewing the product range.

Arcadia Group representatives

- During a meeting with Richard Price (in February 2015) he briefly introduced me to Gillian Hague and Chris Harris of Arcadia.
- I spoke with Ian Grabiner (on 10th March 2015) and he asked if I was joining the Board as Chairman. I confirmed that I had spent time with Mr Chappell but was not going to accept a formal appointment. I also said that I thought that I might be asked to get involved in a different capacity at some future date.

Mr Chappell has indicated that you were employed by him – please can you provide terms of references for any employment, and a copy of any letter of engagement.

I was not employed by Mr Chappell or RAL / BHS so there is no terms of reference or letter of engagement. Mr Chappell believed it was appropriate that I was remunerated for my time and for the comments and views I had earlier in the year and then again in October and November 2015. Retail Acquisitions Limited therefore paid me a fee (£25,000 plus VAT) in December 2015 although there was no formal engagement.

**Further observations:**

**In discussion, you subsequently asked for my views on the turnaround plan when I met with Mr Chappell in January and February 2015. My views were as follows:**

There were some elements that looked very achievable - independent ownership [from Arcadia] would improve the prospects in rent negotiations with landlords and I would expect the focus an independent team could bring would improve performance in a number of trading areas. There were clear plans to develop new areas building on the recent experience in food and conversations with a number of concession partners were planned. As in most MBOs there would also be benefits from the separation from Head Office functions provided historically by the parent company. However BHS had been loss making for a number of years and had been losing market share. Reversing that in the 2015/16 market was always going to be very difficult and re-positioning the brand to appeal to customers needed significant work. I think all those points were accepted by everyone at the time and the intention was to recruit retail experienced nxds to help address the challenges.

I trust these comments are helpful to the Committee.

Kind Regards

Kevin Lyon