Post Office Limited
Risk and Compliance Committee Meeting

MINUTES OF A MEETING OF THE RISK AND COMPLIANCE COMMITTEE (THE "COMMITTEE") OF POST OFFICE LIMITED (THE "COMPANY") HELD ON 10 JULY 2018 AT 20 FINSBURY SREET, LONDON EC2Y 9AQ AT 10.00AM

Present:		
	Jane MacLeod	Chairman
	Paula Vennells (PV)	Group Chief Executive
	Al Cameron (AC)	Chief Financial and Operations Officer
	Meredith Sharples (MS)	(on behalf of Owen Woodley)
	Tom Moran (TM)	(on behalf of Debbie Smith)

In Attendance:		
	Jenny Ellwood (JE)	Risk Director
	Garry Hooton (GH)	(on behalf of Johann Appel Head of Internal Audit)
	Jonathan Hill (JH)	Compliance Director
	Paul Beaumont (PB)	Senior Risk Manager
	Barbara Brannon (BB)	Procurement Director
	Sally Smith (SS)	MLRO & Head of Financial Crime
	Lisa Toye	Secretary

Apologies:		
	Debbie Smith (DS)	Chief Executive, Retail
	Martin Kirke (MK)	Group HR Director
	Owen Woodley (OW)	Chief Executive, Financial Services and Telecoms

ACTION

1. WELCOME, INTRODUCTION AND CONFLICTS OF INTEREST

1.1 The Chairman welcomed those present to the meeting and confirmed there was a quorum. There were no conflicts of interest declared.

1.2 The Chairman introduced the topic of attendance at RCC meetings. The proposal was that core membership for future meetings would be JM, AC and PV, plus a representative of DS and OW. This would be subject to ongoing review of effectiveness.

1.3 The Chairman initiated a discussion on frequency and timing of RCC meetings. Currently there are 6 RCC meetings scheduled each year and 5 ARC meetings, of which the May ARC was predominantly focussed on the annual financial report & accounts. The RCC meetings therefore were not well aligned to the ARC meetings. The proposal was to realign RCC to ARC so that there would be 4 RCC meetings per year and the committee were asked to accommodate diary changes. This proposal was accepted.

1.4 The Chairman explained to the Committee that the RCC was in the process of

changing the format of the information presented, so that where previously the Committee would have reviewed a series of operational risk papers, these had now been consolidated to 3 themes: Consolidated Risk paper including Change Assurance; Consolidated Compliance paper including Financial Crime and Financial Services Risk paper. Summary appendices of risks were still work in progress. AC noted the new format and thanked everyone for the improved quality of the papers.

2. ACTION LIST & MINUTES

2.1 The Action List Status Report was noted as accurate. There was only one action due which was addressed in the meeting papers.

2.2 The Minutes of the previous meeting were discussed and JM described that the placemats are due for quarterly refresh across the business where key issues are highlighted so there is clarity on risks to the delivery of the strategy, including external risks. The scoring is being worked on to be consistent across the business and there will be an opportunity for deep dives reviewing risks that are current and being managed and also risks coming down the line. Reference was made to a paper focussing on our maturity model, tied to the challenge from ARC around Corporate Governance with a comparison to where we are, and what would good look like.

3. RISK UPDATE

3.1 **Risk Report**
JE introduced the consolidated Risk paper which had been circulated and a discussion ensued
   (a) Identity services: risk will change as the proposition changes and a risk framework is built with regular placemat refresh. The strategy and scorecard will be reviewed with a focus on RCC and ARC report on the top risks affecting POL and the strategy. The dashboard is being developed, for example the Financial Crime will look across POL at more than one functional area. Business MI and Risk MI to be brought together to the October ARC meeting. Review of language and culture and what the business does – ACTION JE to work with Amber Kelly.   **JE** Ongoing review of risk appetite, to be developed to help make business decisions. To look at UK Corporate Code, not to follow per se but as a guide with a gap analysis to recommend what would be right for POL.
   (b) The placemat highlights were that after 70 workshops across the business, 31 principal risks were identified with key themes of Business Continuity and IT Disaster Recovery. The Committee were asked to consider whether 31 was the right number or too high, and JE advised that these would be consolidated into a more manageable number.
   (c) Deloittes have been engaged to complete some analysis on our change delivery, looking at a June 2019 completion date but releasing quick wins and improvements along the way. It was noted that the pack for Investment Committee has improved and is driving a different

conversation now. The Committee agreed that the business cannot wait until September 2019 to see benefits, and JE responded that quick wins will be delivered throughout Deloitte's engagement

(d) The Committee embarked on a discussion around the principles of Agile delivery and how these were not incompatible with governance and control. It was agreed that proportionate and appropriate controls and testing do not hinder Agile delivery and that POL needs to establish ways of working for managing risk in an Agile environment. It was acknowledged that Agile may not be consistently understood and that it needs to be cultural to follow any particular method of project and program delivery. Business SMEs need to be involved and embedding risk and compliance people in hubs is effective although more resource intensive.

(e) The discussion continued onto programs with dependencies on other programs or other teams which can cause delay. It was considered that if the Gating process was stronger these issues would be picked up earlier. ACTION – invite TW back to RCC for update **JM**

(f) The RAG ratings were discussed and whether it would ever be appropriate for a target RAG not to be green. The Committee concluded that for Horizon, red is currently acceptable as a target because the risks are known and understood.

(g) PV raised the issue of how to respond to the outputs of the Board Away day. JM and JE are reviewing strategic risks.

(h) Discussion around ensuring the papers reflected the views of the Committee.

4. INTERNAL AUDIT

4.1 Audit Report
GH invited any questions or discussion on the Internal Audit paper.

(a) PV noted that progress against plan looks on track at this point in the year, however with holiday season approaching should the target be to be more than 25% through the plan with 25% of time gone. JM responded that IA have been running with vacancies, and noted that an offer has been made now, and also that we have been changing our audit suppliers. It was acknowledged that in Q1 the business is always finalising the prior year. PV asked whether a realistic target for the year was 20 rather than 26. ACTION – JA to review and flag to ARC. **JA**

(b) A discussion ensued on IA reports and how to ensure that the business sees internal audit engagement as positive. It was noted that some areas of the business have felt as if they are being criticised rather than supported. Culturally we need the business to be clear that IA reports are needed for the Board not just for the business area. PV stated that where IA find something unsatisfactory it must be flagged to RCC and that it is not acceptable for business areas not to comply and not to reply to IA queries. AC agreed that IA must call out where things are not working well. PV reiterated that the purpose of RCC and ARC is to focus on areas that are non-compliant. ACTION – RCC agendas to be **JM**

constructed to allow areas that are non-compliant to present to the Committee.

(c) It was noted that there are some overdue actions which need to be addressed. ACTION GH to update JM and AC on these, to raise at GE with relevant GE member each week as necessary. Possible additional RCC meeting where people with overdue actions to attend to provide update. ACTION JM to discuss with GH/JA.   **GH**

JM &

(d) Business Continuity Management was discussed and Tim Armit will be **GH/JA** coming to RCC in September with actions in place to update plans. It was recognised that this area had started from a low base and currently only has one person.

5. COMPLIANCE

5.1 Compliance Report

JH introduced a paper which consolidated Financial Services & Telecoms, Financial Crime and Information Protection and Assurance. JH explained that the team intend to include banking, identity and cyber security / cybercrime in this report and that they are also working on a consolidated dashboard.

(a) Key areas are that the compliance universe is getting broader and regulators are wanting more. JH noted that the CMA may get more power in future to enforce competition and as POL gets more diverse the scope of this paper may need to be reviewed.

(b) AC added that our branch literature is not always fully compliant and POL need to agree a plan. PV stated that the fundamental problem was the number of branches and number of products available, some of which are very rarely sold.

(c) The discussion continued onto future developments including moves onto Voice Over Internet Protocol and future targets for RMG to cease use of copper networks which were recognised as Industry challenges

(d) JH informed the Committee that the GDPR program was on track to deliver substantive compliance and updated that there were no issues since the deep dive at the previous RCC.

(e) JH updated the Committee on PCI DSS where we have made a step change and improved co-ordination between IT and IPA teams. JM added that the biggest challenge is Computacenter demonstrating compliance. They have a challenge to deliver on time, however, there not yet a sufficient level of comfort on this.

(f) On Financial Crime, the training has been rolled out and there is a forward looking agenda. PV commented that the forward looking regulatory agendas in the paper were very useful.

5.2 Vulnerable Customers Risk Assessment

PB joined the meeting to discuss and take questions on the vulnerable customers report. PB updated the committee on the work that had been done with the Alzheimer's Society, Age UK, Sense, MIND, RNIB and other charities. POL is learning and engaging and the number of customers affected is growing. Work

has been done on what customers are capable of if they are engaged with appropriately. POL have improved training and awareness. Customers can be classed as vulnerable for a short period of time, e.g. after a bereavement and it was recognised that some work needs to happen with the digital team to improve accessibility of POL website. POL must ensure compliance with the Equalities Act and the Committee noted that the target would be more than minimum compliance.

    (a)   PB noted that some specific actions have been identified as 'must do's which will be addressed first, and there are also 'nice to have's and challenges. JH recommended working with the charities on how to make digital more accessible for our vulnerable customers. PV stated that this a clear part of POL's social purpose and that we need to be leaders in this area and POL will make budget available for this work. Culturally it is important to POL and it is a priority for the business. PB is meeting Amber Kelly to embed this into the culture work.

    (b)   JM confirmed that the team are working on timeframes for all actions. Where there are challenges, they will report and bring back highlighting where there are any issues getting agreement and confirming the timings for delivery. PV requested PB escalate to JM if any issues need to be raised at Monday GE meetings if barriers are being hit. ACTION – update at next RCC with progress update. AC stated that he was satisfied with the direction of travel.   **PB**

6.   CONTRACT PROCUREMENT GOVERNANCE UPDATE

BB joined the meeting to discuss the non-compliant contract procurement report. In March the Committee had been informed that there was a large forward pipeline of non-compliant contracts mostly around interim extensions relating to the legacy of POL separation. Although £8.7m had been added to the value of the non-compliant contracts, all material items had been included in the pipeline of pending items presented in March.

    (a)   JM requested the number and value of non-compliant contracts could be represented as a proportion by value or by number of contracts to put it into context. AC noted that the number of non-compliant contracts has not reduced and asked BB where the specific concerns were. BB responded that RAPP (Brands) and GDPR / procurement risks were the areas of concern. Another issue was in the marketing space where POL had found ourselves in the press as non-compliant on the print contract but had been misreported. ACTION - PV asked for a   **BB** noting paper on the print contract and also how many contracts have a guaranteed minimum value. It was noted that some of our contracts have volume commitments, e.g. fleet and travel and there are rebates included. TM noted that where the business will target e.g. a 20% reduction on T&S, once volumes have reduced the business may only realise a smaller % reduction in spend overall. ACTION TM to review   **TM/BB** calculation with BB

(b)   AC requested BB and Procurement team to be involved in Banking   **BB**
Framework 2. ACTION – BB to pick up with Martin Kearsley.

(c)   A discussion on ATM strategy ensued and AC noted that the strategy
was due to be presented to GE.

(d)   JM commented that the report should only show exceptions in future
and AC requested that concerns are raised as well as noting areas.

7.   UPDATES FOR NOTING

7.1   PCI-DSS Compliance Status Update was taken as read.

8.   POLICIES FOR APPROVAL

SS joined the meeting

8.1   Gifts & Hospitality Policy

(a)   It was noted that the culture at POL needs to change in relation to
Gifts & Hospitality as the level of reporting is not what we would
expect, in particular with regard to offers that have been declined.
The Committee noted that the report exists to demonstrate what is in
place to prevent bribery so it is important to note what has been
offered and declined. AC noted that the report could be
misunderstood, if ARC assumed that everything included had been
accepted and it should clearly show what was declined or POL
employees paid for.

(b)   AC requested that the number of people present be included, to put
the value of the item into context. JH will ask for clarity.

8.2   Anti-Bribery & Corruption Policy

(a)   Training staff was seen as an important control.

8.3   Whistleblowing Policy

(a)   SS presented this as a work in progress and the Committee had a
discussion around raising awareness. Most items come from our
agents rather than our employees although there are some issue
reported via Speak Up. AC posed the question of whether the
whistleblowing definition should be relaxed to include incidents of
Bullying and Harassment and also whether whistleblowing is
understood across the business. JM responded that the business has
used PV's blogs, posters and Yammer to reinforce the message. JM
commented that whistleblowing is for legal breaches and that as a
business if an item is reported through an incorrect channel, it will still
be referred appropriately. A range of channels exist for reporting
inappropriate behaviours. ACTION – SS to propose a programme of   **SS**
communication. GE to raise awareness and SS to contact Amber Kelly
to include in cultural work.

(b)   PV asked whether Internal Audit have audited POL internal
communications. The Audit programme had been constructed to

address high risk areas and communications had not been flagged as high risk. PV to discuss integrated communications review with Mark Davies. AC noted that people may understand less than it is assumed that they do. JH noted that in the past it was part of the role of all managers to visit 10 branches to communicate which had a large impact although it was a costly exercise. JH to have a discussion with Debbie Smith on this matter.

JH

DECISION: the Committee approved the Anti Bribery & Corruption and Whistleblowing Policies

(c)   Regarding IDD and PSD2, JH was asked to prepare a communication for senior managers on what they are and the impact on POL. A 1 or 2 page report to be prepared and sent to the Committee.

JH

9.   FUTURE MEETINGS

This agenda item had been covered during the introduction

10.   ANY OTHER BUSINESS

There being no other business, the Chairman closed the meeting at 15:35.

GRO

Chairman GRO
GRO

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Date