



POST OFFICE LIMITED

MINUTES OF A MEETING OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE OF POST OFFICE LIMITED HELD ON TUESDAY 26th JANUARY 2021 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 08.30AM (VIA CONFERENCE CALL)¹

Present:	Invited Attendees:
Carla Stent (Chair)	Sam Banks (Analyst Independent Audit): Observer
Ken McCall (SID) (KM)	Richard Sheath (Partner, Independent Audit): Observer
Tom Cooper (NED, UKGI) (TC)	Sally Smith (Money Laundering Reporting Officer & Head of Financial Crime): Item 5 (SS)
Zarin Patel (NED) (ZP) (to 10:00am only)	Ian Holloway (Director of Risk & Compliance, Post Office Insurance): Item 6 (IH)
Regular Attendees:	Tom Lee (Head of Finance Financial Accounting and Controls): Item 7 (TL)
Tim Parker (Chairman, POL) (TP)	Christine Kirby (Financial Controls Manager): Item 7 (CK)
Nick Read (Group Chief Executive Officer) (NR)	Andy Jamieson (Head of Tax): Item 8
Alisdair Cameron (Group CFO) (AC)	Amanda Jones (Retail & Franchise Network Director): Items 9 & 10 (AJ)
Ben Foat (Group General Counsel) (BF)	Tim Perkins (Service and Support Optimisation Director): Item 9 & 10 (TP)
Andrew Paynter (Audit Partner, PwC) (AP)	Declan Salter (GLO Director): Item 11 (DS)
Sarah Allen (Senior Manager, PwC) (SA)	Graham Hemingway (Historical Matters Portfolio Lead): Item 11 (GH)
Rosie Clifton (Senior Manager, PwC) (RC)	Tony Jowett (Chief Information Security Officer): Item 12 (TJ)
Johann Appel (Head of Internal Audit) (JA)	
Mark Baldock (Head of Risk) (MB)	
Jonathan Hill (Compliance Director) (JH)	
Rebecca Whibley (Senior Assistant Company Secretary) (RW)	
Hugo Sharp (Deloitte Partner) (HS)	
Apologies:	
Zarin Patel (from 10:00 onwards)	

		Action
1.	Welcome and Conflicts of Interest	
1.1	A quorum being present, the Chair opened the meeting and noted that participation was solely by conference call given the current Government guidance on home working. However, given the requirements of the Company's Articles of Association, the location of the meeting was agreed to be the Company's Registered Office.	
1.2	The Directors declared that they had no new conflicts of interest in the matters to be considered at the meeting in accordance with the	

¹ Participation in the meeting was entirely via Microsoft Teams from participants' personal addresses. In such circumstances the Company's Articles of Association (Article 64) require that the location of the meeting be deemed as the chair's location. However, it was not deemed appropriate to record personal addresses on the Company record. As such, the Registered Office is recorded as the meeting location.



POST OFFICE LIMITED

	requirements of section 177 of the Companies Act 2006 and the Company's Articles of Association.	
2.	Policies: Investigations Policy	
2.1	<p>Jonathan Hill introduced the paper, which had been circulated previously and was taken as read. The following points were discussed:</p> <ul style="list-style-type: none"> - The existing policy had not been used for some time and as such, the policy has been completely overhauled, following an industry approach. - The policy sets out minimum standards for how Post Office will conduct investigations wherever they might take place in the business to ensure a consistent approach, building on comments in Fraser J's judgment. - The Chair noted that an issue that was made clear from the Group Litigation Order (GLO) was the attitude of the investigator. Whilst issues like the duty of good faith would only apply in the Post Office/Postmaster relationship (not commercial relationships), it was agreed that the attitude of the investigator should be addressed in the policy. - It was also noted that matters such as the independence of the investigator and the level of expertise needed should also be clear in the policy. It was explained that the policy was simply a framework and other policies were still relevant such as Conflicts of Interest. Nonetheless, it was agreed that these matters should be made clear in the policy, including references to other policies as appropriate. - Ken McCall questioned whether the policy considers service level agreements (SLAs) with Postmasters and Board/Committee review of the relevant metrics in this regard. Ben Foat explained that such matters were for specific Postmaster policies and this policy was very much a minimum standards framework. - Ken McCall was also concerned about the accessibility of the policy, particularly for Postmasters, and how the policy would be rolled out. It was explained that this was an internal policy, rather than Postmaster facing. Nonetheless Compliance was developing a one to two page summary to make the policy more accessible as well as engaging with relevant Policy Owners to ensure they understand the requirements and can evidence compliance. - Tom Cooper requested that the policy also be externally reviewed. <p>Accordingly, the Committee APPROVED the Investigations Policy, subject to:</p> <ol style="list-style-type: none"> The inclusion of details on the appropriate attitude of the investigator; the need for the investigator to be independent and have the appropriate expertise and appropriate references to other relevant policies; and 	ACTION: BF



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	ii. The policy being externally reviewed, and the results of this review being considered and included as appropriate.	
3.	Previous Meetings	
3.1	The minutes of the meeting of the Audit and Risk Committee held on 24 November 2020 were APPROVED and AUTHORISED for signature by the Chair.	
3.2	<p>Progress against the completion of actions as shown on the action log was NOTED.</p> <p><u>Action 1 from 27 July 2020 (para 4) Pensions Assurance:</u> See update to action 5 from 22 September 2020 below. Quantification to be known in March 2021 and an update to be provided to the Audit, Risk & Compliance Committee (ARC) or Board as required at this point. An update paper was also presented to the Committee for noting (see para 14 below). <u>The action remained open.</u></p> <p><u>Action 2 from 27 July 2020 (para 6) Update from Subsidiaries:</u> The Master Services Agreement and Master Distribution Agreement amendments were executed by both parties on 5 January 2021 via Web3. <u>The action was closed.</u></p> <p><u>Action 3 from 22 September 2020 (para 4.1) Risk Appetite Statements:</u> Legal and Compliance Risk Appetite Statement paper was presented to the Committee for noting (to be approved at a later date) (see para 4.2). Further statements were in train including IT (with Jeff Smyth, Group Chief Information Officer) and Operations (Postmasters) (with Amanda Jones, Retail and Franchise Network Director). There was further discussion regarding prioritisation during the meeting, see para 4.2 below. <u>The action remained open.</u></p> <p><u>Action 4 from 22 September 2020 (para 5.5) SuccessFactors:</u> This action was address by a noting paper presented to the Committee (see para 14). <u>The action was closed.</u></p> <p><u>Action 5 from 22 September 2020 (para 6.4) Pension Assurance:</u> The quantum is likely to be known in March 2021 following analysis and review by the Trustee. The approach to correcting the members benefits including any proposed clawback will be discussed by the Trustee and Post Office following the Trustee Board meeting on 23 March 2021. The intention was to engage early with the Trustee to ensure Post Office's preferred approach was known. A further update was to be provided to the ARC or Board as required in March 2021. An update paper was also presented to the Committee for noting (see para 14 below). <u>The action remained open.</u></p> <p><u>Action 6 from 22 September 2020 (para 7.3) Suspense Accounts:</u> An update paper was provided to the Committee (see para 9). <u>The action was closed.</u></p> <p><u>Note:</u> Action 7 in the papers was a duplicate of Action 2 above (due to copy and paste error).</p>	



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<p><u>Action 8 from 24 November 2020 (para 3.1) Risk Dashboard</u>: At this point the Risk team was not in position to provide system-aggregated Dashboards as it was finalising the risk management transition from RSA Archer to ServiceNow (IRMPPro). This had just been completed. A refreshed set of GRC risk reports in line with ARC requirements was to be presented to ARC in March 2021. <u>The action remained open.</u></p> <p><u>Action 9 from 24 November 2020 (para 3.2) Risk Policy (Legal & Compliance Risk Appetite)</u>: The Legal & Compliance Risk Appetite paper has been developed and has been shared with the Chair. However, this is still a work in progress and as such, the Committee was not asked to approve the Risk Appetite statement at its January meeting. Accordingly, the Committee may discuss and feedback as required in the meeting. The further iteration was to be shared with the Committee prior to its next meeting if so required. (See para 4.2 below). <u>The action remained open.</u></p> <p><u>Action 10 from 24 November 2020 (para 3.2) Risk Policy (Risk Management Responsibilities)</u>: See para 4.1 where the ARC has approved the division of risk management responsibility between the ARC and Board. <u>The action was closed.</u></p> <p><u>Action 11 from 24 November 2020 (para 3.2) Risk Policy (Approval subject to amendments)</u>: Risk Policy scope was amended as required and the Board approved the final policy in January 2021. <u>The action was closed.</u></p> <p><u>Action 12 from 24 November 2020 (para 3.2) Risk Policy (Page Numbers and Policy Paper)</u>: Page numbers were viewable on the tabs created by Diligent Boardbooks, this included the page range for each section. The policies before the Committee in January 2021 are to be approved by parallel Written Resolution included as either a track changes version (where changes are minor) or the existing policy (where the changes are more substantial i.e. a complete re-write). <u>The action was closed.</u></p> <p><u>Action 13 from 24 November 2020 (para 3.4) Internal Audit (Data Privacy (Document Retention))</u>: A revised action was agreed, and the completion date re-stated to 31 March 2021. This was to be tracked through the usual process and reported back to the ARC. <u>The action was closed.</u></p> <p><u>Action 14 from 24 November 2020 (para 3.4) Internal Audit (Deep Dives)</u>: Deep dive audits to be added to IA plan as follows: Financial Crime Q4 FY21, Loss Prevention FY22 tbc, Compliance Function FY22 tbc and Risk Management Framework FY22 tbc. <u>The action was closed.</u></p> <p><u>Action 15 from 24 November 2020 (para 4.3) Suspense Accounts</u>: All elements have been completed and the report was approved by the Board for publication. <u>The action was closed.</u></p> <p><u>Action 16 from 24 November 2020 (para 7.1) Post Office Insurance Travel Refund Complaints</u>: A memo in response to this action was</p>	
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4



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	<p>provided to the Committee via email on 4 January 2021. The memo was also available in the Reading Room. <u>The action was closed.</u></p> <p><u>Action 17 from 24 November 2020 (para 9.1) Historical Matters Unit (RACI Matrix):</u> Discussions concerning UK Government Investments (UKGI)/Department of Business, Energy & Industrial Strategy (BEIS) involvement in Historical Shortfall Scheme (HSS) approvals, which directly affects the operation of the schemes, have continued during December and were expected to be finalised during January. A verbal update was provided to the ARC (see para 11 below). Further update will be provided in March 2021. <u>The action remained open.</u></p> <p><u>Action 18 from 24 November 2020 (para 9.2) Historical Matters Unit (Fraudulent Claims Controls):</u> Fraud risks were being actively managed by Herbert Smith Freehills (HSF) and the Project team covering 21 separate fraud risks – see Appendix 1 in the paper as per para 11 below. <u>The action was closed.</u></p> <p><u>Action 19 from 24 November 2020 (para 9.2) Historical Matters Unit (Live data in CCRC Pack):</u> Management Information (MI) showing latest eligibility results (values and volumes) from HSS is already distributed as part of a MI pack that HSF share with Board members on a weekly basis. (Eligibility extract attached in Appendix 1 of the paper as per para 11 below). Information relating to identification of fraudulent claims has been shared as part of the Criminal Cases Review Commission (CCRC) Board packs from 14th January 2021. <u>The action was closed.</u></p> <p><u>Action 20 from 24 November 2020 (para 10.1) Payzone Risk Report:</u> Capita have confirmed to PipIT that they need to stop using Post Office branches and find another method. PipIT have asked if they can have two weeks to sort out a new provider which Post Office/Payzone has agreed to and the proposal was for PipIT to stop using Post Office by 31 January 2021. (Note: PipIT is the gateway for Zeepay, Glow remit etc. If PipIT stop using Post Office branches, then the others will also be stopped). A further update will be provided when it is confirmed PipIT have stopped using Post Office. <u>The action remained open.</u></p> <p><u>Action 21 from 24 November 2020 (para 12.1) Deep dive: Transformation Office Change Update 2020:</u> Dan Zinner and Saira Burwood met with Tom Cooper on 15 January 2021 to discuss the action regarding metrics on Change controls. Mark Baldock also joined the meeting as he was transitioning all the controls into a new tool (ServiceNow) which would then be able to provide a suite of reports on the controls. These reports and dashboards would be provided to ARC on a regular basis once ServiceNow transition was complete and Mark agreed to give Tom early sight of these when available. <u>The action was closed.</u></p>	
3.3	The draft minutes of the Risk and Compliance Committee held on 12 January 2021 were NOTED .	
4.	Risk, Compliance and Internal Audit Updates	



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4.1	<p>Risk Update</p> <p>Mark Baldock introduced the paper, which had been circulated previously and was taken as read. The key points were summarised as follows:</p> <ul style="list-style-type: none"> - <u>Governance, Risk & Compliance (GRC) tool (move from Archer to Service Now)</u>: Phase 1 was now complete with 520 risks moved, with the system was now live in the central risk team and Archer has been decommissioned. Work had now started on phase 2 which was rolling out the risk capability to the business and migration of controls for IT, Finance and the Portfolio Office, which would allow formal links of the controls to the risks. - <u>Key Risks:</u> <ul style="list-style-type: none"> ○ IRRELEVANT ○ <u>Operational</u>: Postmaster risks were already articulated, but further work was to be carried out, as well as considering whether other risks had an impact on Postmasters. The Chair noted a discussion in the Internal Audit meeting that morning about how to implement controls around Postmaster risks and how to validate GLO initiatives. Mark Baldock was asked to pick this up with Jonathan Hill with an update to be provided at the March meeting. Multiple partner fragility was also noted as a key operational risk due to the economic threats to the high street. ○ <u>People</u>: There were long standing risks about work life balance and work pressures on colleagues, which had been exacerbated recently given the greater degree of uncertainty about easing of lockdowns. Much was being done by management, however there was a concern that some colleagues may suffer from burnout. Zarin Patel questioned how this might affect work being done in the risk and control environment. Nick Read explained that the risk and need for improved engagement in the current lockdown was recognised and Lisa Cherry (Group Chief People Officer) and Richard Taylor (Group Corporate Affairs, Brand and Communications Director) were working through the engagement strategy. - <u>Risk management by the Board & ARC</u>: Recognising that there was a need to clearly differentiate where risk was managed, it was recommended that: <ul style="list-style-type: none"> ○ the Board should provide oversight of (and direction on) management of the key strategic business risks that could 	<p>ACTION: MB</p>
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6



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	<p>threaten the delivery of the Post Office's strategic objectives, including setting the risk appetite and focus on key risks.</p> <ul style="list-style-type: none"> ARC should support the Board and consider what needs to be referred to the Board. Otherwise, it should focus on audit and compliance risks and controls. <p>The Committee made it clear that the ARC should get an overall picture of risks, with material commercial, strategic and reputational risks escalated for Board consideration.</p> <p>Ken McCall requested that the following be reviewed:</p> <ul style="list-style-type: none"> The wording of paragraph 13 relating to the financial risk around "insufficient" funding reflect the risk of uncertainty about funding; Paragraph 25 relating to the risk of prolonged industrial action as this should refer to pace of response rather than the risk of material long term industrial action; and Paragraph 27 relating to adverse external economic factors, noting that much of this was outside Post Office's control and that, some elements had upsides for Post Office. <p>Mark Baldock was asked to review these sections, discuss further with Ken McCall and provide an update for the next Committee meeting.</p> <p>The Committee NOTED the current status of key risks and GRC implementation and APPROVED the proposals on the role of the Board and ARC with respect to oversight of Post Office risk management as set out in paragraph 31 of the paper.</p>	<p>ACTION: MB</p>
4.2	<p>Risk Appetite Statement: Legal & Compliance</p> <p>Ben Foat introduced the paper, which had been circulated previously and was taken as read. It was summarised as follows:</p> <ul style="list-style-type: none"> - [REDACTED] - [REDACTED] - [REDACTED] - The paper was a living document and would change over time. The next steps were to ensure there were Key Risk Indicators (KRIs) in place and then operationalise, with engagement with the 1st line of defence. <p>The Committee discussed the following points:</p> <ul style="list-style-type: none"> - [REDACTED] 	



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<p>The Chair noted the extensive work that had gone into the paper and questioned whether, given the resourcing pressures, it was better to work on KRIs to trigger a red/amber/green rating. The Committee agreed but noted that Legal and Compliance and Postmaster related activity were important areas in which to have risk appetite statements. There was also a suggestion that areas that were less under pressure in the short term could also be considered (such as finance). As such, Mark Baldock was asked to look at identifying the KRIs for Postmasters with the Network team and consider working on statements for one or two other areas for update at the March Committee meeting (in the usual Risk Paper).</p> <p>Otherwise, the Committee NOTED the draft corporate Legal & Compliance Risk Appetite Statements which will be shared with the Senior Leadership Team so that these can be further refined and assessed within the business in commercial decision making.</p>	

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8



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4.3	<p>Compliance Update</p> <p>Jonathan Hill introduced the paper, which had been circulated previously and was taken as read. It was summarised as follows:</p> <ul style="list-style-type: none"> - <u>Controls Framework</u>: Work was being undertaken with the Historical Matters Unit (HMU) to ensure the correct controls were embedded into the relevant areas, so as to meet obligations arising from the Common Issue Judgment (CIJ), Horizon Issue Judgment (HIJ) and the stamps review. There was an existing controls framework in Finance and IT (although the latter was being overhauled), but there was no consistent approach across the rest of the business. This was what the Framework was to provide, such that the business could self-assess controls with assurance provided by Compliance. Ken McCall noted that the report outlined that there had been changes to the Postmaster Onboarding process and questioned whether this meant the onboarding process was quicker. Jonathan Hill was asked to confirm this point for update at the next meeting. This area was ultimately owned by Dan Zinner, Group Chief Operating Officer, but supported by Amanda Jones (Retail and Franchise Network Director), Finance and Legal. Nick Read highlighted that recruitment of the Postmaster Director and the Customer Experience Director was critical but would require careful recruitment criteria. <p>In response to questions from Ken McCall raising concerns about the wording of this section in the report (paragraph 11), it was confirmed that it was the mapping of processes for activities addressing the CIJ that had no consistent approach, rather than the controls themselves. Key was evidence of controls and a consistency of approach. The HMU team was working with the relevant business areas to address this. However, the Chair asked Jonathan Hill to further consider before the next meeting any underlying issues (not just related to mapping), what controls were in place and whether or not they were appropriate.</p> <p>Zarin Patel also requested that the Committee have sight of the KMPG review of the HIJ when this was ready, noting that there were a lot of papers regarding Postmasters before the Committee and the Board and therefore questioned whether the issue was under control. Al Cameron explained that much work had been done to ensure legal compliance with the judgment, but work was on-going and KMPG and Deloitte were likely to raise issues that had not yet been considered. As such the controls framework was very important and must be sustainable.</p> <ul style="list-style-type: none"> - <u>Data</u>: The site review was now coming to an end and the main focus was now on disclosures required for 5 February 2021. So 	<p>ACTION: JH</p> <p>ACTION: JH</p> <p>ACTION: JH</p>
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	<p>far, nothing had been found in the reviews that had not already been disclosed. However, work was on-going.</p> <ul style="list-style-type: none"> - <u>Cookies</u>: Previous direction was that Post Office should look to be in the "middle of the pack" when it comes to cookies. The recent decision in France against Google and Amazon Europe was noted and it was explained that typically (pre-Brexit), the Information Commissioner's Office (ICO) aligned with Europe. As such, the Digital and Compliance teams were looking at the commercial impact of tightening the approach to cookies, with a view to still remaining in the "middle of the pack." The Chair requested that the team carefully consider appropriate benchmarking in a post Brexit world. - <u>Fire Risk Assessments</u>: The Committee requested to be kept up to date regarding the outstanding actions in respect of fire risk assessments undertaken in June and July which are currently being investigated by the Head of Health & Safety. This was to be included in the Compliance report for the March meeting. <p>The Committee NOTED the Compliance update, in particular:</p> <ul style="list-style-type: none"> - The Controls Framework update; - The Data Management activities; and - Post Office's approach to cookies. 	<p>ACTION: JH</p>
4.4	<p>Internal Audit (IA) Update</p> <p>Johann Appel introduced the paper which had been circulated previously and was taken as read. The following points were discussed:</p> <ul style="list-style-type: none"> - The team continued to make good progress and have finalised a further five audits since November 2020 and issued one interim report. - <u>IT Controls Framework (ITCF)</u>: This was continuing to improve but the report highlighted that the operation of the ITCF had been interrupted by the absence of key personnel and no second line assurance. This was further discussed in paragraph 12 below. - <u>Mails and Parcels</u>: The audit highlighted several issues concerning worsening performance with respect to compliance with Prohibited and Restricted Items (Dangerous Goods) requirements. Segregation of parcels and accuracy of Mail Redirection forms were similarly underperforming. Unless segregation performance improved, there was a risk that Post Office could be liable for increased service credits under the new agreement with Royal Mail. Tom Cooper and Ken McCall were concerned that this was an on-going issue that did not seem to be being addressed. Johann Appel was asked to send Tom Cooper a summary of the audit actions from the report and a detailed review of this issue, including what could be done at 	<p>ACTION: JA</p>



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	<p>source and what other carriers were doing in this area. An update was requested for the next meeting in March 2021 (accountability sitting with Amanda Jones (Retail and Network Franchise Director) and Mark Siviter (Product Portfolio Director - Mails, PUDO, Retail and Branch Identity Services)).</p> <ul style="list-style-type: none"> - <u>Interim Report on Historic Matters - CIJ Operations Improvement Programme</u>: It was noted that the chart in the report was outdated and there were now 23 green actions, 10 amber and 1 red. The key finding was that there was no formal handover process between the HMU and Operations. Nick Read highlighted that in this area, the business was legally compliant, but not necessarily fit for purpose. This was a key focus for the next six months to ensure Operations, IT and culture were all fit for purpose. A GLO Dashboard would be presented to the Board on a monthly basis to give an overview of progress. - <u>Belfast Exit Follow-Up and PCI Compliance</u>: These were both follow up reviews. Governance and day-to-day management have improved since previous reviews, but there were still significant risks that were largely outside the control of programme teams and this reduced confidence that objectives will be achieved as planned. Nick Read was requested to re-establish the regular dialogue with the Ingenico CEO. - There was one outstanding audit action (Health & Safety Response to COVID-19) and this was on track for completion by the end of January 2021. - It was noted that the planned audits on GLO Historical Shortfall Scheme - Claims and Payments and Strategic Platform Modernisation were due to be deferred from March 2021 to the next audit year as evidence was not yet available. <p>Otherwise, the Committee NOTED the Internal Audit update, specifically progress being made with delivery of the Internal Audit programme and completion of audit actions.</p> <p><i>Zarin Patel left the meeting.</i></p>	<p>ACTION: RW (agenda, inform)</p> <p>ACTION: NR</p> <p>ACTION: NR</p>
5.	Money Laundering Annual Report	
5.1	<p>Sally Smith introduced the paper, which had been circulated previously and was taken a read. The following points were discussed:</p> <ul style="list-style-type: none"> - The conclusion was that the framework of Anti-Money Laundering (AML) / Counter Terrorist Financing (CTF) controls were generally effective and Post Office was complying with its regulatory requirements under the Money Laundering Regulations (MLRs). - However, the challenges were: the increase in scams, increasing regulatory scrutiny and the potential introduction of the Economic Crime Levy. A particular challenge was the increasing volume of Suspicious Activity Reports (SARs) due to increased cash deposits. Furthermore, the additional SARs were causing a 	



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	<p>resourcing issue within the central team. Roles and responsibilities changing across the business was making Fit & Proper a challenge, but this was being managed.</p> <ul style="list-style-type: none">- There were some on-going data issues impacting premises and agent data with manual work arounds in some areas.- The Financial Conduct Authority (FCA) has written to all banks requesting updates on their controls regarding cash deposits. The team was working closing with the Banking Framework 3 (BF3) team to ensure the AML accountability requirements were clearly assigned in the Framework. Ultimately, accountability was with banks and Post Office cannot replicate a Know Your Customer (KYC) process for all banking customers in the UK. Ken McCall noted that with increasing bank closures, the pressure on Post Office would only increase and questioned whether there could be cost recovery under BF3. Nick Read explained commercial discussions with the banks were on-going with the role of Post Office, regulation and costs all being live issues.- Tom Cooper questioned what key change was required to resolve the AML and BF3 issue. Sally Smith explained that there were existing controls that the banks have at their disposal that can be deployed, but each bank has different infrastructures and customer needs. Some banks used chip and pin for deposits which made setting limits on volume and value easier. Other banks still use paper deposits, and others were made up of smaller institutions with different processes and levels of sophistication. In addition, the pace of change in the banks is slow. However, pressure from the National Economic Crime Centre (NECC) Project Admiralty and the 2020 National Risk Assessment would likely bring the issue further onto the banks' radar, together with work through the Banking Framework Agreement (BFA) AML Sub Group. The problem arose as the banks had fully considered the challenges when depositing through Post Office. The Chair advised that whilst conversations regarding the banks' responsibilities should continue, Post Office could not rely on banks entirely and investment in analytics was also important. It was noted that the fundamental challenge is not having real time data or analytical capability at point of deposit in the branches. This linked to loss prevention and honouring the CIJ (see paragraph 9 below).- In response to questions from Ken McCall, it was explained that MoneyGram can block transfers to certain countries and change limits at a branch level. This was an on-going daily contact with the MoneyGram.- On technology, Sally Smith explained that she was discussing this area with Jeff Smyth (Group Chief Information Officer) to see if there was anything that could assist the team, noting that Post Office did not currently actively monitor cash and MoneyGram (as this is the responsibility of the Banks and Moneygram, respectively and would be a significant task for Post Office to	
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12



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	<p>replicate). Post Office could demonstrate that enough was being done internally to augment the bank / Moneygram controls. The Chair highlighted that additional resources/technology must be part of the BF3 commercial negotiations.</p> <ul style="list-style-type: none"> - On resourcing, more was required but this should be in the business and banking team (1st line of defence), rather than the central team (2nd line of defence). <p>Accordingly, the Committee APPROVED the recommendations within paragraphs 9 – 12 of the report (including the table on pages 3-7), noting that all actions must have due dates, and paragraph F of the Annual Report of the Money Laundering Reporting Officer, prior to the Annual Report being issued to the regulator, Her Majesty's Revenue and Customs (HMRC).</p>	
6.	Update from Subsidiaries: verbal update Post Office Management Services (ARC)	
6.1	The Committee NOTED the update from the Post Office Insurance (POI) ARC.	
7.	Annual Report & Accounts Update	
7.1	<p>Al Cameron introduced the paper, which had been circulated previously and was taken as read. The following points were highlighted:</p> <ul style="list-style-type: none"> - Work was actively progressing to complete the Annual Report and Accounts (ARA) for the financial year end 29 March 2020. The ARA was largely drafted but needed some considerable updates given the events over the last six to eight months. Outstanding issues included: <ol style="list-style-type: none"> 1. A provision for Post Group Litigation Order and the calculation of the accounting estimate in respect of the HSS, as well as disclosure updates in respect of this scheme, the contingent liability for Starling litigation and subsequent events disclosure for the historical criminal cases. 2. Impairment on insurance business investment which was likely to be around IRRELEVANT 3. A provision for hard to place branches, which might be up to IRRELEVANT although there was a question as to whether this was a past event or a new decision for inclusion in accounts to the financial year end 29 March 2020. (Tom Cooper noted that this was a joint reputational issue for Post Office and the Government and needed to be discussed at the Board). <i>Note: This was subsequently discussed at the Board meeting later on the same day.</i> 4. The wording regarding contingent liabilities needed to be discussed. 5. The Committee would need to agree that the CCRC issue was included as a subsequent event (as it was in the future as at 29 March 2020). 	



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	<ul style="list-style-type: none"> - A detailed going concern assessment then needs to be completed for a period of 18 months (rather than 12 months) from accounts submission. Therefore, forecasts were being examined. PWC have made it clear that unless a viability statement covers a period of 18 months, they would likely include an emphasis of matter paragraph in their opinion. Tom Cooper remarked that his team were discussing this disclosure with BEIS Finance. - The intention was for the Committee to review the accounts for approval (for onward submission to the Board) on 26 February 2021. - The sections relating to Risk and Remuneration would largely be unchanged but the CEO and Chairman's report were being completely redrafted. <p>The Committee NOTED:</p> <ol style="list-style-type: none"> the status of the Post Office Limited Group Annual Report and Accounts for the year ended 29 March 2020 the key items required for completion and signing of the ARA; and the plan for completion and signing. 	
8.	Tax Update & Tax Strategy	
8.1	<p>Andy Jamieson introduced the paper, which had been circulated previously and was taken as read. The key points were highlighted as:</p> <ul style="list-style-type: none"> - <u>VAT</u>: This was complex to manage on a day-to-day basis and this year has seen some additional challenges, namely Brexit (with new reporting requirements for goods to Northern Ireland), making tax digital, changes of income and introduction of Web3 which has allowed automation of tax coding. COVID has meant no "in person" HMRC audits, but an online audit had been completed. - <u>Corporation tax</u>: As performance was improving, Post Office would likely be in a position to pay this tax in 2022/23. - <u>Employment taxes</u>: Historically, Post Office has not had any expertise in this area and HMRC have expressed concerns. However, an expert has now been recruited to review HR processes and build in improvements. - Feedback was to be provided by HMRC on the IR35 implementation in their March report. <p>The Committee NOTED the Tax Update and APPROVED the annual review of the Tax Strategy.</p>	
9.	Update on branch losses and balances on Postmaster accounts	
9.1	<p>Tim Perkins introduced the paper, which had been circulated previously and was taken as read. The following points were highlighted:</p> <ul style="list-style-type: none"> - Performance has continued to be positive. Average loss per branch has fallen from just under [RELEVANT] per trading period per branch to [RELEVANT] per trading period per branch. This has been 	



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	<p>driven by proactive intervention, less cash in network, timeliness of corrections and improved training.</p> <ul style="list-style-type: none"> - Next steps were to continue with these interventions and see what can be done to improve the speed of corrections and improvement in stock. Work was being done with HMU to remove the "settled centrally" terminology from Horizon and add a dispute button at the point of settling. - Tom Cooper queried when the minimum value that can be settled centrally would be changed from £150 to £0, noting he thought this had been removed previously. Tim Perkins explained that Accenture had just quoted to do this, and it was requested that Tim Perkins provide the date as to when this would happen to the Committee once he is advised of it. - In response to further questions about branches being able to be 'rolled' into the next trading period and how disputed items were dealt with, Tim Perkins explained that balances are moved to a Postmaster account to allow an investigation to take place to establish the cause of the loss. A button would also be added to Horizon to allow immediate dispute. - Age of the transaction error was the crucial, rather than the number of errors. At present, measurements were based on transactions over two months old. A measurement of 45 to 60 days (depending on the type of transaction) was being considered to take into account how long client reconciliation takes. - At the request of Ken McCall more detail was provided on the process where a cash declaration had not been done for 10 days or for trading period roll overs (where not done for 60 days). First, the Postmaster would be called by the team (bearing in mind any branch closure) and the issue would be escalated to the Area Manager. Where repeated contact has to be made, the branch will also be visited to ensure they understand the requirement and to understand the barrier(s) to completion. There would also be a conversation with the contract advisor team about contract performance. - It was confirmed that branches with high cash holdings or highest levels of cash deposits have excellent compliance with the branch accounting requirements. However, for branches with high levels of cash deposits, more transaction errors were seen, and this was an area of focus, particularly as to whether better equipment could be provided. Additional support from Area Managers and Security Managers was being provided with a visit every month. The Committee commented that key was to tackle this issue at source. Al Cameron explained that any proposed changes had been postponed given ongoing process reviews in this area. - The Chair noted that it was good to see the figures decreasing but that it would be useful to see a dashboard of branch balances and transaction corrections, possibly as an addition to the 	<p>ACTION: TP</p>
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	<p>reporting on post GLO remediation. (Tim Perkins and Amanda Jones to action for the next Committee meeting).</p> <ul style="list-style-type: none"> - Via email outside the meeting, Zarin Patel also suggested that route cause analysis should be undertaken into the gross losses/gains and net balances as these seemed very high (paragraph 8 of the paper). (Tim Perkins and Amanda Jones to consider for update at the next Committee meeting). <p>The Committee NOTED the update on balances posted to Postmaster customer accounts following a request at the Committee in September 2020.</p>	<p>ACTION: TP/AJ ACTION: TP/AJ</p>
10.	Postmaster Policies	
10.1	<p>Amanda Jones introduced the paper, which had been circulated previously and was taken as read. It was explained that these three policies were being proposed to formalise the improvements made to a number of processes in response to the CIJ. Each policy was taken in turn:</p> <ul style="list-style-type: none"> - <u>Network Monitoring and Audit Support Policy</u>: Norton Rose Fulbright (NRF) (external lawyers) have reviewed the Postmaster process changes which this policy covers. The Chair questioned why the Risk Appetite section was missing. It was confirmed that the risk appetite was averse, but that this linked back to the earlier discussion regarding the risk appetite statement for Postmasters and the need for clear KRIs, which were particularly required to judge if the policy was being embedded and enforced. This section should be added into the policy in line with the work to be completed on KRIs for Postmasters (see action above in paragraph 4.2). <p>There was also an action to carefully consider references to "employee" throughout the document.</p> <p>It was also confirmed that this was an internal policy (not Postmaster facing), but a similar version would be created as part of the Postmaster manual. It was explained there would be an overarching document demonstrating how the policies fit together and it was agreed this would be presented to the Committee in March 2021 with the Chair requesting that it be clear in this document who was the audience of which policy.</p> <ul style="list-style-type: none"> - <u>Postmaster Account Support Policy</u>: This policy had been reviewed by NRF. A different approach was being taken by the former loss recovery team, which was to be supportive and understanding of discrepancies. <p>It was explained that the three policies interfaced to provide support to Postmasters. The Network Monitoring policy related to</p>	<p>ACTION: TP/AJ/ MB</p> <p>ACTION: TP/AJ</p> <p>ACTION: TP/AJ</p>



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[illegible]



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	<p>new culture would be embedded so they did not approach the audit with preconceived biases.</p> <p>Accordingly, the following policies were APPROVED by the Committee:</p> <ul style="list-style-type: none"> • Postmaster Account Support Policy (subject to a review of the wording of the risk appetite section and addition of a definition of a "reasonable and fair investigation"); and • Network Monitoring and Audit Support Policy (subject to the addition of a risk appetite section and a definition of a "reasonable and fair investigation" as well as the skill set and attitude of the lead auditors and how the new culture would be embedded). <p>The Postmaster Accounting Dispute Resolution Policy was to be revised in line with the Committee's discussions (including a review of all risk appetite references) and approved by written resolution after the meeting.</p>	
11.	Historical Matters Unit: Fraudulent Claims Controls & Delegation of Authority	
11.1	<p>Declan Salter and Graham Hemingway introduced the paper which had been circulated previously and taken as read. The key points were highlighted as:</p> <ul style="list-style-type: none"> - <u>Responsibilities, accountabilities and decision-making authorities</u>: Work was being done to produce an operating charter and a RACI, including delegated authorities and accountabilities. This has taken longer due to engagement with BEIS and UK Government Investments (UKGI). A ways of working document has been agreed, but a decision-making flow chart was still being updated. Once complete, it was to be circulated to the Board at its CCRC meeting. Further discussions were being held on reporting to BEIS/UKGI. - <u>Mitigations against risk of fraudulent claims</u>: Fraud risks were being actively managed by Herbert Smith Freehills (HSF) and the Project team covering 21 separate fraud risks as set out in appendix 1 of the report. By way of email outside the meeting, Zarin Patel suggested that the team consider best practice for fraudulent claim controls, such as those used for Payment Protection Insurance (PPI) claims. Graham Hemmingway provided the following response: the mitigations have been compiled and reviewed by his team, which included programme and project managers as well as business analysts with experience of managing PPI-type claim schemes at Lloyds Banking Group, Barclays, Nationwide, RBS and Co-op Bank. Further Declan Salter's experience has also fed into the ongoing risk management activities, particularly around risk of interception of emails. Internal Audit or an external team could review the mitigations as part of their planned reviews. 	ACTION: GH/DS



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	<p>- <u>Data relating to fraudulent claims and eligibility to be appended to the CCRC Board pack</u>: MI showing latest eligibility results (values and volumes) from HSS was already being distributed as part of an MI pack that HSF share with Board members on a weekly basis. Information relating to identification of fraudulent claims has been shared as part of the CCRC Board packs since 14 January 2021. In response to questions from the Committee, Graham Hemingway further explained that eligibility checks were a standard under the Terms of Reference of the HSS. Work was still being done to work through the data and evidence available on each claim, which was difficult due to the age of some claims. It was also confirmed that the team was looking to instruct legal counsel to understand rules around deceased estates and bankruptcy in other jurisdictions (mainly Scotland and Northern Ireland), which was necessary for a small sub-set of claims.</p> <p>Otherwise, the Committee NOTED how risks relating to fraudulent claims are being managed in the Historical Shortfall Scheme (and the Stamps Scheme) and that controls were in place to confirm the eligibility of claims.</p>	
12.	IT Controls Assessment	
12.1	<p>Tony Jowett introduced the paper, which had been circulated previously and was taken as read. The main focus of work in the IT Controls was the Internal Audit Report actions and focus of the improvement effort was on the controls of greatest risk, namely those areas connected with the management of the third-party estate through the lens of Post Office's crown jewel systems. The Committee requested that there be a detailed review of this, and this review would be reported to the Committee, targeting the next meeting.</p> <p>On resource constraints flagged by the Internal Audit report, Tony Jowett further explained that the size of the team had been doubled and someone had been appointed to the business continuity role but was not yet in post.</p> <p>The Committee NOTED the status and plans regarding the reduction of risk associated with IT Controls.</p>	ACTION: TJ
13.	AOB	
13.1	There being no further business, the meeting was closed at 11:27.	
14.	Items for Noting	
14.1	<p>The following papers were circulated to the Committee prior to the meeting, but were not discussed at its meeting and NOTED by the Committee:</p> <ul style="list-style-type: none"> - Pensions Controls - Success Factors - Cyber Security - Joiners, Movers, Leavers (JML) 	



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	<ul style="list-style-type: none"> - Law & Trends - Accountable Person* - Mails Fraud Update** <p>*Outside of the meeting, Tom Cooper requested that paragraph 18 needed to be amended to remove the following line: <i>"There is a UKGI representative on the POL Board, who have oversight of the Group Executive ("GE") and are able to challenge and review relevant decisions made by the AP and the GE team"</i> as his role on the Board was not linked to the role of the Accountable Person.</p> <p>** Subsequent to the meeting, Tom Cooper questioned whether power outages (affecting label printing) had implications for the integrity of branch accounting and accuracy of postmaster balances. Declan Salter has confirmed that, absent fraudulent activity, there would be no financial loss. Furthermore, that, in this regard, there are no system related integrity issues.</p>	
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CARLA STENT

Chair

01/04/2021 21:01

Meeting Actions:

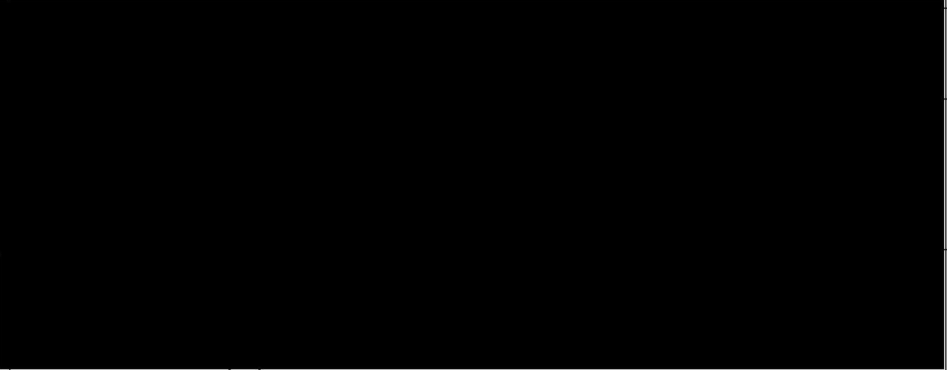
Para No.	Action Detail	Action
2.1	<p>Investigations Policy: Accordingly, the Committee APPROVED the Investigations Policy, subject to:</p> <ul style="list-style-type: none"> i. The inclusion of details on the appropriate attitude of the investigator; the need for the investigator to be independent and have the appropriate expertise and appropriate references to other relevant policies; and <p>The policy being externally reviewed, and the results of this review being considered and included as appropriate.</p>	Ben Foat
4.1	<p>Risk Update: The Chair noted a discussion in the Internal Audit meeting that morning about how to implement controls around Postmaster risks and how to validate GLO initiatives. Mark Baldock was asked to pick this up with Jonathan Hill with an update to be provided at the March meeting. Multiple partner fragility was also noted as a key operational risk due to the economic threats to the high street.</p>	Mark Baldock
4.1	<p>Risk Update: Ken McCall requested that the following be reviewed:</p> <ul style="list-style-type: none"> - The wording of paragraph 13 relating to the financial risk around "insufficient" funding reflect the risk of uncertainty about funding; 	Mark Baldock

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20



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	<ul style="list-style-type: none"> - Paragraph 25 relating to the risk of prolonged industrial action as this should refer to pace of response rather than the risk of material long term industrial action; and - Paragraph 27 relating to adverse external economic factors, noting that much of this was outside Post Office's control and that, some elements had upsides for Post Office. <p>Mark Baldock was asked to review these sections, discuss further with Ken McCall and provide an update for the next Committee meeting</p>	
4.2		Ben Foat
4.2		Ben Foat
4.2		Ben Foat
4.2	Risk Appetite Statement: Legal & Compliance: As such, Mark Baldock was asked to look at identifying the KRIs for Postmasters with the Network team and consider working on statements for one or two other areas for update at the March Committee meeting (in the usual Risk Paper).	Mark Baldock
4.3	Compliance Update: Ken McCall noted that the report outlined that there had been changes to the Postmaster Onboarding process and questioned whether this meant the onboarding process was quicker. Jonathan Hill was asked to confirm this point for update at the next meeting.	Jonathan Hill
4.3	Compliance Update: In response to questions from Ken McCall raising concerns about the wording of this section in the report (paragraph 11), it was confirmed that it was the mapping of processes for activities addressing the CIJ that had no consistent approach, rather than the controls themselves. Key was evidence of controls and a consistency of approach. The HMU team was working with the relevant business areas to address this. However, the Chair asked Jonathan Hill to further consider before the next meeting any underlying issues (not just related to mapping), what controls were in place and whether or not they were appropriate.	Jonathan Hill
4.3	Compliance Update: Zarin Patel also requested that the Committee have sight of the KMPG review of the HIJ when this was ready, noting that there were a lot of papers regarding Postmasters before the Committee and the Board and therefore questioned whether the issue was under control.	Jonathan Hill
4.3	Compliance Update: Fire Risk Assessments: The Committee requested to be kept up to date regarding the outstanding actions in respect of fire risk assessments undertaken in June and July which are currently being	Jonathan Hill



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	investigated by the Head of Health & Safety. This was to be included in the Compliance report for the March meeting.	
4.4	Internal Audit Update: Johann Appel was asked to send Tom Cooper a summary of the audit actions from the [Mails & Parcels] report.	Johann Appel
4.4	Internal Audit Update: a detailed review of [the Dangerous Goods] issue, including what could be done at source and what other carriers were doing in this area. An update was requested for the next meeting in March 2021 (accountability sitting with Amanda Jones (Retail and Network Franchise Director) and Mark Siviter (Product Portfolio Director - Mails, PUDO, Retail and Branch Identity Services)).	Rebecca Whibley
4.4	Internal Audit Update: Nick Read highlighted that in this area, the business was legally compliant, but not necessarily fit for purpose. This was a key focus for the next six months to ensure Operations, IT and culture were all fit for purpose. A GLO Dashboard would be presented to the Board on a monthly basis to give an overview of progress.	Nick Read
4.4	Internal Audit Update: <u>Belfast Exit Follow-Up and PCI Compliance:</u> These were both follow up reviews. Governance and day-to-day management have improved since previous reviews, but there were still significant risks that were largely outside the control of programme teams and this reduced confidence that objectives will be achieved as planned. Nick Read was requested to re-establish the regular dialogue with the Ingenico CEO.	Nick Read
9.1	Update on branch losses and balances on Postmaster accounts: Tom Cooper queried when the minimum value that can be settled centrally would be changed from £150 to £0, noting he thought this had been removed previously. Tim Perkins explained that Accenture had just quoted to do this, and it was requested that Tim Perkins provide the date as to when this would happen to the Committee once he is advised of it.	Tim Perkins
9.1	Update on branch losses and balances on Postmaster accounts: The Chair noted that it was good to see the figures decreasing but that it would be useful to see a dashboard of branch balances and transaction corrections, possibly as an addition to the reporting on post GLO remediation. (Tim Perkins and Amanda Jones to action for the next Committee meeting).	Tim Perkins / Amanda Jones
9.1	Update on branch losses and balances on Postmaster accounts: Via email outside the meeting, Zarin Patel also suggested that route cause analysis should be undertaken into the gross losses/gains and net balances as these seemed very high (paragraph 8 of the paper). (Tim Perkins and Amanda Jones to consider for update at the next Committee meeting)	Tim Perkins / Amanda Jones
10.1	Postmaster Policies: It was confirmed that the risk appetite was averse, but that this linked back to the earlier discussion regarding the risk appetite statement for Postmasters and the need for clear KRIs, which were particularly required to judge if the policy was being embedded and enforced. This section should be added into the policy in line with the work	Tim Perkins / Amanda Jones



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	to be completed on KRIs for Postmasters (see action above in paragraph 4.2).	Mark Baldock
10.1	Postmaster Policies: There was also an action to carefully consider references to "employee" throughout the document.	Tim Perkins / Amanda Jones
10.1	Postmaster Policies: It was explained there would be an overarching document demonstrating how the policies fit together and it was agreed this would be presented to the Committee in March 2021 with the Chair requesting that it be clear in this document who was the audience of which policy.	Tim Perkins / Amanda Jones
10.1	Postmaster Policies: The Chair questioned the wording of the risk appetite section and it was requested that this was reviewed before the policy was published/implemented.	Tim Perkins / Amanda Jones / Mark Baldock
10.1	Postmaster Policies: The Committee requested that the following elements were included in the policy: <ol style="list-style-type: none"> 1. A suggested timetable for decision-making; 2. Who would be involved in making decisions under Tier 3 (indicating that it should be people of appropriate seniority); 3. Information that would be provided to the Postmaster through the dispute resolution process (i.e. accounting records, Horizon data etc.); 4. Reference to classroom training that would be provided to Postmasters on investigating balance discrepancies; and 5. A checklist for each tier. 	Tim Perkins / Amanda Jones
10.1	Postmaster Policies: Zarin Patel (by email outside of the meeting) also raised the following points: <ol style="list-style-type: none"> i. Both the Postmaster Account Support Policy (para 2.5 and 4.1) and the Network Monitoring and Audit Support Policy (para 2.5) referred to "reasonable and fair investigations" without adequately defining this; and ii. The Network Monitoring and Audit Support Policy should address skill set and attitude of lead auditors and how the new culture would be embedded so they did not approach the audit with preconceived biases. 	Tim Perkins / Amanda Jones
11.1	Historical Matters Unit: Fraudulent Claims Controls & Delegation of Authority: A ways of working document has been agreed, but a decision-making flow chart was still being updated. Once complete, it was	Graham Hemingway /

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23



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	to be circulated to the Board at its CCRC meeting. Further discussions were being held on reporting to BEIS/UKGI.	Declan Salter
12.1	IT Controls: The main focus of work in the IT Controls was the Internal Audit Report actions and focus of the improvement effort was on the controls of greatest risk, namely those areas connected with the management of the third-party estate through the lens of Post Office's crown jewel systems. The Committee requested that there be a detailed review of this, and this review would be reported to the Committee, targeting the next meeting.	Tony Jowett

Voting Results for January Minutes

The signature vote has been passed. 1 votes are required to pass the vote, of which 0 must be independent.

Vote Response	Count (%)
For	1 (100%)
Against	0 (0%)
Abstained	0 (0%)
Not Cast	0 (0%)

Voter Status

Name	Vote	Voted On
Stent, Carla	For	01/04/2021 21:01