



Risk Champion Framework

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INTERNAL



Central Risk Team

GRO			
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Head of Risk	Risk Business Partner	Risk Manager	Risk Business Partner

The Central Risk Team supports the Post Office to:

- Effectively manage its risks that will impact its ability to deliver its business objectives and strategy
- Actively monitor and strengthen the approach to risk management
- Adopt a comprehensive, consistent and collaborative approach to risk
- Promote a consistent risk-intelligent culture



Risk Champions

Calum Ellison	Sophia Palin	Rehan Zaidi	Jade Beech	Duncan Hughes	Chloe Davies
Technology	Retail & Franchise	Retail & Franchise	Finance	Retail	Payment Services

The risk champion role encompasses the following elements:

- Attend training sessions
- Be an active member of the risk champion forum
- Supporting your area with:
 - risk identification
 - Use of Service Now
 - Reporting
 - identifying blockers
- Be the subject matter expert for your area
- Support your area on the control framework
- Support the central risk team to build a risk-aware culture

Benefits of becoming a Risk Champion:

- Improving risk management knowledge
- Training opportunities
- Ways of Working
- Networking opportunities
- Supporting your development



Risk Management

Post Office risk management framework is based on ISO 31000.

The purpose of risk management is the creation and protection of value. It improves, encourages innovation and supports the achievement of objectives

Advantages include:

- Managing risk is iterative and assists organisations in setting strategy, achieving objectives and making informed decisions.
- Managing risk is part of governance and leadership and is fundamental to how the organisation is managed at all levels. It contributes to the improvement of management systems.



Elements of Risk Management

Understand emerging risks	Consider extreme events	Define and understand risk appetite**	Assess and aggregate all risks	Ensure sound judgement	Foster a risk culture in the organisation
Gather intelligence on far off threats.	Consider unexpectedly large deviations (i.e. black swans*) that could have catastrophic impacts.	Provide key risk indicators to ensure that risk remains within the determined thresholds.	Assess correlations and more general interactions within the set of an organisations exposures; implement a “portfolio approach” to the aggregation of risk.	While data and quantifying tools are important, they also have their limitations. Data reflect past events and in order to predict future events, we must rely on hypothesis and interpretation. Therefore, sound judgement and qualifying tools should be part of risk management.	Have the upper, middle and lower management manage operational and tactical risks.

- * Black Swan – An event which can have high impacts but whose probability of occurrence is low
- ** Risk Appetite – The level of risk the organization is willing to accept



What is a Risk

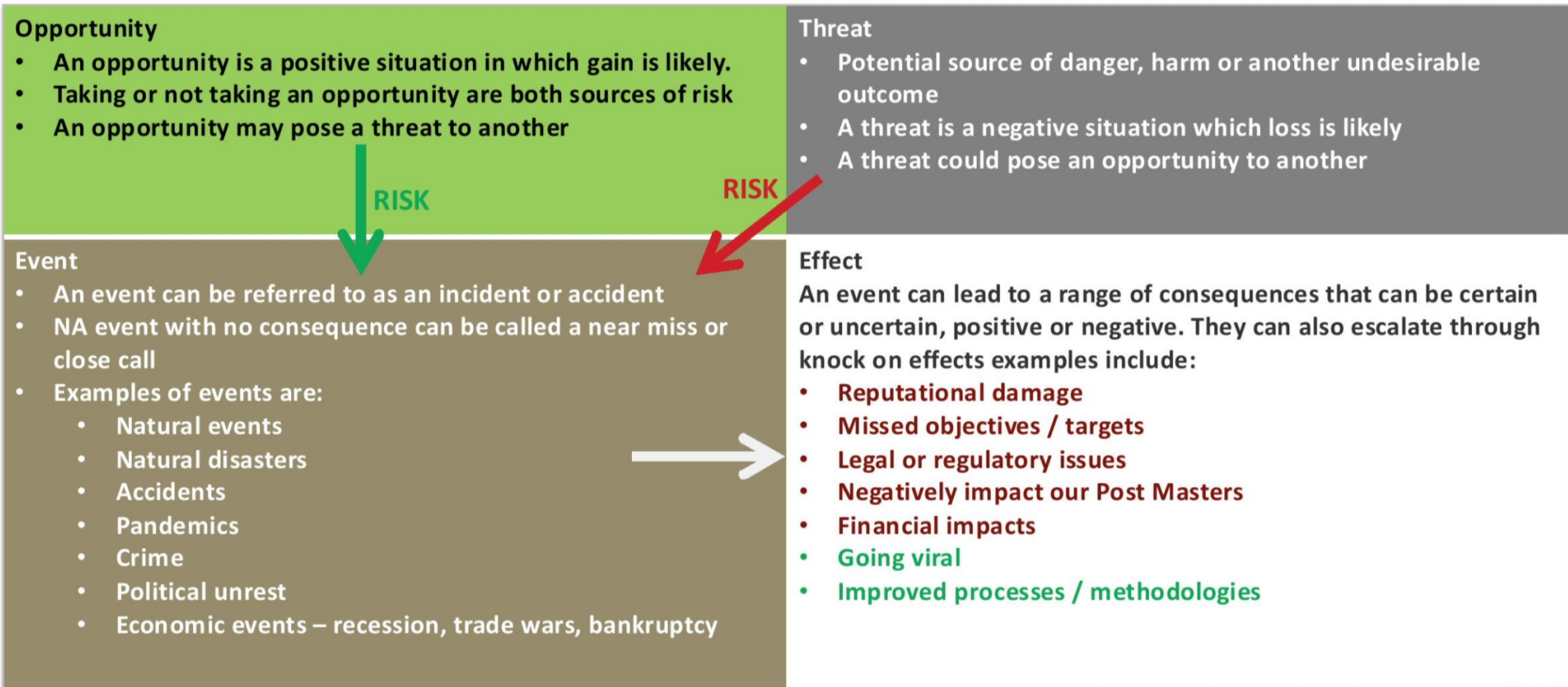
Definition

EFFECT of	UNCERTAINTY on	OBJECTIVES
An effect is a deviation from what was expected, which can be either positive or negative	Uncertainty is the lack of information or knowledge concerning an event, its consequences or its likelihood	An activity is only undertaken for the purpose of reaching a certain goal. Objectives may be financial, environmental, health and safety goals etc.

Risk is the effect of uncertainty on objectives and can have positive or negative impacts on the business.



What is a Risk





Risk Assessment

Inherent Risk Assessment	Controls Assessment	Residual Risk
<ul style="list-style-type: none"> The Inherent score is the level of risk before any control activities are applied. The Inherent score is determined when you assign likelihood and impact rating (between 1 and 5) to the risk. Ensure that it is either the same or higher than the residual score (not lower). For new risks with no controls or remediation activity in place, the inherent score may be equal to a residual score. 	<ul style="list-style-type: none"> A Control is any action taken to reduce the likelihood and/or magnitude of a risk 	<ul style="list-style-type: none"> The residual score can remain the same as previous assessment if the likelihood / impact has not changed, be increased or decreased if the likelihood / impact has changed. Add comments in the comment box with bullet points to provide the reason for residual score being unchanged or changed after previous assessment. To help you decide you can refer to the Harm Table Check the risk appetite



Risk Treatment Options

Risk Mitigation	Risk Acceptance	Risk Avoidance / Transfer
<ul style="list-style-type: none">• Assign a Remediation plan owner• The Plan should contain all the actions to mitigate the likelihood of the risk.• An end date is required for each activity of the Plan (if they are different)• A mitigation plan can be closed if the risk is either in an (i) Accept state or (ii) no longer exists.	<ul style="list-style-type: none">• An acceptance date is required• A plan with the event that is driving the acceptance end date (e.g. Our Strategic plan will be finalized by the xx/xx/xx which may impact on this risk).• The Plan must be relevant to the risk• There should be a justification for acceptance completed	<ul style="list-style-type: none">• Avoiding the risk by deciding not to start or continue with the activity that is the source of risk.• Transferring or sharing the risk via contracts or insurance (Transferring in this context does not mean from one department to another).



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Post Office Harm Table

Post Office HARM Table (2023)

(I) IMPACT SCALE

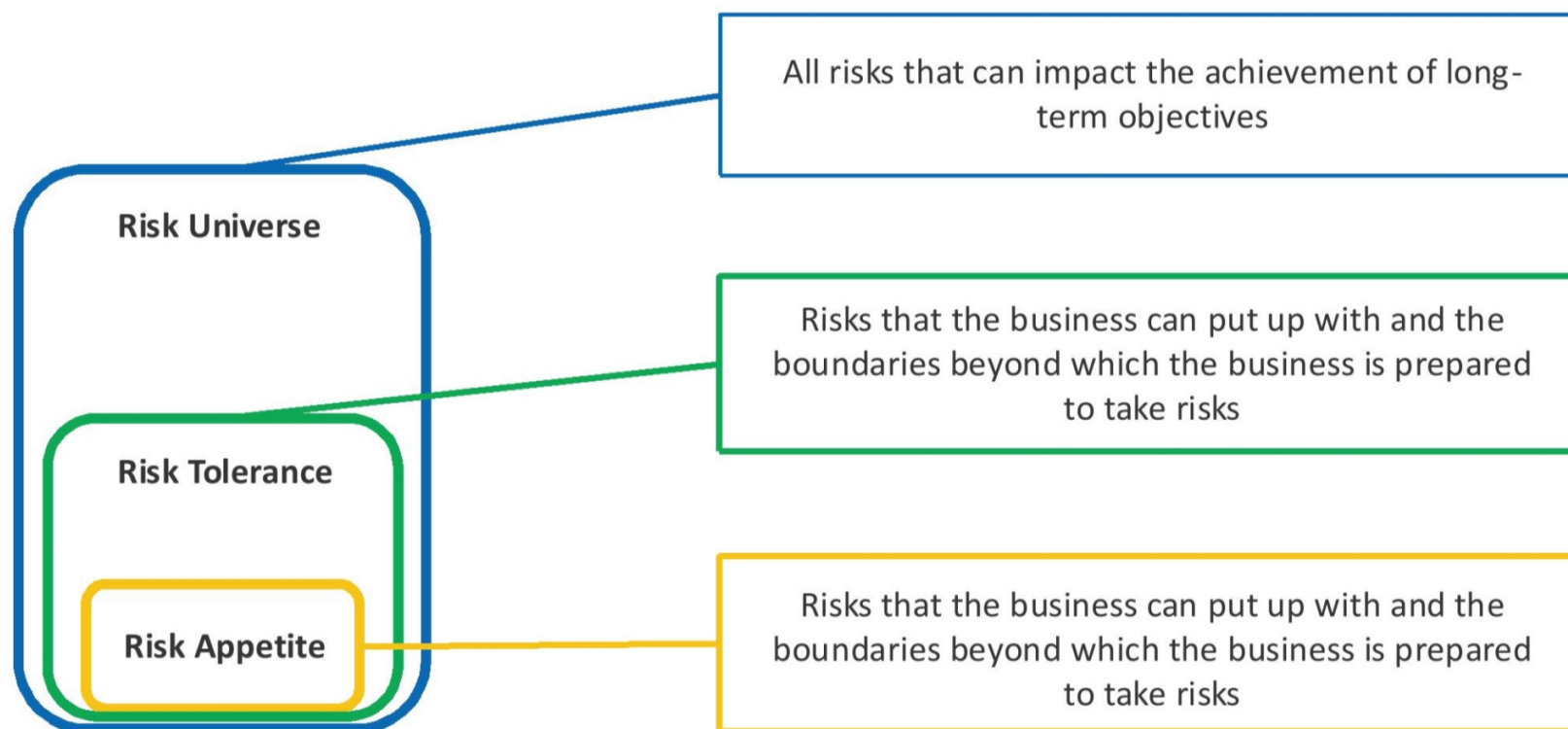
SCORE	RATING	STRATEGIC/FINANCIAL IMPACT ON POST OFFICE GROUP	OPERATIONAL IMPACT ON POST OFFICE GROUP	REPUTATION/LEGAL IMPACT ON POST OFFICE GROUP	IMPACT ON OUR POSTMASTERS & STRATEGIC PARTNERS	IMPACT ON OUR CUSTOMERS
5	CRITICAL (VERY HIGH)	<ul style="list-style-type: none">Post Office unable to achieve one/or more of its strategic objectivesCritical weakening of Post Office commercial profitability and/or ability to growImpact to Revenue >£5M	<ul style="list-style-type: none">Post Office capacity to respond exceededImmediate Board/GE involvement requiredCritical lack of people resources availability and/or skillsProjected >> 5 days total loss of front office/back office corporate IT serviceProjected >>10% reduction in approved number of branch locationsProjected >>20% reduction in profiled levels of Branch footfall & transactions	<ul style="list-style-type: none">Protracted negative references in Parliament, national publications, social media and websitesPost Office's product(s) and/or service(s) quality is compromised across the digital/physical market(s) and in all UK regionsPost Office activity attracts critical levels of fines and prosecutions and/or multiple litigations and/or regulatory censureCritical long-term damage to Post Office Brand	<ul style="list-style-type: none">Critical weakening in relationship between Post Office and PostmastersCritical weakening of Postmaster community's commercial profitability and ability to growProjected >>10% reduction in remuneration or increase in costs impacting >>50% of NetworkNetwork service disruption of key branch locations >>5 days and/or impacting >>50% of Network	<ul style="list-style-type: none">Projected (>30%) increase, over agreed baseline, in number of customer complaints received over quality of products and/or servicesProjected (<89%) customer satisfaction score secured over quality of products and/or servicesProjected (>1m) of online customer sessions impacted by not being able to access our digital platform
4	MAJOR (HIGH)	<ul style="list-style-type: none">Major impact on Post Office ability to achieve one/or more of its strategic objectivesMajor (but not critical) impact on Post Office commercial profitability and/or ability to growImpact to Revenue between £2M and £4.9M	<ul style="list-style-type: none">Post Office experience major adverse impact throughout organisationGE proactive involvement requiredMajor lack of people resources availability and/or skillsProjected 3-4 days total loss of front office/back office corporate IT serviceProjected 5-9% reduction in approved number of branch locationsProjected 15-19% reduction in profiled levels of Branch footfall & transactions	<ul style="list-style-type: none">Sporadic negative references in national publications, social media and external websitesPost Office's product(s) and/or service(s) quality is compromised across the digital/physical market(s) and in majority (but not all) UK regionsPost Office activity attracts major levels of fines and prosecutions and/or multiple litigations and/or regulatory censureMajor medium to long-term damage to Post Office Brand	<ul style="list-style-type: none">Major weakening in relationship between Post Office and PostmastersMajor weakening of Postmaster community's commercial profitability and ability to growProjected >>5% reduction in remuneration or increase in costs impacting >>50% of NetworkProjected >>10% reduction in remuneration or increase in costs impacting >>25% of NetworkNetwork service disruption of key branch locations between 3-4 days and/or impacting between 25%-49% of Network	<ul style="list-style-type: none">Projected (21-30%) increase, over agreed baseline, in the number of customer complaints received over quality of products and/or servicesProjected (90-93%) customer satisfaction score secured over quality of products and/or servicesProjected (600k-1m) of online customers impacted by not being able to access our digital platforms
3	SIGNIFICANT	<ul style="list-style-type: none">Significant impact on Post Office ability to achieve one/or more of its strategic objectivesSignificant (but not major) impact on Post Office commercial profitability and/or ability to growImpact to Revenue between £1M and £1.9M	<ul style="list-style-type: none">Post Office experience significant adverse impact in multiple (but not all) parts of the organisationSubstantial specific business/departamental management intervention requiredSignificant lack of people resources availability and/or skillsProjected 1-2 days total loss of front office/back office corporate IT serviceProjected 3-4% reduction in approved number of branch locationsProjected 11-14% reduction in profiled levels of Branch footfall & transactions	<ul style="list-style-type: none">Negative references in regional publications, social media and external websitesPost Office's product(s) and/or service(s) is compromised but relatively restricted across the digital/physical market(s) and/or isolated to particular UK regionPost Office activities result in breach of regulation which requires internal investigation and/or regulatory disclosureSignificant medium to long-term damage to Post Office Group's Brand	<ul style="list-style-type: none">Significant weakening in the relationship between Post Office and PostmastersSignificant weakening of Postmaster community's commercial profitability and ability to growProjected >>5% reduction in remuneration or increase in costs impacting >>25% of NetworkProjected >>10% reduction in remuneration or increase in costs impacting 15%-24% of NetworkNetwork service disruption of key branch locations between 1-2 days and/or impacting between 15%-25% of Network	<ul style="list-style-type: none">Projected (11-20%) increase, over agreed baseline, in the number of customer complaints received over quality of products and/or servicesProjected (94-96%) customer satisfaction score secured over quality of products and/or servicesProjected (200k-600k) of online customers impacted by not being able to access our digital platforms
2	MODERATE (LOW)	<ul style="list-style-type: none">Moderate impact on Post Office Group's ability to achieve one/or more of its strategic objectivesModerate (but not minor) impact on Post Office commercial profitability and/or ability to growImpact to Revenue between £500k and £999k	<ul style="list-style-type: none">Post Office experience material adverse impact in single area of the organisationDepartmental management intervention requiredModerate lack of people resources availability and/or skillsProjected 1-day total loss of front office/back office corporate IT serviceProjected 1-2% reduction in approved number of branch locationsProjected 6-10% reduction in profiled levels of Branch footfall & transactions	<ul style="list-style-type: none">Negative references in local publicationsPost Office's product(s) and/or service(s) is compromised but not yet available across the digital and/or physical market(s)Post Office activities result in moderate local issue and relatively immaterial non-compliance and/or regulatory breach which is relatively easily resolved internally	<ul style="list-style-type: none">Moderate weakening in relationship between Post Office and PostmastersModerate weakening of Postmaster community's commercial profitability and ability to growProjected >>5% reduction in remuneration or increase in costs impacting 5%-9% of NetworkNetwork service disruption of key branch locations <=1 day and/or impacting between 10%-14% of Network	<ul style="list-style-type: none">Projected (5-10%) increase, over agreed baseline, in the number of customer complaints received over quality of products and/or servicesProjected (97-98%) customer satisfaction score secured over quality of products and/or servicesProjected (100-200k) of online customers impacted by not being able to access our digital platforms
1	MINOR (VERY LOW)	<ul style="list-style-type: none">Little impact on Post Office ability to achieve one/or more of its strategic objectivesInsignificant impact on Post Office commercial profitability and/or ability to growImpact to Revenue <£500k	<ul style="list-style-type: none">Post Office experience no measurable adverse impact to the businessLocal management/staff manage the problem without escalationMinor lack of people resources availability and/or skillsProjected <1 day total loss of front office/back office corporate IT serviceProjected <1% reduction in approved number of branch locationsProjected 1-5% reduction in profiled levels of Branch footfall & transactions	<ul style="list-style-type: none">Little media coverageNo issue with the quality of Post Office's product (s) and/or service(s)Post Office activities result in low-level local issue which is easily resolved internally	<ul style="list-style-type: none">Insignificant weakening in the relationship between Post Office and PostmastersInsignificant weakening of Postmaster community's commercial profitability and ability to growProjected >>5% reduction in remuneration or increase in costs impacting <5% of NetworkNetwork service disruption of key branch locations <=1 day and/or impacting between 5%-9% of Network	<ul style="list-style-type: none">Projected (<5%) increase, over agreed baseline, in the number of customer complaints received over quality of products and/or servicesProjected (>=99%) customer satisfaction score secured over quality of products and/or servicesProjected (<100k) of online customers impacted by not being able to access our digital platforms

(II) LIKELIHOOD SCALE

SCORE	RATING	DESCRIPTION
5	ALMOST CERTAIN/VERY HIGH	<ul style="list-style-type: none">Risk almost certain to materialise unless action takenRisk could be expected to materialise
4	LIKELY/HIGH	<ul style="list-style-type: none">Risk likely to materialise frequently if events follow normal patterns and mitigating action is not takenRisk could be expected to materialise
3	POSSIBLE/MODERATE	<ul style="list-style-type: none">Risk unlikely to materialise but it is possibleRisk could be expected to materialise infrequently/irregularly/sporadically
2	UNLIKELY/LOW	<ul style="list-style-type: none">Risk very unlikely to materialiseRisk could materialise intermittently
1	RARE/VERY LOW	<ul style="list-style-type: none">A remote likelihood that risk would materialiseAlmost inconceivable that risk would occur

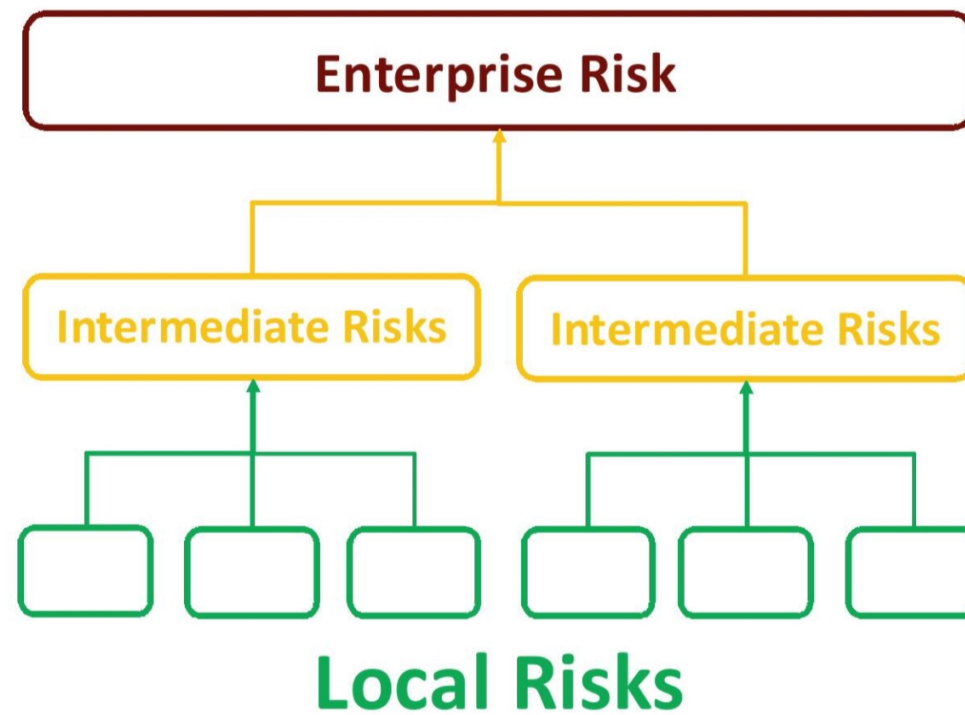


Tolerance and Appetite





Risk Hierarchy





Risk Tool – Service Now

Benefits:

- **Faster risk-based decision-making:** Prioritize activities based on automated risk scores to work on the most critical risks first.
- **Increased performance:** Risk management embedded in automated cross-functional activities eliminates work interruptions.
- **Effectively communicate risk:** Real-time insights and role-based dashboards make reporting at all levels easier and faster.
- **Stay on top of risks:** Interfaces provide the information you need to do your job anytime and anywhere.

Benefits of Risk Management for Post Office 1st line of defense:

- The SEG, Business and Department Heads are able to see all the risks owned by their respective teams/staff, the current status and the extent to which the mitigations are being managed proactively and line with the Group Policy.
- Risk Owners able to identify assess and respond effectively to the risks they own; all of this will provide full visibility to their respective Business Unit/Department Heads.