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Post Office Limited - Document Classification: INTERNAL



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.

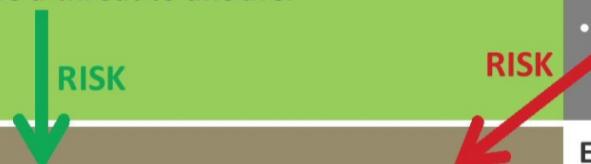
Risk is the effect of uncertainty on objectives and can have positive or negative impacts on the business.



What is a Risk

Opportunity

- An opportunity is a positive situation in which gain is likely.
- Taking or not taking an opportunity are both sources of risk
- An opportunity may pose a threat to another



Event

- An event can be referred to as an incident or accident
- An event with no consequence can be called a near miss or close call
- Examples of events are:
 - Natural events
 - Natural disasters
 - Accidents
 - Pandemics
 - Crime
 - Political unrest
 - Economic events – recession, trade wars, bankruptcy

Threat

- Potential source of danger, harm or another undesirable outcome
- A threat is a negative situation which loss is likely
- A threat could pose an opportunity to another

Effect

An event can lead to a range of consequences that can be certain or uncertain, positive or negative. They can also escalate through knock on effects examples include:

- **Reputational damage**
- **Missed objectives / targets**
- **Legal or regulatory issues**
- **Negatively impact our Post Masters**
- **Financial impacts**
- **Going viral**
- **Improved processes / methodologies**



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 TableCheck 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

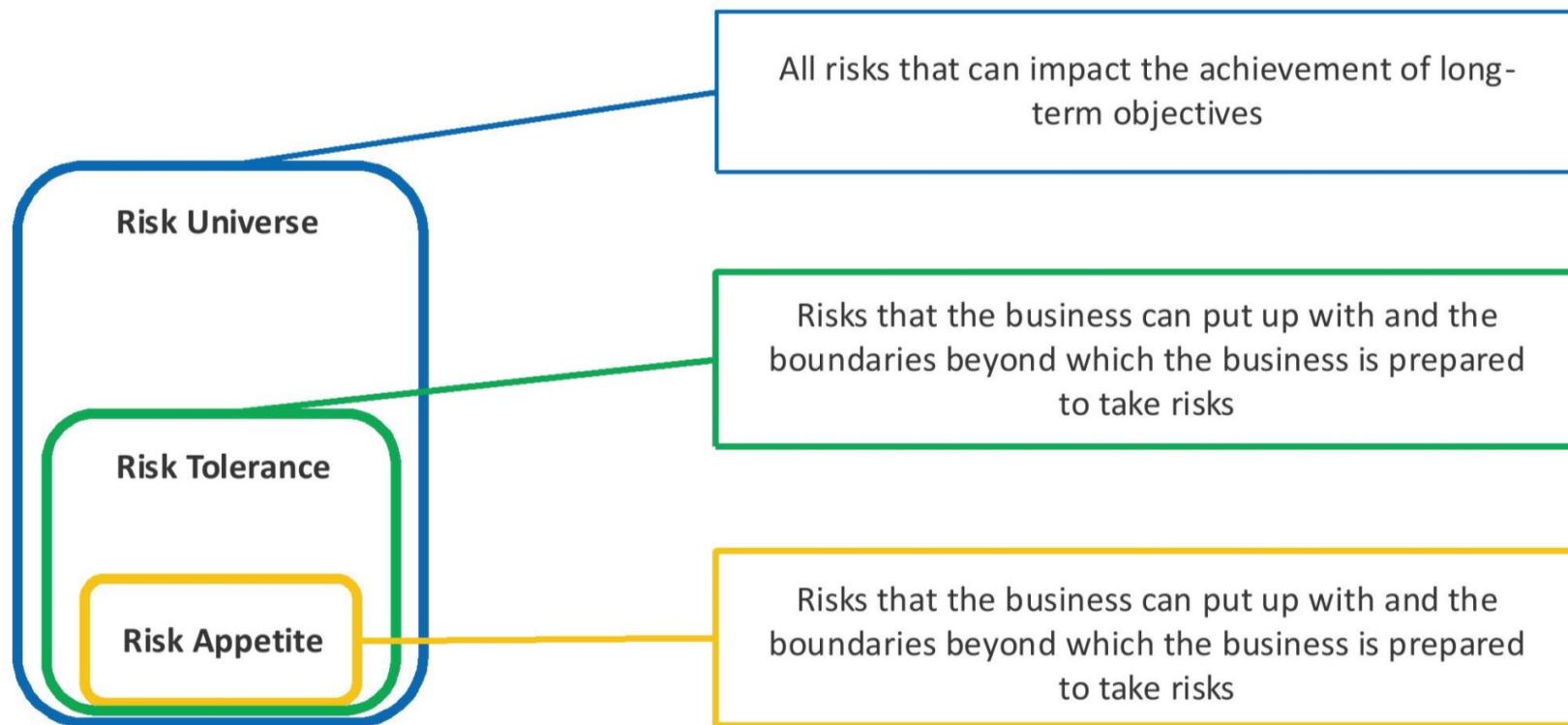


Post Office HARM Table (2023)

(I) IMPACT SCALE		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		(II) LIKELIHOOD SCALE				
SCORE	RATING	CRITICAL (VERY HIGH)		MAJOR (HIGH)		SIGNIFICANT		MODERATE (LOW)		MINOR (VERY LOW)		ALMOST CERTAIN/VERY HIGH		POSSIBLE/MODERATE		UNLIKELY/LOW		RARE/VERY LOW	
5	CRITICAL (VERY HIGH)	<ul style="list-style-type: none"> Post Office unable to achieve one/or more of its strategic objectives Critical weakening of Post Office commercial profitability and/or ability to grow Impact to Revenue \geq£5M 	<ul style="list-style-type: none"> Post Office capacity to respond exceeded Immediate Board/GE involvement required Critical lack of people resources availability and/or skills Projected > 5 days total loss of front office/back office corporate IT service Projected >10% reduction in approved number of Branch locations Projected >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/or external websites Post Office's product(s) and/or service(s) quality is compromised across the digital/physical market(s) and in all UK regions Post Office activity attracts critical levels of fines and prosecutions and/or multiple litigations and/or regulatory censure Critical long-term damage to Post Office Brand 	<ul style="list-style-type: none"> Critical weakening in relationship between Post Office and Postmasters Critical weakening of Postmaster community's commercial profitability and ability to grow Projected >10% reduction in remuneration or increase in costs impacting $\geq 50\%$ of Network Network service disruption of key branch locations ≥ 5 days and/or impacting $\geq 50\%$ 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 services Projected (90-93%) customer satisfaction score secured over quality of products and/or services Projected (>1m) of online customer sessions impacted by not being able to access our digital platform 	<ul style="list-style-type: none"> Risk almost certain to materialise unless action taken Risk could be expected to materialise 												
4	MAJOR (HIGH)	<ul style="list-style-type: none"> Major impact on Post Office ability to achieve one/or more of its strategic objectives Major (but not critical) impact on Post Office commercial profitability and/or ability to grow Impact to Revenue between £2M and £4.9M 	<ul style="list-style-type: none"> Post Office experience major adverse impact throughout organisation GE proactive involvement required Major lack of people resources availability and/or skills Projected 3-4 days total loss of front office/back office corporate IT Projected 5-9% reduction in approved number of Branch locations Projected 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 websites Post Office's product(s) and/or service(s) quality is compromised across the digital/physical market(s) and in majority (but not all) UK regions Post Office activity attracts major levels of fines and prosecutions and/or multiple litigations and/or regulatory censure Major impact to long-term damage to Post Office Brand 	<ul style="list-style-type: none"> Major weakening in relationship between Post Office and Postmasters Major weakening of Postmaster community's commercial profitability and ability to grow Projected >5% reduction in remuneration or increase in costs impacting $\geq 50\%$ of Network Projected $\geq 10\%$ reduction in remuneration or increase in costs impacting $\geq 25\%$ of Network Network 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 services Projected (90-93%) customer satisfaction score secured over quality of products and/or services Projected (600K-1m) of online customers impacted by not being able to access our digital platforms 	<ul style="list-style-type: none"> Risk likely to materialise frequently if events follow normal patterns and no action is not taken Risk could be expected to materialise 												
3	SIGNIFICANT	<ul style="list-style-type: none"> Significant impact on Post Office ability to achieve one/or more of its strategic objectives Significant (but not major) impact on Post Office commercial profitability and/or ability to grow Impact 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 organisation Substantial specific business/departmental management intervention required Significant lack of people resources availability and/or skills Projected 1-2 days total loss of front office/back office corporate IT service Projected 3-4% reduction in approved number of Branch locations Projected 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 websites Post 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 region Post Office activities result in breach of regulation which requires internal investigation and/or regulatory disclosure Significant 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 Postmasters Significant weakening of Postmaster community's commercial profitability and ability to grow Projected >5% reduction in remuneration or increase in costs impacting $\geq 25\%$ of network Projected $\geq 10\%$ reduction in remuneration or increase in costs impacting 15%-24% of Network Network 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 services Projected (94-96%) customer satisfaction score secured over quality of products and/or services Projected (200K-600K) of online customers impacted by not being able to access our digital platforms 	<ul style="list-style-type: none"> Risk unlikely to materialise but it is possible Risk could be expected to materialise infrequently/irregularly/sporadically 												
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 objectives Moderate (but not minor) impact on Post Office commercial profitability and/or ability to grow Impact to Revenue between £500k and £999k 	<ul style="list-style-type: none"> Post Office experience material adverse impact in single area of the organisation Departmental management intervention required Moderate lack of people resources availability and/or skills Projected 1-day total loss of front office/back office corporate IT service Projected 1-2% reduction in approved number of Branch locations Projected 6-10% reduction in profiled levels of Branch footfall & transactions 	<ul style="list-style-type: none"> Negative references in local publications Post 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 level impact of 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 Postmasters Moderate weakening of Postmaster community's commercial profitability and ability to grow Projected >5% reduction in remuneration or increase in costs impacting 6%-9% of Network Network 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 services Projected $\geq 5\%$ reduction in remuneration or increase in costs impacting 6%-9% of Network Projected (97-98%) customer satisfaction score secured over quality of products and/or services Projected (100-200K) of online customers impacted by not being able to access our digital platforms 	<ul style="list-style-type: none"> Risk moderate to materialise Risk could be expected to materialise 												
1	MINOR (VERY LOW)	<ul style="list-style-type: none"> Little impact on Post Office ability to achieve one/or more of its strategic objectives Insignificant impact on Post Office commercial profitability and/or ability to grow Impact to Revenue <£500k 	<ul style="list-style-type: none"> Post Office experience no measurable adverse impact to the business Local management/staff manage the problem without escalation Minor lack of people resources availability and/or skills Projected <1 day total loss of front office/back office corporate IT service Projected <1% reduction in approved number of Branch locations Projected 1-5% reduction in profiled levels of Branch footfall & transactions 	<ul style="list-style-type: none"> Little media coverage No issue with the quality of Post Office's product(s) and/or service(s) Post Office activities result in low-level legal issue which is easily resolved internally 	<ul style="list-style-type: none"> Insignificant weakening in the relationship between Post Office and Postmasters Insignificant weakening of Postmaster community's commercial profitability and ability to grow Projected >5% reduction in remuneration or increase in costs impacting $\leq 5\%$ of Network Network 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 services Projected (>99%) customer satisfaction score secured over quality of products and/or services Projected (<100K) of online customers impacted by not being able to access our digital platforms 	<ul style="list-style-type: none"> Almost inconceivable that risk would occur 												

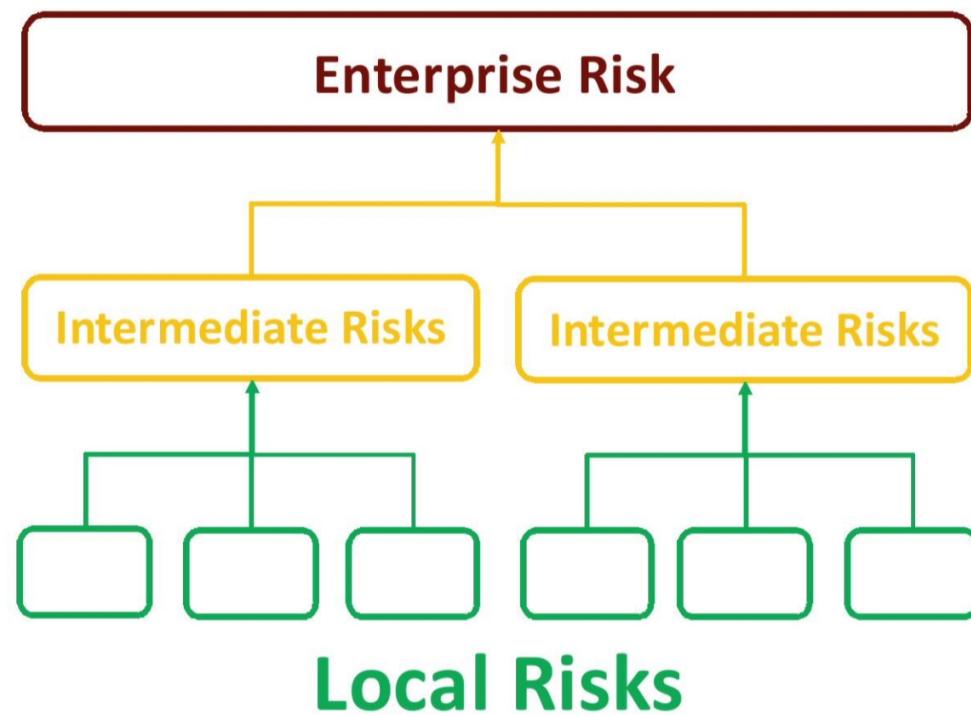


Tolerance and Appetite





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.