

MINUTES OF A MEETING OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE (THE "COMMITTEE") OF POST OFFICE LIMITED (THE "COMPANY" OR "POL")) HELD ON MONDAY, 29 JANUARY 2018 AT 20 FINSBURY SREET, LONDON EC2Y 9AQ AT 09.00AM

Present: Carla Stent Chairman

Richard Callard (RC) Non-Executive Director

Tim Franklin (**TF**) Independent Non-Executive Director

Ken McCall **(KM)** Senior Independent Director

Item
In Attendance: Tim Parker (TP) Group Chairman (items 4.3–11.2)

Paula Vennells (PV) Group Chief Executive (CEO) (items 4.3–11.2)

Alisdair Cameron (AC) Chief Financial and Operations Officer

(CFOO)

Jane MacLeod (JM) Director, Legal Risk & Governance Nick Kennett (NK) Chief Executive Financial Services &

Telecommunications

Ashish Singh (AS) Head of Risk

Micheal Passmore (MP)
Jane Fahey (JF)
Johann Appel (JA)
Group Financial Controller
Deputy Company Secretary
Senior Manager Internal Audit

Peter McIver (PM) Ernst & Young Claire Johnson (CJ) Ernst & Young

Chairman, POMS ARC (item 2.1) Amanda Bowe (AB) Jules Harris (JH) Head of Information Protection & Assurance (item 4.3) Group Chief Information Officer Rob Houghton (RH) (item 4.4) Sally Smith (SS) Head of Financial Crime (item 4.5) Head of Information Protection & Assurance (item 4.8) Jules Harris (JH) Richard Williams (RW) (item 5) Senior Risk Manager (item 6) Ben Foat (BF) Legal Director (item 8.1) Mark Dixon (MD) Head of Treasury, Tax and Insurance Julie Thomas (JT) DMB Programme Director (item 9.1)

Apologies: None

ACTION

1. WELCOME AND CONFLICTS OF INTEREST

A quorum being present, the Chair opened the meeting. The Directors declared that they had no conflicts of interest in the matters to be considered at the meeting in accordance with the requirements of section 177 of the Companies Act 2006 and the Company's Articles of Association.

AB joined the meeting by telephone.



2. POMS ARC REPORT

- 3. MINUTES OF THE MEETING HELD ON 23 NOVEMBER 2017, MATTERS ARISING AND ACTIONS LIST
- 3.1 The minutes of the meeting held on 23 November 2017 were approved and authorised for signature by the Chairman.
- 3.2 The actions status report was noted as accurate. There were no actions due which had not been addressed in advance of the meeting or through the meeting papers.



4. MANAGEMENT OF KEY OPERATIONAL RISKS

Irrelevant

(c) Classification of Group Litigation Costs

Following a request from the Board, the classification of spend associated with Group litigation was being reviewed with EY. Litigation had traditionally been accounted for as an operating cost and charged to EBITDAS. However, the view of the Board was that litigation was not a cost of trading. The Chairman noted that the impact of any decision in this area on both short and long term incentive plans would need to be considered by the Company's Remuneration Committee.

Separately, AC advised that he was working to ensure that any off-balance sheet financing was reported as transparently as possible.

PV, TP and JH joined the meeting.



4.4



RH left the meeting. SS joined the meeting.

Irrelevant





Irrelevant

BF joined the meeting.

7. DEEP DIVE



(b) Litigation

As a result of the Postmaster litigation, the recovery of agent losses and prosecutions have become significantly more challenging, thereby increasing the risk that the deterrent effect of such recovery actions or prosecutions will be diminished. However, AC advised that more targeted audits had resulted in issues being identified earlier. As a result, agent losses had stabilised during Q3 2017/18. In response to a query from KM as to where agent losses figures should be reported, AC advised that they were covered in detail in the Conduct Report which would be presented at the March 2018 Board meeting. The Chairman advised that she was happy for the figures to be reported wherever thought appropriate, so long as they were reported.

BF left the meeting. MD joined the meeting.





11.2	There being 11:00am.	no further	business	the	Chairman	declared	the	meeting	closed	at	
Cha	ir					ate					