Audit of risk management across subsidiaries
Swiss Post AG

Key facts

The Swiss Federal Audit Office (SFAO) assessed the risk management of Swiss Post Ltd (Swiss Post), using selected organisational units from the Logistics Services business area. It was assessed whether the risks from subsidiaries are identified, assessed, managed and communicated at the correct level. For this purpose, the SFAO selected domestic (notime (Schweiz) AG) and foreign (Bächle GmbH) companies; these are integrated into the Swiss Post group under the Domestic Letters & Parcels and Goods Logistics business units.

In addition, the SFAO examined whether Swiss Post takes appropriate account of risk considerations when purchasing financial interests in advertising companies (Livesystems Group) and selling the assets of a subsidiary (SecurePost AG).

In the SFAO's view, risk management both at group level and in the Logistics Services business area is well established. The corresponding recommendation from the SFAO's 2019 report has been implemented[1]. However, the SFAO observed that action is still required as regards the implementation of risk management in the business units and companies in which the group has a financial interest.

Owners are involved in Swiss Post's reporting

Swiss Post's Board of Directors submits an annual report to the Federal Council on the achievement of the strategic objectives for 2021 to 2024. In addition to describing the progress in implementing the "Swiss Post of tomorrow" strategy, the report contains information on the relevant risks, based on the group risk report. A separate reporting process exists for planned or completed cooperations that are significant in terms of the value of the financial interest; this involves the owner units at the appropriate level.

The SFAO found that, in the case of the purchase of the financial interest in Livesystems Group, a supplier of digital outdoor advertising, the owner was informed at an early stage and consistently about the acquisition. The sale of SecurePost AG, a supplier of logistics solutions for high-value items which also carried out deliveries for PostFinance and PostNetz, was led by Swiss Post's Board of Directors, as this subsidiary did not perform a universal service mandate.

Swiss Post has a well-established group risk management process

The group risk report provides the Board of Directors and the group's management with a structured overview of the group's risk situation. This is derived from the aggregated ten main risks for the business areas and functional units, as well as the group's overarching risks. Appropriate risk management strategies are in place for all main risks.

The Board of Directors defines the protection goals and risk appetite in its risk strategy. Whereas the protection goals involve all the group's management levels equally, the risk

1 "Risk Management" (audit mandate 18527), available on the website of the SFAO (www.sfao.admin.ch)

appetite is determined individually for all business areas on the basis of financial feasibility and risk-bearing capacity.

The annual group risk management process is aligned with the "Swiss Post of tomorrow" strategy and the strategic financial planning. The business areas and their subordinate business units are involved in the process at an appropriate level based on their area strategy. Risk analysis assesses the financial impact as well as reputational, staff, environmental and compliance risks.

Group risk management does not involve all consolidated interests equally

Swiss Post differentiates between group companies and joint ventures. Group companies are financial interests in which Swiss Post holds a share exceeding 75%. The joint ventures are also consolidated if Swiss Post holds more than 50% of the shares.

The group requires all group companies to perform risk management and to produce an annual risk report. The group risk management process, which imposes increased requirements in terms of methodology and reporting format, applies only to group companies in Switzerland insofar as they meet specific risk-based criteria. The SFAO takes the view that Swiss Post should make all consolidated interests subject to the group risk management process, irrespective of where the company head office is located, if they meet the risk-based criteria.

Action is still needed at the group companies and business units

For organisational units that are subject to the group risk management process, Swiss Post records the risk analysis results and the associated action plans centrally. In the SFAO's view, Swiss Post should draw up a list documenting the relevant risks of all consolidated financial interests. This is the only way to make risk aggregation across the various management levels understandable at group level. The level-appropriate reporting of risks is now largely dependent on how the business units manage their subordinate financial interests in terms of risk management and how they aggregate their risks. The informational value of business unit reports varies as regards the risk situation and risk management strategies.

At the level of the audited group companies, the action plans should be made more detailed with regard to credible worst-case scenarios. Although structures exist for monitoring the group companies, the SFAO is of the opinion that Swiss Post should expand the monitoring of risks and action taken, to make the implementation and impact of measures clear.

Swiss Post implements owners' requirements on buying and selling financial interests

For the purchase of Livesystems Group and the sale of SecurePost AG's assets, risk analyses with targeted management strategies were drawn up.

To deal with the purchase and sale of financial interests, Swiss Post has a project organisation which includes the lead business area, the responsible business unit, Finance and CEO Corporate Services. The management bodies were able to make decisions on the basis of transparent and timely documentation.

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