

Briefing Notes - Duncan Tait, Paula Vennels Meeting 10th June.

Executive Summary

- > Strong operational performance as we move into 2H13
- > Progress on new initiatives but some risks in reaching contract prior to September 2013
- > The structuring of core transition initiatives is nearing conclusion, although a number of points need to be agreed
- > Good engagement on the CSR Agenda

1) Business-As-Usual Operations

No major incidents to May 2013 reflecting a major improvement on 2012/2013.

Successful DR test undertaken during the w/e of 4th May.

Peak day EPOS and settlement volume ranged from 7.9m (Feb 13) to 8.8m (April 13) transactions, reflecting the ongoing scale of support provided. Similar volumes are expected for May.

Managed Service Changes are running at a three month average of 23 (or one per business a day), with no impact on operations.

Overall operational delivery across the joint Fujitsu/Post Office team remains strong, underpinning the importance of delivered services and the high public profile of the Post Office business activities. Eliminating the risk of an RBS style outage is vital.

2) New Initiatives

The Risk and Resilience Project is underway via two ATPs (Value £6.8M) refreshing critical end of life components providing support until March 2017 (Total project price of £19m). This is a key enabler for Transitional Support Services (TSS) to extend support until March 2017. We all recognise that an R&R and TSS agreement with a minimum term of 2 years is required to maintain business continuity between March 2015 and March 2017.

Fujitsu remains the sole bidder for the Data Centre Tower, and combined with the TSS Proposal, the Post Office/Fujitsu team are looking to bring the commercials to a successful conclusion mid August. Terms remain to be agreed but there has been focussed engagement on all sides given the tight timeline.

HPBB is broadly on track and Fujitsu remain part of the MVNO Tender process.

3) CSR

Post Office/Fujitsu CSR Forum established meeting Tuesday 18th June 2013. Post Office Head of Social Action & Inclusion to attend. Three areas of collaboration identified covering Digital Inclusion,

Children in Need, and Local Initiatives involving Fujitsu/Post Office staff working together on community projects.

4) Priorities

NFSP: Managing the pressure from the National Federation of Sub-Postmasters on the senior Post Office team is a clear priority. Post Office do not have an electronic framework to support communications with this group. Fujitsu can help.

Supporting the Post Office cost savings agenda: The opportunity to offer savings as part of the TSS extension, contributing to the 25% Op Ex reduction, is being jointly developed for approval in July.

Separation: Fujitsu are standing ready to create the necessary infrastructure to receive RMG systems as a component of the DC Tower proposal, pending agreement on the way forward.

5) Risks

Negotiations with the Service Integrator (As part of the SISD Tower) may result in a Data Centre Tower agreement that Fujitsu find difficult to subscribe to if the expected scope and value is £10-12m. Moreover, the terms will undergo further iteration given three bidders remain in process, so it may prove difficult to fully incorporate into the TSS. Post Office and Fujitsu are finalising the scope of the TSS so that services moving from the Horizon agreement transfer to the most appropriate tower with proper phasing and the term of the TSS is aligned with Post Office's needs.

Reaching agreement on R&R, TSS and Data Centre Tower by September 2013 is important as the end of September represents the final date by which current Horizon services can be extended.

Maturity of the Operating Model: the governance framework linking all of the service providers (Towers and Frameworks) together needs to be sophisticated enough to support the level of ambition anticipated.

Approval for R&R, TSS and Data Centre Tower isn't reached in the July board meeting.

Team stretch: lots to do in a short time frame.

Mitigation: early communication of issues/slippage and openness where shaping of solutions is required.

6) Other Points which may arise

Gaining broader exposure to the Post Office strategic plan is considered an important step in enabling Fujitsu to provide the right support for Post Office to deliver that plan.

Intellectual Property Rights: The Procurement and Legal Teams are discussing.

Second Sight forensic due diligence: A number of queries have been raised, all of which have been answered and no irregularities identified. One allegation is proving more challenging relating to a suggestion that alterations to the branch database holding sub-postmaster balances could be made on Fujitsu premises. We have been asked to provide further details related to systems controls/access and audit records for balance corrections. This will be available next week.