

Witness Name: William Paul Patterson (on behalf of Fujitsu Services Limited)

Statement No.: First

Exhibits: FSL_03/1 to FSL_03/144

Dated: 28 September 2022

POST OFFICE HORIZON IT INQUIRY

FIRST CORPORATE STATEMENT OF FUJITSU SERVICES LIMITED

I, *MR. WILLIAM PAUL PATTERSON* (known as Paul Patterson), will say as follows:

INTRODUCTION

1. I am a director of Fujitsu Services Limited ("**Fujitsu**") and am duly authorised to make this statement on its behalf. I am personally committed to doing everything possible to support the Inquiry's process. The Human Impact phase of the Inquiry reinforced the devastating impact on postmasters' lives and that of their families. I am truly sorry and, on behalf of Fujitsu, wish to apologise to the postmasters for our role in this. As a company, we are fully committed to the Inquiry process, to understand what went wrong, and to learn from it.
2. I make this statement in response to the Inquiry's Rule 9 Request for a corporate statement addressing issues relevant to Phases 2 and 3 of the Inquiry (the "**Request**"). This Request was dated 17 August 2022 and required a response by Friday 16 September 2022. I am informed by Morrison Foerster, the Recognised Legal Representative for Fujitsu in the Inquiry, that an extension to this deadline has been agreed for the response to the issues relevant to Phase 3 to 14 October 2022. Accordingly, this statement deals only with the issues

relevant to Phase 2, namely Questions 1 - 43 as set out in Appendix 1 to the Request.

3. The Chair has asked for a 'Corporate Statement', that is a statement usually given by an individual of sufficient seniority within a relevant body to encapsulate a wider range of information than the individual's personal recollections and which exhibits or refers to a range of relevant contemporaneous documents.
4. I do not have first-hand knowledge of many of the matters which are set out in this statement given the period which it covers. As such I explain at the outset how the information in this statement has been compiled. For the purposes of preparing the responses I have been assisted by a team of individuals within Fujitsu and Morrison Foerster. This is due to the vast amount of documentation and sources of evidence which have had to be reviewed for a time period stretching over 25 years. This team has provided to me the documents which are referenced in this statement and exhibited at FSL_03/1 to FSL_03/144, and which are the principal source of my knowledge of its contents.
5. In general, responses to questions are drawn from documentary sources. These documents have been exhibited and/or referenced in accordance with the Inquiry's Protocol on Witness Statements.
6. Inevitably, a detailed request of this nature in the context of a factual background which covers such a large period of time and involves so many technical details, voluminous documentary material, and a large number of individuals (many of whom are no longer at Fujitsu) presents challenges. I do not myself have detailed technical knowledge of the Horizon System and am very much reliant upon Fujitsu staff with the relevant technical expertise.

THE HORIZON SYSTEM

7. The term “Horizon” is often used to collectively describe the IT systems provided by Fujitsu (and its various predecessor entities) to Post Office Limited (“**POL**”) (and Post Office Counters Limited (“**POCL**”), as it was previously known). Technology has, however, evolved significantly during that time and, accordingly, the system and associated services have also changed and evolved to reflect changing business requirements. The various phases of the Horizon System, including its genesis in the “Pathway Programme” are set out below.

Pathway Programme

8. In 1996, Pathway Group Limited¹ (“**Pathway Group**”) was awarded a tripartite agreement with the Department of Health and Social Security (the “**DSS**”) and POCL to provide a solution (internally within the Pathway Group known as the “**Pathway Programme**”) envisaged to:
- a. *“Bring automation to all 38,000 counter positions of the 19,300 Post Offices currently in the network”*; and
 - b. transform Benefit Payments from a paper based to a card based service by providing *“magnetic strip cards to 19 million benefit customers in order that they may collect their payments.”* (FSL_03/1).
9. The development of the Pathway Programme proved significantly more complex than the contracting parties had anticipated. There followed a period of extensive negotiations between the contracting parties. However, the DSS determined that it no longer wished to proceed with the Pathway solution and, in May 1999, the

¹ The relationship between Pathway Group Limited and Fujitsu is described in more detail in paragraphs below.

DSS and ICL Pathway Limited (as Pathway Group was then known, “**ICL Pathway**”) entered into an agreement terminating the tripartite arrangement.

10. The departure of the DSS reflected a fundamental change to the Pathway Programme. One of the core functional specifications of the system which ICL Pathway was contracted to provide – an automated system for the payment of benefits – was no longer part of the project. Rather than abandon the project completely, a decision was taken to complete the computerisation of the Post Office branch network, preserving that aspect of the original Pathway Programme. That system became known as the “**Horizon System**” or “**Horizon**”.
11. The Horizon System has changed over time in response to changing POCL / POL requirements. However, there have been three broad ‘phases’ of Horizon:
 - a. ‘Legacy Horizon’;
 - b. HNG-X or ‘Horizon Online’; and
 - c. HNG-A or ‘Horizon Anywhere’.

Legacy Horizon

12. “Legacy Horizon” was the original iteration of the Horizon System, in operation between 1999 and 2010.
13. Legacy Horizon used Riposte software from Escher, a third-party specialist provider to post offices in other countries, to replicate data between counters at the branches and correspondence servers in the data centres.
14. Within the period 1999 to 2010, the Horizon System went through a number of substantial changes.

HNG-X or 'Horizon Online'

15. HNG-X or '*Horizon Online*' was rolled out to the majority of Post Office branches by 31 August 2010. HNG-X was a replacement of the Legacy Horizon system. The core technical change of HNG-X was the replacement of the Riposte system with a system of direct transmission from the counter to the data centre.

HNG-A or 'Horizon Anywhere'

16. HNG-A or '*Horizon Anywhere*' was progressively rolled out to branches from 2016. The development of HNG-A was driven by the need to replace ageing Windows NT4 branch counter technology with a Windows 10 operating system.

CONTRACTING PARTIES AND FINANCING

17. During the time that the Pathway Programme and the Horizon System has been in place, a number of changes have been made to the various contracting entities. Set out below by way of background is a description of these changes and the relationship of the various entities to Fujitsu and its parent group.

Corporate Structure

18. ICL Pathway was first incorporated on 19 January 1995 under the name Maidhaven Limited. On 5 April 1995, Maidhaven Limited changed its name to Pathway Group Limited and, on 15 June 1995, a Special Resolution was passed to allot shares as follows to:
- a. International Computers Limited ("**ICL**") (47 shares²);
 - b. Girobank PLC ("**Girobank**") (36 shares); and
 - c. De La Rue PLC ("**De La Rue**"): (15 shares)

² By 31 January 1996, this had been increased to 49 shares.

19. On 29 May 1996, Pathway Group changed its name to ICL Pathway and, in September 1996, the share capital of ICL Pathway was increased by 20,000,000 ordinary shares of £1, all of which were allotted to ICL. By 25 February 1997, the remaining shares held by Girobank and De La Rue were transferred to ICL, at which time ICL's shareholding stood at 20,000,100 shares.
20. As shown in the annual return dated 7 February 2000, in August 1999, ICL Pathway's share capital increased again to 151,700,100 ordinary shares of £1 (an increase of 130,700,000). On 27 March 2002, ICL Pathway then changed its name to Fujitsu Services (Pathway) Limited.
21. During this time the sole shareholder of ICL was ICL PLC. This entity was majority owned, ultimately, by Fujitsu Limited (the exact corporate structure can be provided to the Inquiry separately if required), and ICL PLC became a wholly owned subsidiary of Fujitsu on 30 September 1998. The names of ICL and ICL PLC were changed on 2 April 2002 to Fujitsu Services Limited and Fujitsu Services Holdings PLC, respectively, when the relevant ICL entities rebranded as "Fujitsu". The contract for the Horizon System was then novated from Fujitsu Services (Pathway) Limited to Fujitsu Services Limited on or around 1 April 2003, as it remains to the present day.
22. Fujitsu Services (Pathway) Limited was dissolved on 3 January 2013. Fujitsu remains a wholly owned subsidiary of Fujitsu Services Holdings PLC
23. Separately, Post Office Counters Limited changed its name to Post Office Limited on 1 October 2001.

Financing

24. The Inquiry has asked Fujitsu to explain how Fujitsu financed the cost of developing new software for the Horizon System prior to the national roll out.
25. The Pathway Programme was based on a Private Finance Initiative (“PFI”) structure, with the cost of designing and developing the contract solution to be financed by the service providers. Project financing through a variety of banks was obtained in addition to a variety of service provider working capital arrangements.
26. ICL Pathway Asset Company Limited was established as a fully owned subsidiary of ICL Pathway to act as a special purpose vehicle for funding (FSL_03/2).
27. In addition to the financial arrangements explained above, Fujitsu draws the Inquiry’s attention to the provision of a capital injection by Fujitsu Limited into ICL PLC to restore its consolidated net worth in accordance with banking covenants ICL PLC held at that time. The capital injection was effected by the issue of 263,400,000 new ordinary shares in June 1999. Fujitsu Limited paid £131,700,000 for these shares.
28. The financing arrangements were altered when ICL Pathway entered into the agreement with POCL dated 28 July 1999, with the removal of the PFI structure.

OVERVIEW OF ICL PATHWAY’S BID FOR THE HORIZON PROJECT

29. Fujitsu has been asked by the Inquiry to provide an overview of ICL Pathway’s bid for the Pathway Programme and to answer certain questions about that process.
30. The opportunity to tender for the opportunity to deliver what later became known as Horizon was advertised on or about 30 August 1994 by a notice published in

the Official Journal of the European Communities (the “**OJEC Notice**”) (FSL_03/3).

31. The OJEC Notice was placed on behalf of what were then known as:
 - a. the DSS (which was also commonly referred to as the Benefits Agency ((the “**BA**”)) in documents referred to in this statement); and
 - b. POCL.
32. The contractual opportunity was broadly described as the computerisation of post office counter services including the support of authorisation, payment and accounting for the DSS and other Government departments.
33. ICL expressed its interest to tender and submitted to DSS and POCL (the “**Contracting Authorities**”) a statement of capability and interest on or about 23 September 1994 (the “**Statement of Capability and Interest**”) (FSL_03/4).
34. The Statement of Capability and Interest was expressed to be from ICL and a “consortium” of partners comprised of:
 - a. De La Rue Group (said to be the UK’s leading provider of magnetic card and associated technology at the time),
 - b. Hambros (investment merchant bank experienced in PFI commercial structuring),
 - c. An Post (the state owned provider of postal services in Ireland),
 - d. Escher Group (the supplier of the Riposte software solution), and
 - e. Girobank (a financial services company owned by Alliance and Leicester at that time).
35. The Statement of Capability and Interest indicated that, for the computerisation of post office branches, ICL had “*chosen to work with the Irish Post Office, An Post, and the software consultancy group Escher, to ensure that these*

requirements can be met with an integrated solution specification designed for this purpose". This was because An Post had successfully automated its post office counter business and had used software developed by Escher Group to do so. This system had *"put An Post's counters business in an ideal position to develop the full potential of its retail sales ability and advance its customer service standards"*.

36. ICL and other prospective service providers which responded to this OJEC Notice were provided with a prospectus entitled *"Bringing Technology to Post Offices and Benefit Payments"* on or about 5 October 1994. They later received on 19 October 1994 a Request for a Statement of Capability issued on or about (the **"POCL/BA Request for a Statement of Capability"**) (FSL_03/5). The purpose of the POCL/BA Request for a Statement of Capability was to provide more information about the tender opportunity and to allow the BA and POCL to shortlist potential prime contractors on the basis of their respective 'Statements of Capability'. Shortlisted service providers were to receive a more detailed specification of requirements in due course.
37. The POCL/BA Request for a Statement of Capability sets out a procurement strategy at Annex A. This refers to POCL/BA's intention to select a *"single prime contractor... to source a strategic IT infrastructure... for all POCL applications, and to develop the initial BA benefit payment application"*. The strategy also refers to potential prime contractors being required to set up and operate a *"pilot system and service"*. The initial state of the pilot was to *"be a demonstrator which must establish credibility of the prime contractor's proposed solution, both from a technical and usability perspective, whilst the latter state (to be referred to as*

the operational trial) will focus on refinement of the solution and final proving of the detailed operational aspects prior to roll-out of the infrastructure”.

38. A provisional timetable for the procurement process is also set out Annex A to the POCL/BA Request for a Statement of Capability. In summary, this provides:
- a. Stage 1 – Establish Playing Field (August – November 1994). The purpose of this stage was to establish whether there was sufficient interest and capability to run a full competition in line with the procurement strategy.
 - b. Stage 2 – Innovation and Clarification (December 1994 – March 1995). This stage was to involve the issue of a Statement of Service Requirements document (the “**SSR**”) which service providers were to respond to by submitting written proposals. Shortlisted service providers were then to be invited to enter into contract negotiations in parallel with mounting their demonstrator programmes.
 - c. Stage 3 – Contractor Negotiation / Pilot Commencement (March – September 1995). The objective of this stage was to agree the draft contracts for the application development and service provision and for demonstrations of the proposed solutions to occur. This process was aimed at evaluation and risk assessment of potential solutions.
 - d. Stage 4 – Evaluation and Selection (October – December 1995). During this stage, the service providers were to be asked to submit tenders on the basis of agreed draft contracts, following evaluation of which a prime contractor would be selected.
 - e. Stage 5 – Pilot Operational Trials (after December 1995). Following the selection of a prime contractor the operational trials were to

commence to, (i) refine and prove the preferred prime contactor's solution for the IT infrastructure and BA application, and (ii) establish the detail of a roll-out programme.

39. Annex B to the POCL/BA Request for a Statement of Capability contained a questionnaire which all service providers responding to the request were required to complete. This included questions about financial standing of the service provider and any consortium members.
40. ICL submitted a Statement of Capability on or about 19 November 1994 (FSL_03/6). This contained information about ICL's and its consortium members' relevant capabilities and experience. It also stated that the ICL consortium had established a joint team at a location to analyse and define in detail the proposed solution, recognising that the full SSR had yet to be issued.
41. A separate bid opportunity was also advertised at this time for what was known as the Automation of London Post Offices ("**ALPS**") project or the ALPS/ESNS project. This programme was intended to introduce by August 1995 some level of automation at Post Office branches within the M25 region. This was to include an Electronic Stop Notice facility ("**ESNS**") to mitigate fraud in benefits distribution. ESNS did this by accessing a national 'stop list' of benefit books to perform validation checks on order books presented in Post Office branches by recipients of benefits payments (FSL_03/7). Whilst we have not been able to identify the original bid materials for this opportunity, it was a tender which ICL won and worked on before the completion of the "*Bringing Technology to Post Offices and Benefit Payments*" Procurement in May 1996.

42. In 1995, ICL, De La Rue and Girobank established a new company, Pathway Group, to participate in the tender process and to perform any subsequent contract if it won the tender.
43. On 13 April 1995, the DSS and POCL issued the SSR to shortlisted service providers, including the newly established Pathway Group (FSL_03/7). The SSR contained a detailed description of the functional requirements behind the services to be provided following the procurement.
44. In terms of the proposed commercial and contractual basis of the procurement opportunity, paragraph 8.3.3 of the SSR states that the service requirements were to be met by a service contract or contracts which conform to the requirements of the PFI.
45. Pathway Group submitted a proposal in response to this SSR on or about 8 June 1995 (the **"Pathway Group Response"**) (FSL_03/8). This was a substantial document extending to hundreds of pages. The Pathway Group Response contained technical proposals and specifications regarding Pathway Group's proposed solution to deliver the "Benefit Payment Services" and the "POCL Strategic Infrastructure Services", in additions to details relating to matters such as Quality Management Systems.
46. Finally, Annex 6 of the Pathway Group Response sets out details of relevant experience qualifying Pathway Group, its various shareholders and its proposed sub-contractors to deliver the opportunity specified in the SSR. This information includes reference to the ALPS / ESNS project ICL had delivered to Post Office branches within the M25 motorway boundary, which is relevant to a question which the Inquiry has asked Fujitsu to answer in relation to prior experience ICL had in relation to delivering automated payment or accounting systems.

47. The procurement process led by the Contracting Authorities continued and Pathway Group became a shortlisted service provider. The other shortlisted service providers are understood to have been IBM and 'Cardlink' (see for example the minutes of the Pathway Group Board meeting on 15 March 1996 (FSL_03/9)).
48. By the end of 1995, a draft contract and commercial terms were shared and commented on by shortlisted service providers (see for example a first draft of Pathway Group's response to the draft contract dated 29 December 1995 at FSL_03/10). However, it is apparent that the Contracting Authorities perceived various shortcomings and risks with the Pathway Group Response. These risks were the subject of scrutiny and questions by the Contracting Authorities during the early part of 1996. Key risk areas perceived with Pathway Group's Response were noted in the minutes of a Pathway Group Board meeting on 15 March 1996 (FSL_03/9) as being:
- a. Financial structure;
 - b. Fraud liability; and
 - c. Reliance on Escher.
49. Nevertheless, on 29 February 1996, the Contracting Authorities invited Pathway Group to submit a formal tender (see the letter from Patricia Kelsey, Head of Procurement for BA/POCL, to Jim Morley, Programme Director of Pathway Group, FSL_03/11). Pathway Group put in its tender submission on or about 21 March 1996 which, after some modification to respond to the invitation to re-tender issued on or around 16 April 1996, was re-submitted on or about 22 April 1996 (see the Managing Director's Report prepared for the Pathway Group Board meeting on 25 April 1996, FSL_03/12).

50. Subsequently, on or about 15 May 1996 Pathway Group was awarded the service contracts to computerise all the UK's c.19,000 Post Offices and simultaneously automate the system for paying DSS benefits to at least 19 million claimants. The arrangements were set out in three related contracts dated 15 May 1996 (the "**Related Agreements**"):

- a. an agreement between the DSS and Pathway Group for, *inter alia*, the provision by Pathway Group of services relating to a benefit payment card (the "**DSS Agreement**");
- b. an agreement between POCL and Pathway Group for, *inter alia*, the provision by Pathway Group of the "POCL Service Infrastructure" and "POCL Services"; (the "**POCL Agreement**"); and
- c. an agreement among the DSS, POCL and Pathway Group for the supply of a service infrastructure and the provision of certain services which were of common interest to both the DSS and POCL (the "**Authorities' Agreement**")

51. Shortly after the Related Agreements were entered into, Pathway Group changed its name to ICL Pathway and arrangements were made to increase ICL's shareholding in ICL Pathway. Less than six months after the allotment of these shares, ICL became the sole shareholder of ICL Pathway.

DESIGN, DEVELOPMENT AND PILOT OF THE SERVICES SOLUTION

52. Fujitsu has been asked by the Inquiry to describe and explain the key stages in the design and development of the Horizon System during the period 1996-2000 and this is addressed in the following sections of this statement.

53. Under the Related Agreements, it was ICL Pathway's responsibility to design, develop, integrate and establish a services solution. Under the PFI principles

governing the Related Agreements, once accepted and rolled out, ICL Pathway could recoup its solution investment from charges based on transaction volumes across the remaining terms of the Related Agreements.

54. In the Pathway Group Response during the tender process, Pathway Group recognised that the service solution would take significant time to design and develop and that benefits such as fraud encashment 'savings' would be delayed. It was on this basis that proposals were made by Pathway Group to take a phased approach to the implementation of existing solutions which could then be built on to deliver successive increments of functionality³ (FSL_03/8).
55. The contractual requirements of the service to be provided had been articulated by the Contracting Authorities during the tender process and were set out in the Related Agreements. Solution responses provided by ICL Pathway were also incorporated into the Related Agreements and later into the agreement signed between ICL Pathway and POCL in July 1999 (the "**Codified Agreement**").
56. The parties agreed in the Related Agreements and during the governance of the design and development programme to develop components of contractual services up to a certain level of functionality so that these service components could be trialled in pilot sites and upgraded with new layers of functionality or service components.
57. The Programme Delivery Authority ("**PDA**") was established by the Contracting Authorities to oversee design, development and implementation work. The PDA was comprised of individuals from POCL and DSS, in addition to external consultants. In or around April 1998, the PDA was replaced with a team within POCL led by the Horizon Programme Director, a POCL Board position, who had

³ Paragraph 8.2.1.4.1 section 8 of Pathway's response to the SSR.

POCL signing authority in relation the Authorities' Agreement (FSL_03/13 and FSL_03/14).

58. On or about 16 August 1996, the first version of a master plan for delivery of the programme was issued by the PDA (FSL_03/15). This initial master plan set out strategic milestones and provided detail in relation to parties' activities and responsibilities as well as a framework for ongoing management. The third and final version of the master plan was issued by the PDA on 8 April 1997 (the "**Master Plan**") (FSL_03/16). This document noted that any further changes would be subject to the formal PDA change control process.
59. In summary, the Master Plan envisaged the following strategic milestones:
 - a. Release 1A, also called the 'Initial Go Live': to implement software introducing Child Benefits payments by card. It was planned to be installed at a single Post Office branch by 23 September 1996, followed by further installations of the same at an additional 9 Post Office branches by 21 October 1996.
 - b. Release 1B, as another component of the pilot phase: to introduce the automation of the Order Book Control System ("**OBCS**") at approximately 200 Post Office branches, which was to go live and be made available for customer use by 28 April 1997.
 - c. Release 1C, to extend OBSCS functionality and introduce the Benefit Payment Service ("**BPS**") for restricted live use by 30 June 1997.
 - d. Release 1E, to extend OBSCS and BPS functionality and to introduce Electronic Point of Sale Service ("**EPOSS**") functionality and Automated Payment Systems ("**APS**") for use in full trial by 8 September 1997.

- e. Release 1, would contain all agreed Release 1 functionality from Release 1A to 1E for full use by 21 November 1997.

60. There were factors and events which led to deviations from the Master Plan.

EARLY DESIGN ACTIVITIES

- 61. Under the Authorities' Agreement, the parties were required to agree a detailed specification of the services so that a detailed design document of the service architecture could be produced (Clause 401 of Authorities' Agreement, FSL_03/17). Paragraph 2.2 of Schedule B7 of the Authorities' Agreement required Pathway Group to supply the Contracting Authorities with a Functional Specification within one week of execution of the Related Agreements and for this be agreed by a target date of 30 June 1996.
- 62. The Functional Specification issued by Pathway Group on 22 May 1996 stated that it had been prepared with a view to it being converted into the Service Architecture Design Document ("**SADD**") required by Clause 401.1 in the Authorities' Agreement (FSL_03/18). In this way, it was intended that there would be a "*complete description and unbroken audit trail of changes proposed and changes agreed*". Version 6 of the Functional Specification is dated 26 July 1996 (FSL_03/19).
- 63. A SADD was also prepared by ICL Pathway⁴. Fujitsu has not yet located a complete copy or final version of the issued SADD, although it is understood that the SADD was issued on or about 27 September 1996.

⁴ Pathway Group Limited changed its names to ICL Pathway Limited with effect from 29 May 1996

INITIAL GO LIVE

64. The Initial Go Live (“IGL”) was based on software Release 1A, which facilitated the automation of the payment of child benefits and piloted the use of payment cards at 10 branches in the Stroud area.
65. A release notice for IGL was produced by ICL Pathway on or about 6 September 1996 (FSL_03/20). The release notice entitled “ICL Software Baseline Release Notice Issue 1” provides:
- “the Release Notice for the IGL1 Software Baseline...contains the definition of the contents of the baseline and provides a checklist of media and associated documentation to be used in the Build of the IGL1 Live system. This software baseline reflects the software that was used during the UAT testing prior to 6/9/96”, where UAT stands for User Acceptance Testing.*
66. The release notice states, however, that: *“at the time of publication of this document, further problems are being investigated which are likely to require further updates to this software baseline. Such updates will be provided as ‘patches’ to this baseline, and will be covered by separate Release notices. Refer to PinICL for the latest status of problems found during UAT”.*
67. PinICL was a proprietary incident management system which Pathway used to manage any incidents arising during the development and subsequent operation of the services being delivered to the Contracting Authorities.
68. An update to the release notice was subsequently issued on or about 17 September 1996 entitled “IGL1 Software Updates Release Notice Issue 2.0” (FSL_03/21). This provides:

“This document is the Release Notice for updates to the IGL1 Software Baseline...The revised baseline reflects the software that has been upgraded following UAT testing, in the period between 11/9/96 and 17/9/96”.

69. Update 2.0 of the ICL Pathway IGL1 Software Baseline also refers to key team members who were involved in the development and testing of Initial Go Live (FSL_03/22).
70. The first installation of Release 1A occurred on or about 23 September 1996 at the Leonard Stanley branch in Gloucestershire. This was followed by installations of Release 1A at a further nine Post Office branches from 21 October 1996.
71. At each of these Post Office branches, a single set of counter equipment was installed to support Initial Go Live, comprising a PC, a printer, a bar code reader and a magnetic card reader. Only one counter position per Post Office branch was installed.
72. On 29 November 1996, the Pathway Quality Manager at that time, David Groom, visited five of the IGL Post Office branches (Whitehall, Caincross, Ebley, Kings Stanley and Leonard Stanley) to carry out a quality audit involving an inspection of the installation of Release 1A and a discussion with the postmasters working at those branches on their experiences of implementation. The audit findings, including key customer comments, were recorded in a quality audit report prepared by Mr Groom in January 1997 (FSL_03/23).
73. A Lessons Learned report was prepared by ICL Pathway in November 1996. This report includes a summary of the design and testing work that was undertaken in relation to the IGL phase and sets out resultant lessons learned (FSL_03/24).

THE PILOT PHASE (RELEASE 1B)

74. As set out in the Master Plan (FSL_03/15), a Pilot phase was to follow IGL. This pilot phase began with Release 1B which is understood to have provided the OBCS, in addition to minimal elements of the EPOSS service necessary to support OBCS. Release 1B was installed at approximately 190 branches in the North East, South Wales and South West of England from May 1997 onwards.
75. Prior to the installation of Release 1B, post office branches required:
- a. 'Outlet' surveys and preparation;
 - b. User Awareness;
 - c. User Training;
 - d. Installation of equipment at branches; and
 - e. Support Services.
76. Further details of the implementation activities associated with Release 1B are contained in the Implementation Strategy dated 30 May 1997 (FSL_03/25), and in the documents cross referred to in that release strategy.
77. In terms of contemporaneous programmatic documents, the "Release 1b - Order Book Control Service Processes and Procedures" document (FSL_03/26) sets out the elements of the OBCS service application to be delivered in Release 1B.
78. There were delays to and issues with the implementation of Release 1B. In the minutes of the ICL Pathway Board meeting on 7 May 1997 (FSL_03/27), it was reported that Release 1B was "*working satisfactorily*" in only one Post Office at that time. Terry Austin, the then Programme Director, reported to the board that: "*The late release of Issue 1b had been principally as a result of bugs in the connection between the Post Office and the HQ Data Centres. Considerable regression testing was necessary following resolution of these bugs, in order to*

check that other parts of the system were not affected. This had impacted on the timescale for Release 1c, now expected to be six to eight weeks late (ie August). By the end of the week we hoped to be back on course with Release 1b, in a total of twenty Post Offices”

79. Then Managing Director of ICL Pathway, John Bennett, also reported that surveys of the post offices continued and *“there were many which appeared to have inadequate counter space and other facilities, including electrical, ISDN etc links.”*
80. Consequences of the delay were summarised by Mr Bennett, as including the *“the likelihood of achieving a roll-out to significantly less than the projected number of Post Offices by the year end”*.
81. It is also apparent from these minutes that both POCL and the Benefits Agency were involving external consultants to review programme progress. Mr Bennett said that the PDA had asked Andersen Consulting to review progress. POCL declined to be involved in this review and had instead asked French Thornton to conduct a separate review.

THE PILOT PHASE (RELEASE 1C)

82. The objective of Release 1C was to introduce the BPS (consisting of (i) Card Management Services, or **“CMS”**, (ii) Payment Authorisation Service, or **“PAS”**, and (iii) Benefit Encashment Service, or **“BES”**). Further details of the content of this release are set out in the “Release 1c Contents Description” dated 22 September 1997 (FSL_03/28).
83. Release 1C was to be implemented at the 10 IGL Post Office branches operating Release 1A and the approximately 190 Post Office branches operating Release

- 1B. Release 1C went live on or about 20 November 1997 at 205 Post Office branches with approximately 330 counters (FSL_03/29).
84. There were delays to and issues with Release 1C's development and implementation and this resulted in a re-planning of release delivery and changes to the programme timetable. By the early summer of 1997, it was reported to the Board of ICL PLC (sole shareholder of ICL) that Release 1C had slipped from August to October 1997 (FSL_03/30). One of the reasons cited for this delay was the complexity of the solution. Issues were recorded in ICL Pathway's PinICL database as incidents and were tracked and reported as part of agreed testing of Release 1C.
85. A subset of these incidents were recorded in a document entitled the "Known Problem Register at 1c" dated 26 August 1997 (FSL_03/31). By way of background, the Known Problem Register (or "**KPR**") was used by ICL Pathway to record known problems which were not intended to be resolved by means of product change in a target Release. It was intended to provide visibility of such problems for evaluation of the business risk to BA/POCL and/or ICL Pathway.
86. It is understood from the KPR for Release 1C that the assessment of whether an issue could be added to the KPR was undertaken by an ICL Pathway PinICL Impact Assessment Team (or, "**PIAT**"). Incidents recorded in PinICLs were classified according to the priority at which the incident was being progressed. The classifications used were: (i) Category A - Programme stopped; (ii) Category B - Progress stopped; (iii) Category C - Progress restricted; and (iv) Category D - Non-urgent. These classifications were based on business impact assessments conventionally defined as: High, Medium, Low and None. For further information regarding the classifications applied in ICL Pathway's PinICL records, please see

the submission made on behalf of Fujitsu on 13 September 2022, in response to a Rule 9 Request dated 29 April 2022.

87. Matters relating to the implementation of Release 1C were recorded in Weekly Progress Reports relating to each of the POCL designated regions (see for example, FSL_03/32 in respect the North East region, and FSL_03/33 and FSL_03/34 in respect of the South Wales and South West region). Technical deficiencies identified during Release 1C were escalated through the PinICL system, as described above, and formed the subject of various reports and change documents such as the, (i) Phase 1c - Post Implementation Report dated 31 March 1998 (FSL_03/35), (ii) monthly Release 1C Operations Reports such as FSL_03/36, and (iii) Release 1C Change Request – Lost Transactions & Duplicate Payments Change Request dated 21 January 1998 (FSL_03/37).
88. On 19 September 1997, an ICL Pathway Memorandum (FSL_03/38) was produced in relation to Model Office Testing activities for Release 1C. The memo was prepared by Terry Austin and explains that the baseline codeset for Release 1C submitted for Model Office testing was to be finalised on 19 September 1997, with Model Office testing due to start on 6 October 1997.
89. Release 1C then went live on or about 20 November 1997 at approximately 200 Post Offices branches (FSL_03/29).

NR2 DESIGN, DEVELOPMENT AND PREPARATION FOR ACCEPTANCE

90. Fujitsu has been asked by the Inquiry to identify and explain which factors caused or contributed to the delay in implementation of the live trial of the Horizon System.

91. In responding to the Inquiry's request, Fujitsu sets out high level explanations that were reported at the time of the causes and contributions towards delay to the programme, and does not warrant their accuracy.
92. The previous section of this statement addresses delays which occurred to the Pilot phase of the programme. There were consequential delays to the remainder of the plan for Release 1 and Release 2. Towards the end of 1997, it is understood that there was a re-plan to withdraw Release 1e and Release 2 and create a New Release 2 ("**NR2**") as described in version 2 of the "New Release 2 Contents Description" document prepared by ICL Pathway (FSL_03/39).
93. The aforementioned document stated that NR2 was being planned to be used as the baseline release, "*to enable the Live Trial and contractual acceptance process*".

ACCEPTANCE PREPARATION IN 1997

94. A procedure for acceptance of the Operational Trial had been prepared by the PDA, of which the third and final phase was Live Trial (FSL_03/40). The procedure specified that the Live Trial was to be made up of three stages:
 - a. Acceptance Preparation;
 - b. Acceptance Testing; and
 - c. Contractual Acceptance.
95. The final stage of Contractual Acceptance was to be confirmed by the Acceptance Board within five working days of the end of Live Trial. The Acceptance Board could either reject, accept or partially accept the ICL Pathway Services. This decision would then be given to the Release Authorisation Board.

96. The procedure also contained requirements for the establishment of an Acceptance Board, Acceptance Groups, and the responsibilities of key roles such as the Acceptance Manager, the Acceptance Incident Manager and other extensive Acceptance Preparation activities.

THE RELATIONSHIP TO CAPS

97. The Customer Accounting and Payment System (“**CAPS**”) project was a DSS managed development project. It is Fujitsu’s understanding that there was a dependency between this CAPS project and the Live Trial and Acceptance of NR2. The system ICL Pathway was developing was required to interface to the CAPS system, meaning the progress of CAPS affected Pathway Releases.
98. It is a matter of public record in the NAO report prepared by John Bourn in August 2000 that there were delays to the CAPS project and that this had an impact on the design and development of the services solution ICL Pathway was responsible for delivering.

THIRD PARTY AND INTERNAL AUDITS OF PROGRAMME DELIVERY

99. It is understood that BA, POCL and ICL co-sponsored and commissioned an independent review by PA Consulting into the weaknesses and risks in the programme.
100. In addition, Fujitsu has identified and disclosed to the Inquiry internal audit reports containing references to contemporaneous actions which were undertaken by ICL Pathway concerning its performance. For example, a series of internal audits were undertaken which contained analysis of and recommendations to improve quality management issues. The audits continued over a number of years but, initially, they were referred to as (mid stage quality audits (“**MSQA**”)) and cited criticisms in the PA Consulting report. For example,

a Report on the “Release 2 Process Improvement Programme” produced on or about 18 June 1998 stated:

“A review of the Pathway project (Release 1) was carried out during 1997 by PA Consulting Ltd (PA). One of the observations raised during that review was that while ICL Pathway possessed processes and standards, their deployment and subsequent compliance by members of the project team could be improved. A corrective action programme was put in place inside Pathway to address the many observations and recommendations made. This report presents the results of that programme, culminating in the sequence of Mid Stage Quality Audits conducted between December 1997 and May 1998” (FSL_03/41).

THE IMPACT OF THE PFI STRUCTURE

101. Under PFI principles ICL Pathway bore the risk (and therefore the cost) of delays to the acceptance of the contract solution. There were exceptions to this, for example, if it could be shown that the delay was caused by certain actions or omissions by the Contracting Authorities (such as delay to the development of CAPS releases), but the onus was on ICL Pathway to demonstrate that delay should result in extensions of time and compensation.
102. At the end of 1997, ICL Pathway was facing significant potential financial losses over the lifetime of the contract as a result of the Pathway Programme.
103. A position paper dated 5 March 1998 (the “**ICL Position Paper**”) set out, on a without prejudice basis, the ICL position that the DSS had ‘breached’ basic PFI principles and was not meeting its obligations in relation to the availability of the CAPS system (FSL_03/42). In addition, the ICL Position Paper highlighted a number of core issues relating to the initial specification and changes to the

Contracting Authorities' requirements, which adversely impacted the stability of design and software developments to meet these changing requirements.

ISSUES WITH THE DEVELOPMENT AND TESTING OF NR2

104. Fujitsu understands from contemporaneous reporting that there were issues with the development of NR2 and this was causing further risk and delay to the plans to take NR2 to Live Trial.
105. By March 1998, it was reported internally at ICL Pathway that during testing of various 'product drops' there were a high level of category 'B' priority PinICLs not achieving the required time for fixes (FSL_03/43). The reason for the delay was reported to be the *"high Development workload"*. It was also reported that the category 'A' priority rating for PinICLs was not being fully utilized as there was a reluctance to set PinICLs to 'A' priority due to its definition of "Programme Stopped". Slower progress than planned was being made in a number of the test phases. In particular, EPOSS and BPS system tests were behind plan.
106. In an internal ICL Pathway note prepared on or about 29 April 1998, it was reported that the Live Trial was being scheduled to occur in January 1999, followed by national rollout commencing in April 1999 (FSL_03/13). However, there were issues arising from Reference Data and the testing of EPOSS as much of the detailed functionality of EPOSS was, in effect, contained within Reference Data, and the contract level specification was open to a range of detailed interpretations. The note stated that to objectify this detail, ICL Pathway and POCL had agreed to develop the service through prototyping and this activity had identified many issues related to the automation of existing business processes and took longer than planned.

107. Issues agreeing the Release Contents Definition (the “**RCD**”) of Release 2 were also identified as a factor. Significantly, the note refers to the RCD striking a balance between the principle enshrined in the *“Final (Drop Down) version of the contract that not all functionality will be delivered in the first general release and the concerns expressed by sponsors as to those features and functions they were prepared to live without for a period”*. The Authorities had not signed off the RCD, instead indicating that sign off would only occur if certain conditions were met. The note submits that this, together with various changes which seemingly went against the above-mentioned principle, had *“destabilised the design baseline”*.
108. Over the summer of 1998, testing of NR2 continued but there were issues with the release being identified in testing and delays to forecast completion of testing activities which potentially impacted planned timescales for the commencement of national roll out. The *“large number of incidents (PinICL’s) to be resolved”* was identified to the ICL Pathway board in August 1998 as being a key risk to the plan for national roll out to commence in April 1999 (FSL_03/44).

RENEGOTIATIONS OF THE RELATED AGREEMENTS AND PREPARATIONS FOR ACCEPTANCE

109. The above-mentioned disputes and delays to the Pathway Programme had been escalated within Government. An independent review commissioned by HM Treasury Review in 1998 was expected to issue a report of its findings in July 1998 (“**HMT Report**”) (FSL_03/45).
110. The report explored 6 options for proceeding with the programme, of which two were recommended and would be the subject of further ministerial discussion (FSL_03/46).

111. Option 1 proposed the introduction of a benefit payment card to co-exist with new POCL banking and financial services that would allow benefits to be paid by automatic credit transfers (“**ACT**”). The DSS would then transfer to full ACT at that time.
112. Option 2 proposed reducing the scope by removing the benefit payment card component completely, relying solely on POCL to develop an ACT based benefits solution, and entailed ICL Pathway being compensated for the reduced scope of contract.
113. There then followed a period negotiation as to the future of the Pathway Programme which ultimately continued until the Related Agreements were terminated in May 1999 and a new agreement, the Codified Agreement, was entered into between ICL Pathway and POCL in July 1999.

CSR ACCEPTANCE CRITERIA AND TESTING

114. Fujitsu has been asked by the Inquiry to identify and explain the acceptance criteria for the Horizon System as well as other associated questions regarding the testing which was undertaken of the system prior to its acceptance. In addition, Fujitsu has been asked by the Inquiry to identify and explain the factors which caused or contributed to the delay in acceptance and roll out of the Horizon System.
115. On the issues of robustness and fitness for purpose of the Horizon System, the Inquiry has also asked Fujitsu to explain what was known by ICL Pathway at the time of acceptance and national rollout regarding the accuracy and integrity of the data recorded and processed on the Horizon System, and the extent to which deficiencies in the Horizon System were capable of causing or caused apparent discrepancies or shortfalls in branch accounts.

116. Acceptance of the Core System Release ("**CSR Acceptance**") was based on criteria described in the Codified Agreement. Schedule A11 of the Codified Agreement provided that Acceptance Tests were to be performed against agreed Acceptance Specifications during a Core Observation Period. CSR Acceptance was to occur if certain thresholds of Acceptance Incidents and their classifications were not exceeded during the three week Operational Trial Review that followed the Core Observation Period.
117. Each Acceptance Test was envisaged to demonstrate that the relevant Acceptance Criteria had been met. Acceptance Criteria for each of the contractual service areas were specified in the relevant schedules of the Codified Agreement and are set out in Part 2 of Appendix 1 to this statement.
118. The Acceptance Tests to be used for CSR Acceptance were described in the agreed Acceptance Specifications listed in Annex 2 to Schedule 11 by reference to Contract Change Notes ("**CCNs**"). Generally, these Acceptance Specifications established responsibilities between the parties for executing the testing described in the specifications. The relevant acceptance specifications are more particularly set out in Part 1 of Appendix 1 to this statement. Each party nominated a Test Manager and other representatives to conduct acceptance testing.
119. In a later version of the Codified Agreement (FSL_03/47), the following testing documents were referred to as being relevant to the Operational Trial: The General Testing Policy, version 2.0 (30 September 1996) (FSL_03/48); The Testing and Integration Strategy, version 2.0 (30 September 1996) (FSL_03/49); and Revisions to the Testing and Integration Approach for Pathway Release 2, version 2.0 (24 October 1997) (FSL_03/50).

120. POCL and ICL Pathway were operating a Live Trial of the CSR release in 299 Live Trial Post Offices by the time the Codified Agreement was entered into (FSL_03/51). 23 more Post Office branches were also due to be added to the Live Trial cohort. This Live Trial was being conducted on what was known as LT1 (short for Live Trial 1). LT2 (short for Live Trial 2) was to follow.
121. KPRs were also prepared for CSR. As explained above, these documents recorded known problems which were not intended to be resolved by means of product change to the Core System Release prior to the Live Trial (e.g. FSL_03/52). Further details of the release content of CSR LT2 are set out in a document entitled "ICL Pathway Core System Release Contents Description" which was issued on or about 25 June 1999 (FSL_03/53).
122. Two of the pre-conditions specified for CSR Acceptance in Schedule A11 of the Codified Agreement were that the thresholds for faults should be met and a timetable should be agreed to resolve outstanding faults. The fault thresholds for CSR Acceptance provided that there should be no high severity (category A) faults, no more than 20 medium severity (category B) faults, and no more than 10 category B faults in respect of any one CSR acceptance specification (FSL_03/54).
123. As explained below, these pre-conditions were not achieved and CSR Acceptance was not achieved by the 16 August 1999 target date specified in the Codified Agreement.
124. In these circumstances, paragraph 3.1 of Schedule A11 to the Codified Agreement entitled ICL Pathway to a period of three months to remedy the outstanding defaults at its own expense and to re-submit the Core System Release for its second CSR Acceptance Test (FSL_03/54). The basis upon

which the parties agreed to continue working after 16 August 1999 was set out in the Supplemental Agreement dated 20 August 1999 (FSL_03/55). At the end of the CSR Operational Trial Review Period on 16 August 1999, there were:

- a. 9 faults (the “Agreed Category B Faults”), which both parties agreed were category B faults, being Acceptance Incidents 342, 361, 371, 211, 372, 390, 395, 314 and 408;
- b. 3 faults (the “Disputed Category A Faults”), which ICL Pathway considered to be category B faults but which POL believed were category A faults, being Acceptance Incidents 376, 298 and 218;
- c. 2 faults (the “Disputed Category B Faults”), which ICL Pathway considered to be low severity category C faults but which POCL believed were category B faults, being Acceptance Incidents 378 and 391; and
- d. 1 alleged fault (the “Unagreed Fault”), which ICL Pathway believed was not an Acceptance Incident but which POCL believed to be a category B fault, being Acceptance Incident 369.

125. The Supplemental Agreement recorded the parties’ agreed programme of work with a view to achieving CSR Acceptance and release authorisation by 24 September 1999. This included, (i) a further “Limited Trial Period” between the date of the Supplemental Agreement and 17 September 1999, and (ii) joint workshops for the purpose of agreeing resolution plans for the Agreed Category B Faults, the Disputed Category B Faults and, if appropriate, the Unagreed Fault. PA Consulting was also involved in these workshops.

126. On 24 September 1999, CSR Acceptance and authorisation by the Release Authorisation Board for national rollout were deemed to have been achieved by the terms of the Second Supplemental Agreement signed that day (FSL_03/56). The Second Supplemental Agreement recorded the following 13 Acceptance Incidents (as well as category C faults) as outstanding at the date of the Agreement: Acceptance Incidents 211, 218, 298, 314, 342, 369, 372, 376, 378, 390, 391, 408 and 412 (FSL_03/56)⁵. The parties agreed to use reasonable endeavours to resolve each Acceptance Incident in accordance with rectification plans set out in the Second Supplemental Agreement and a new Acceptance Resolution Timetable.
127. For each Acceptance Incident listed in Part B of Schedule 1 of the Second Supplemental Agreement, Schedule 2 contained a reference to an existing rectification plan in addition to certain new ongoing obligations for the parties as set out in Schedule 5. Schedule 2 also sets out the basis upon which each of the outstanding Acceptance Incidents could be closed. Appendix 2 to this Statement contains a table setting out the referenced contemporaneous rectification plans.
128. The Second Supplemental Agreement required ICL Pathway to use its reasonable endeavours to resolve each of the outstanding Acceptance Incidents in accordance with the obligations therein, rectification plans listed at Schedule 2 to the Second Supplemental Agreement and in accordance with the Rectification Timetable. Further, by paragraph 3.6 of the Second Supplemental Agreement, ICL Pathway was required to *“co-operate and join with POCL in providing such information to the Post Office’s auditors as such auditors may*

⁵ Part B of Schedule 1 to the Second Supplemental Agreement.

reasonably require in order to satisfy themselves that the audit reports of the Post Office and POCL should not be qualified or contain a fundamental uncertainty paragraph as a result of the circumstances giving rise to Acceptance Incident 376”.

129. The Second Supplemental Agreement required POCL to conduct, on a weekly basis, the creation of a cash account from individual transaction data received by it across the TIP interface. POCL was to compare these cash accounts with the electronic cash account received from ICL Pathway across the TIP interface. Any discrepancies between these accounts were to be reported to ICL Pathway and investigated by it with any necessary co-operation of POCL. A charge was payable by ICL Pathway to POCL for POCL’s performance of this TIP Integrity Checking process.
130. If POCL decided to postpone the resumption of roll out, by Clause 6 of the Second Supplemental Agreement the parties were required to meet as soon as reasonably practicable with a view to agreeing and documenting a plan for retesting and demonstrating satisfaction of the acceptance criteria which had not previously been satisfied. A revised roll out programme would then take effect once the acceptance criteria had been demonstrably satisfied (FSL_03/56).
131. Summaries for input into delivery meetings between ICL Pathway and POCL which occurred in October and November 1999 set out progress against the 13 outstanding incidents (FSL_03/57, FSL_03/58, FSL_03/59, and FSL_03/60).
132. At the meeting of the ICL Pathway Board on 24 November 1999 (FSL_03/61), it was reported that Horizon had been rolled out to some 1,856 Post Office branches. Nevertheless, it was also reported that a major acceptance review was taking place later that day to examine the “*three big acceptance incidents*” which

were un-resolved. The principal concern at this stage appears to have been the operation of reference data in the end-to-end model.

133. On 14 January 2000, a Special Delivery Meeting took place between ICL Pathway and POCL to review progress and determine whether roll out should resume on 24 January 2000. In a note of that meeting circulated to ICL Pathway and POCL, it was noted that certain Acceptance Incidents remained unresolved, although each had an *“agreed way forward and robust checks in place to address the original concerns”*. It was then agreed that (i) if actions were in place to address the outstanding elements of agreement, and (ii) if no issues arose prior to signing a third supplemental agreement, there was no requirement for a further meeting (FSL_03/62). Those outstanding elements of agreement were described as including the completion of the final weekly checks to confirm the satisfactory deployment of the Accounting Integrity Control Release, and a review of decision activities by POCL’s lawyers.
134. On 19 January 2000, a Third Supplemental Agreement was concluded (FSL_03/63). Among other things, the Third Supplemental Agreement required POCL and ICL Pathway to continue co-operating in order to, (i) comply with obligations in relation to the Help Desk, (ii) develop operational procedures to support the accounting integrity control over the TIP interface, (iii) introduce new and detailed processes in relation to TIP data transfer rules, and (iv) improve end to end management of Reference Data over the Core System.
135. By Clause 5 of the Third Supplemental Agreement, ICL Pathway warranted that it had conducted, with reasonable skill and care, an analysis of the effectiveness of the design of the Accounting Integrity Control Release and associated measures described in Clause 5 and Schedule 4. Further, ICL Pathway

warranted that it had accurately reported all material results of such analysis to POCL and agreed that it would develop, test, deploy and provide POCL with adequate documentation of, "*processes designed to prevent recurrence of Cash Account Discrepancies which result from incorrect manual adjustment of data by [ICL Pathway]*". In respect of bi-directional product types or methods of payment, ICL Pathway also agreed that it would develop, test and deploy either software (for existing products) or processes (for new products or payments introduced after the date of the agreement) "*to prevent recurrence of Cash Account Discrepancies which result from incorrect treatment of the sign (+or-) of data values at the Pathway to TIP interface*".

136. Additionally, to address specific reference data errors introduced in respect of certain products referred to in Schedule 4, ICL Pathway agreed to co-operate with POCL and assist POCL to prevent recurrence of similar unintended effects of reference data changes by:

- a. developing a diagnostic tool (the "attribute checker") to predict the effect of applying all reference data changes;
- b. assisting POCL to put in place appropriate authorisation processes; and
- c. co-operating with POCL to define business rules and procedures for applying the attribute checker and the above-mentioned authorisation processes.

137. Further, until the end of the TIP Integrity Checking Period, ICL Pathway agreed to make available "*appropriate experts to explain to POCL [ICL Pathway's] analysis of all root causes of Cash Account Discrepancies and the measures which [ICL Pathway] implemented in order to prevent the recurrence of any Cash*

Account Discrepancies which would not have been detected by the Accounting Integrity Control Release".

138. Finally, by Clause 6 of the Third Supplemental Agreement, the parties agreed to amend paragraph 3.6 of Schedule G01 of the Codified Agreement in the manner set out in Schedule 5 to the Third Supplemental Agreement. In summary, this introduced new obligations and new or amended definitions such as "Cash Account Error" and "Data Error". ICL Pathway was required to apply, throughout the term of the Codified Agreement, *"all defensive measures and checks described [in Schedule G01] in order to detect Data Errors and Not Data Errors"*.
139. Widespread errors were defined as errors, discovered by ICL Pathway (whether through Help Desk calls or otherwise), affecting cash accounts in more than 100 Post Office branches in any one Cash Account period. In respect of widespread errors, ICL Pathway was required to (i) notify POCL immediately in accordance with the procedures set out in the CCD entitled "TPS Reconciliation and Incident Management" and (ii) undertake the activities specified in more detail in the remainder of Paragraph 3.6, including transmitting repaired transaction data to POCL over the TIP interface and issuing Manual Error Reports to POCL.
140. On 20 March 2000, POCL informed ICL Pathway that the four-week TIP Integrity Period had elapsed without the discovery of any Cash Account Discrepancies not found by the Accounting Integrity Control Release. Further, POCL indicated it had received satisfactory explanations from ICL Pathway for the Cash Account discrepancies found (FSL_03/64).

'STEADY STATE' SERVICE

141. In early 2000 rollout activities had resumed and by the time of the ICL Pathway Board meeting on 23 February 2000 (FSL_03/65), it was reported that the rollout had reached 300 post offices branches in a single week and the 3,000 branch rollout milestone would soon be reached.
142. Issues continued to be reported in relation to the progress of the programme, including major issues with ICL Pathway's service performance to the Post Offices now operating CSR. For example, by May 2000 at least two corporate "Red Alerts" had been raised in relation to service performance (FSL_03/66).
143. An internal audit report had been conducted of the Horizon system help desk during this time (FSL_03/67). This audit referred to concerns about the quality of service being provided by the Horizon System Helpdesk and, in particular, concern about a number of specific SLA measures (answering of calls within 20 seconds (80%) and 40 seconds (99.9%), and the failure to answer a call before the caller rings off (abandoned calls) which should not exceed 1%.
144. In examining these matters, the audit refers to the 'Wednesday Peak'. This was described as the weekly 'spike' of work on Wednesdays associated with Cash Accounts and Balancing. The workload on this day was described as "anomalous" and was providing "real challenge" in balancing the need to meet SLAs while operating within a sensible staffing model that takes account of the total call pattern over a week. Consideration was being given at this time to the implementation of Interactive Voice Recognition systems (IVR) to mitigate the problem that the *"phone is just allowed to ring until such time as the PM gives up or is answered by a Helpdesk Agent"*. However, it was also noted that any

benefits associated with introducing IVR had to be measured against increasing public hostility to such mechanisms.

145. Other issues discussed in the audit report included the confusion caused by the parallel operation of the Horizon system help desk and POCL's National Business Support Centre, as well as the impracticality of resourcing the Horizon system help desk to meet the Wednesday spike in calls. It recommended re-positioning POCL's National Business Support Centre so that it operated in front of the Horizon System Helpdesk and not in parallel. In this way, the NBCS could act as the primary interface for postmasters and filter *"only those calls as are appropriate to the HSH"*, thus reducing call volumes and improving response times. The report also observed that the parallel positioning of these two call centres was inefficient as mis-directed calls had to be routed to the alternative centre and this was causing confusion for Post Masters when deciding which centre to call.

146. Fujitsu understands that operational issues will be addressed further in Phase 3 of the Inquiry.

END USER CONSULTATION

147. The following section of this statement addresses the Inquiry's questions in relation to consultation with end users (i.e. postmasters and other branch employees, referred to collectively as "postmasters").

148. Fujitsu has identified a number of methods by which feedback was sought from postmasters. These include:

- a. User Satisfaction Surveys: The format and content of the survey is set out in the "User Satisfaction Survey & Measurement Process for Implementation" (FSL_03/68). Appendix 1 to this document provides

examples of the questionnaires to be used in respect of various activities, such as when modification are made to a Post Office branch or cabling is installed. No completed versions of this questionnaire have yet been identified.

- b. Service Visit Reply Cards: It is understood that Service Visit Reply Cards were completed by engineers during call-outs to Post Office branches. A feedback card attached to the Reply Card allowed the postmaster to briefly comment on the quality of the service provided by the engineer during their visit (including any related contact through the Horizon System Helpdesk) (see for example the ICL Pathway “Customer Service: Service Management Operations Manual” from 1998, FSL_03/69) . The feedback resulting from these Service Visit Reply Cards have not yet been located. However, Monthly Progress Reports prepared by ICL Pathway prior to completion of the national rollout, such as that for December 1999, note that Service Visit Reply Cards were being returned relatively regularly at that time and that the percentage of satisfied responses was generally high. (FSL_03/70).
- c. Management Care Visit Programme: The Management Care Visit Programme is said to have involved senior ICL Pathway representatives visiting selected Post Office branches and collecting feedback using a predefined interview pack. It is understood that the Programme was due to be performed annually. ICL Pathway planned to attend a small number of Post Office branches towards the end of 1997 with around 200 more due to be visited in 1998 (FSL_03/71). The ICL Pathway Monthly Progress Report for January 1998 notes,

for example, that the Programme had been completed for 1997, concentrating entirely on Release 1B. Although the satisfaction rate for 1997 was over 90%, criticism centred on the logistics surrounding postmaster training (FSL_03/72). Fujitsu understands that the Management Care Visit Programme will be examined in more detail during Phase 3 of the Inquiry.

- d. Telephone survey: A telephone survey of Post Office branches that migrated from IGL to Release 1C was undertaken. The ICL Pathway Monthly Progress Report for November 1997 notes that the survey raised “*some positive comments and some concerns*” but reiterated that the issues raised during the survey were being progressed.
- e. Separately, as noted in the ICL Pathway Monthly Progress Reports for February 1998 (FSL_03/73) and April 1998 (FSL_03/74), it appears that POCL also undertook a survey of 50 Post Office branches, which was later supplemented with interviews with a further 20 postmasters. It appears from these Monthly Progress Reports as though POCL presented the results of the surveys to ICL Pathway, which ICL Pathway then used as input into future training events.

THE CASH ACCOUNT AND MODIFICATIONS INTRODUCED BY THE IMPACT PROGRAMME

The Cash Account

149. Fujitsu has been asked by the Inquiry to describe issues identified during the development of the software known as the Cash Account prior to national roll out and to address certain questions about the modifications to the Horizon system introduced by POCL’s IMPACT programme.

150. By way of background, the Cash Account was a formal report of the accounting position for Post Office branches and provided a periodic summary of all transaction activities within the branch (FSL_03/75). The report was produced once for each Cash Account Period, normally 1 week but could be a 2 or 3 week period (to allow for holidays, for example). The Cash Account was derived from the balance totals relating to stock units and included a report on the current position of each branch's Suspense Account (FSL_03/75).
151. It is understood that, within branches at the commencement of national roll-out, the Cash Account was prepared using a paper-based system. One of the functions of EPOSS in the Horizon System was to produce an electronic copy of the Cash Account. Once finalised, the electronic Cash Account was stored and transmitted to POCL's TIP system (FSL_03/75). Until the amendments introduced by the POCL's Impact Programme (described below), the Cash Account was printed out by postmasters, who were required to physically sign and send Cash Account forms to POCL's Chesterfield offices for relevant reconciliation and accounting processes to be undertaken by POCL.
152. The primary vehicle for recording issues arising from the development and testing activities prior to CSR Acceptance and national roll out was the PinICL system. Fujitsu has conducted searches of PinICL records dated before 24 January 2000 (being the resumption of national roll out following the suspension to investigate accounting integrity issues escalated during Acceptance Testing).
153. As a result of these searches, Fujitsu has identified approximately 2,000 PinICLs containing the phrase "cash account". Of these, approximately 250 PinICLs were recorded as incidents relating to the Cash Account as a 'product' and, of these,

approximately 50 PinICLs contain the words “imbalance” or “discrepancy” (including variations of these words). Fujitsu has disclosed to the Inquiry, and subsequently to the Inquiry’s Expert IT Witness, all PinICL records created before 31 December 2000. This includes all the PinICLs referred to in this paragraph.

154. Two of these PinICLs (PC0036116 and PC0034332, FSL_03/76 and FSL_03/77, respectively) relate to Acceptance Incident 376 which was the subject of scrutiny pursuant to the acceptance approval arrangements discussed above. In relation to AI 376, investigations were undertaken by ICL Pathway to determine the cause of the issue and rectify it (FSL_03/78). Following analysis of “*all occurrences where the (TIP) derived cash account*” did not equal the “*actual cash account*”, ICL Pathway contended that there was “*no suggestion or indication*” that there was a fault in the “*calculation or reporting of the actual Cash Account*”. Following further monitoring of branches on the live estate, in late 1999, it seemed to become apparent that many instances of the reconciliation issues were caused by deficiencies in the Reference Data controlled and supplied by POCL to ICL Pathway (FSL_03/79).
155. In September 1999, Pathway proposed an Acceptance Resolution Plan for AI 376. The proposed rectification was the accounting integrity control described above set out in a high-level design document, ‘Logical Design for EPOSS/TIP Reconciliation Controls’ (FSL_03/80).
156. Other Acceptance Incidents also scrutinised as part of those arrangements were:
- a. AI 211 (identified April 1999), relating to a receipts and payments mismatch on the Cash Account. The incident was believed to have

been fixed as part of the changes to the balancing process introduced at LT2 (FSL_03/78).

- b. AI 378 (identified July 1999), relating to the Cash Account sub file not containing Cash Account records, which held up the processing of the Cash Account within POCL's back end systems. A fix was applied and POCL was to conduct monitoring to determine whether the issue re-rose (FSL_03/78).
- c. AI 394 (identified June 1999), relating to re-prints of the Cash Account showing differences from the original report. The issue was attributed to postmasters undertaking certain actions when completing the Cash Account report. To avoid these problems, a modification to the 'Report Broker' was introduced at LT2 (FSL_03/78).
- d. AI 410 (identified July 1999), relating to transactions received in the daily transaction file not being represented on the electronic Cash Account. ICL Pathway suggested that POCL adopt a process that would enable them to achieve its business objective "*without doing an illegal reference data change*" (FSL_03/78).

157. At a special meeting on 14 January 2000, POCL approved the start of the roll out on 24 January 2000. POCL noted that there were further checks to be completed by TIP in relation to the deployment of the integrity control, and reserved its right to suspend roll out until TIP had completed these checks (FSL_03/62).⁶

⁶ During the meeting POCL and ICL Pathway also noted that further work needed to be done on reaching contractual agreement on the third supplemental agreement.

Changes to the Cash Account introduced by the Impact Programme

158. A business process change programme was announced by POL (as POCL was then known) which would change the accounting procedures undertaken by postmasters in their branches. This was to be facilitated by the introduction of a new POL finance system known as "POLFS", which the Horizon System was to interface with. Modifications to the Horizon System and associated services performed by Fujitsu were required and these needed to be defined, impacted and managed using the contractual change mechanisms of the Codified Agreement.

159. Fujitsu understands that the Impact programme was initially referred to by the parties as the End-to-End programme. It was renamed Impact Programme (IMProved ACcounting) by POL towards the end of 2003 (FSL_03/81).

160. Initially, the Impact programme was split into a number of projects:

- a. Impact Project 1 and 3 (described in a contract variation entitled CCN 1131) (FSL_03/82); and
- b. Impact Project 2 (described in a contract variation entitled CCN 1132) (FSL_03/83).

161. Both CCNs were to be introduced in a new release of software known as Release S60 that would upgrade the Post Office branch estate (FSL_03/82). There were to be further projects aligned to later planned releases (S70 and S80), generally delivered annually by Fujitsu.

162. More detailed explanations of the POLFS programme and the associated modifications anticipated to Horizon are set out in the solution definition document for "POL SAP Finance System (Release 1)" (FSL_03/84).

163. Other design documents which Fujitsu has identified and which are exhibited to the Statement are described in the table at Appendix 3 to this statement.

THE HNG-X OR 'HORIZON ONLINE' MODIFICATION

164. The Inquiry has asked various questions of Fujitsu about the technical issues which arose during the pilots of HNG-X and the steps that were taken to resolve these issues prior to the acceptance and roll out of HNG-X.

Overview of the HNG-X Acceptance Process

165. The progress of the HNG-X system through the Live Pilot and into rollout is intertwined with the HNG-X Acceptance process. The HNG-X Acceptance process, which refers to the Live Pilot, is set out at Schedule B6.3 of the HNG-X Agreement, as amended from time to time (see, for example, Version 5 of the HNG-X Agreement dated 23 February 2009 at FSL_03/85).

166. Progression through the HNG-X acceptance process was controlled by a series of HNG-X Acceptance Gateways described as follows in:

| | |
|----------------------------|--|
| HNG-X Acceptance Gateway 1 | Readiness for Router Roll Out |
| HNG-X Acceptance Gateway 2 | Readiness for Data Centre Migration |
| HNG-X Acceptance Gateway 3 | Readiness for Live Pilot |
| HNG-X Acceptance Gateway 4 | Readiness for Branch Migration |
| HNG-X Acceptance Gateway 5 | Readiness for XP Roll-Out ⁷ |
| HNG-X Acceptance Gateway 6 | End of Live Monitoring |

167. In order to pass through an HNG-X Acceptance Gateway, the following conditions needed to be satisfied:

⁷ However, by the time of Version 7 of the HNG-X Agreement dated 10 May 2010, Acceptance Gateway 5 was no longer being used (FSL_03/86).

- a. all the HNG-X Acceptance Criteria in relation to that particular HNG-X Acceptance Gateway had to be achieved;
- b. there were no outstanding HNG-X Acceptance Incidents with High Severity; and
- c. the number of HNG-X Acceptance Incidents with Medium Severity were below specified thresholds, and agreed workarounds were in place for all Low and Medium Severity HNG-X Acceptance Incidents.

168. There were various meetings held to oversee the pilot and rollout and to manage these acceptance processes, some of which are referred to below in this statement. These include, for example, acceptance board meetings and joint progress meetings. According to Schedule B6.3 of the HNG-X Agreement, the Live Pilot was to commence after Acceptance Gateway 3 and end at Acceptance Gateway 4. These Gateways were achieved on 21 January 2010 (see the Acceptance Report for HNG-X Acceptance Gateway 3) (FSL_03/87) and 29 June 2010 (see the Acceptance Report for HNG-X Acceptance Gateway 4 (FSL_03/88 and FSL_03/89) respectively.

Acceptance Gateway 3 and Start of Live Pilot

169. The live pilot strategy that was adopted was to comprise three sequential phases: a Low Volume Pilot, a Medium Pilot, and a High Volume Pilot.

Low Volume Pilot

170. On 21 January 2010, the Acceptance Board gave a qualified approval to proceed through Acceptance Gateway 3 (Readiness for Live Pilot) (FSL_03/87). It was reported that there were 146 Low Severity Acceptance Incidents and 2 Medium Severity Acceptance Incidents. The Acceptance Board decided that its decision

was subject to the delivery of “*high priority fixes in “Reset 4” – to be delivered as part of Maintenance Release 01.08*”.

Medium Volume Pilot

171. According to the minutes of the Horizon Release Authorisation Board meeting dated 28 January 2010, it was planned at that time for the Medium Volume Pilot to begin on 28 January 2010 with 10 branches migrating, followed by a further 250 branches migrating between 1 and 4 February 2010 (FSL_03/90). The Service Review Book for February 2010 records that 7% of all incoming calls to the Horizon Service Desk were from branches that had migrated to HNG-X, despite the fact that only a small percentage of the Post Office branches were using HNG-X (FSL_03/91).

172. It is recorded in the slide deck for the HNG-X Joint Steering Board Meeting of 18 March 2010 that the restart of the Medium Volume Pilot had been approved and that the pilot would re-commence on 18 March 2010 (FSL_03/92).

High Volume Pilot

173. The High Volume Pilot proceeded on 25 March 2010. The next day, the High Volume Pilot was suspended due to live service issues experienced by HNG-X migrated branches. This involved approximately 400 branches being unable to trade for four hours on 25 March 2010 (FSL_03/93). There were database hanging incidents on 26, 27 and 29 March 2010 and the Belfast Datacentre had a power supply issue overnight on 30 March 2010 (Delivery Assurance Weekly Update – 1 April 2010: FSL_03/94). For periods of the trading day on 26 and 27 March 2010 there was a complete loss of HNG-X service (FSL_03/95).

174. On 31 March 2010, Fujitsu’s service delivery of the HNG-X contract was put onto an internal “Corporate Red Alert” (FSL_03/96).

175. A Corporate Alert Manager was assigned to oversee the matter (FSL_03/97) and regular communications were shared with POL by Fujitsu. For example, see the email dated 21 April 2010 from Vince Cochrane to various POL recipients (FSL_03/98) and the email dated 17 May 2020 from Jim Singh to various POL recipients (FSL_03/99). The problem was thought to have been caused by an Oracle database issue (FSL_03/100). A 'patch' was developed and sent through by Oracle to Fujitsu. This was reported to have been installed on 4 April 2010 (HNG-X Joint Progress Meeting dated 15 April 2010: FSL_03/101).
176. The Service Review Book for April 2010 noted: "*the HNGx rollout programme was still suspended and a number of HNG service impacting incidents were experienced. The on-going root cause analysis and subsequent corrective actions for the BAL/BDB issues are being reported on a daily basis by our Problem Manager as part of the Red Alert. Daily progress reports have been made available to [Post Office]*" (FSL_03/102).
177. On 6 April 2010, James Stinchcombe (Principal Solution Architect) was requested by Alan D'Alvarez to conduct an independent technical review into the stability of HNG-X (FSL_03/103).
178. On 27 April 2010 Mr Stinchcombe completed work on a report regarding recent problems with the Post Office service titled "*Post Office Red Alert – Independent Technical Review*" (FSL_03/95). It appears that this report was also shared with POL on 27 April 2010 (FSL_03/104).
179. The report provides the following context to Mr Stinchcombe's findings:
- "There have been a number of problems with the Post Office service over the last few weeks, with the most severe being complete loss of the HNG-X Service on 26th and 27th March, with Horizon Banking being severely impacted on 1st*

April (with 80% of transactions failing). This has resulted in the account being placed on Red Alert. As a result, an independent technical review has been requested to look at the specific problems and also take a wider perspective. This is short assignment to provide feed back to both the account and the Public Sector business unit.

This report is split down into the different areas considered and provides recommendations on how things can be improved. Given this is a short assignment it has not been possible to do a comprehensive review of all areas of the solution and where further investigation by the account would be desirable this is included. The problems that are causing the Red Alert are not a single issue and there is no “magic bullet” to solve them. The teams need to continue to resolve the known issues while continuing to investigate the problems. It is likely that additional issues will emerge as the solution continues to be investigated.”

180. The report contained various recommendations which are summarised in the table below:

| Excerpts from report narrative | Recommendations |
|---|---|
| Capacity | |
| <p>The live system has good capacity monitoring, with performance data being available in near real time. This has allowed a comprehensive look at the capacity of key components of the system.</p> <p>The evidence from the capacity monitoring shows that the problems with HNG-X are being caused by stability issues rather than capacity. It is the instability of the service (as highlighted in the next section) that is</p> | <p>R1: Urgently review the implementation of a hardware upgrade for the servers for NPS. This will be the most effective solution to the problem.</p> <p>R2: Consider in the very short term, whether simple measures could be made to reduce memory usage on the NPS (e.g. by reducing the Oracle cache size or turning off some services) to improve stability.</p> |

| Excerpts from report narrative | Recommendations |
|--|--|
| <p>perceived by the end users as “timeouts”.</p> | <p>R3: Do not allow further rollout of HNG-X until the BRS is stable and keeping up (maximum of 1 day behind).</p> <p>R4: Engage an expert in Oracle performance to review the performance of BRS to understand the existing performance and how to improve it.</p> <p>R5: Review Volume Testing with regards to memory usage for agents / BAL to ensure that memory footprint on servers is accurate.</p> <p>R6: Consider information from those HNG-X Branches already live to see whether data being generated is representative.</p> <p>R7: Complete performance & stress testing before rolling out HNG-X to full volumes.</p> |
| <p>Stability</p> | |
| <p>As covered in the previous section, many problems in the current solution seem to be being caused by “stability” issues (i.e. things don’t work correctly) as opposed to capacity (i.e. there is insufficient resource to do the work).</p> <p>Due to the operational immaturity of HNG-X, it is to be expected that there will be some problems, however many of those already identified have not yet had fixes applied. This makes diagnosing the remaining problems difficult.</p> <p>More importantly, during the recent period of instability there have been</p> | <p>R8: Apply all known fixes to live that will resolve stability issues as quickly as possible. This is needed to reduce both the likelihood of failures and also allow the remaining problems to be diagnosed.</p> |

| Excerpts from report narrative | Recommendations |
|--|--|
| <p>more low level failures than would be expected. This in turn has resulted in more recovery actions. Since the recovery itself has a number of problems (see “Recoverability”) this in turn causes significant business problems.</p> | |
| <p>Recoverability</p> | |
| <p>There is clear evidence from the solution that both Horizon (as a result of the PCI changes) and HNG-X are not able to recover correctly from failures.</p> <p>The most worrying are reconciliation BIMS exceptions – these are failures that require manual intervention by both Fujitsu and Royal Mail. Many of these failures result in end customers of the Post Office not being paid money (the exception shows that a bank believes it has paid out the money, whereas the Horizon/HNG-X system knows it did not pay out in reality).</p> | <p>R9: Urgently Review causes of failures causing BIMS exceptions for both Horizon and HNG-X. Ensure these are fixed before further rollout of the HNG-X solution.</p> |
| <p>Supportability</p> | |
| <p>One of the problems with the live system at the moment is the ability to monitor the solution. There are two broad areas that need to be monitored:</p> <ul style="list-style-type: none"> • Failures in the solution – technical faults that may or may not result in loss of service. • “Wellness” – is the system behaving as expected at a business level? <p>The second is particularly important as it makes up for any shortfalls in the monitoring solution. It is also needed to ensure it know (sic) that the system has recovered from any failures.</p> | <p>R10: Review current issues with monitoring solution to make sure they are given appropriate priority. Ideally, these should be fixed before HNG-X is rolled out further to ensure that incidents can be responded to in a timely way (this is understood is (sic) being considered as part of the second work stream in the Red Alert).</p> <p>R11: Review approach to monitoring of live based on lessons learnt with the current problems to see if the solution provided is sufficient – particularly with the need to monitor “wellness” in</p> |

| Excerpts from report narrative | Recommendations |
|--|---|
| <p>There are a number of known problems with the current monitoring solution and as a result often the first thing operations know there is a problem is when Post Masters phone up to say there is a problem. Working out what is the root cause of the incident is then difficult as many problems end up with similar behaviour as far as the Post Master is concerned (e.g. timeouts).</p> | <p>business terms that are understood by Post Office.</p> <p>R12: Review how problems are diagnosed on HNG-X in the light of recent experience to understand the gaps and their business impact.</p> <p>R13: Until the CTO joins, consider nominating one of the senior architects to provide technical leadership across the design teams and provide a single point of contact.</p> |

181. Meanwhile, the High Volume Pilot remained suspended whilst the criteria for restarting remained under review. In addition, “*major incidents*” were reported to have occurred on 5 May and 7 May 2010, at the HNG-X Joint Progress Meeting of 13 May 2010 (FSL_03/105).
182. Oracle subsequently reported to Fujitsu that three changes (one bespoke patch and two setting changes) should provide a fix to the database problem (Delivery Assurance - Weekly Update on Post Office / HNG-X 13 May 2010: FSL_03/106). This was implemented and, on 9 June 2010, the High Volume Pilot was restarted (HNG-X Joint Progress Meeting of 24 June 2010: FSL_03/107). On 21 June 2010, Fujitsu’s corporate Red Alert on the HNG-X contract was downgraded (HNG-X Joint Progress Meeting of 24 June 2010: FSL_03/107).

ACCEPTANCE GATEWAY 4 AND COMPLETION OF ROLLOUT

183. On 29 June 2010, an Acceptance Board meeting was held in relation to Acceptance Gateway 4 (Readiness for Branch Migration) and approval to proceed through it was granted as follows:

“Approval is given to proceed through AG4. This approval is given without prejudice to any claims for loss or damages arising out of the delays to the date of planned completion of end May 2010 up to the date hereof and in respect of any additional delay arising out of the default of Fujitsu” (FSL_03/88 and FSL_03/89)

184. The High Volume Pilot completed on 30 June 2010 and the full branch migration rollout began on the same day (FSL_03/108 and FSL_03/109).

185. The Acceptance Report for HNG-X Acceptance Gateway 4 is exhibited to this statement (FSL_03/88). This report details the technical issues considered by the HNG-X Acceptance Board in reaching its decision.

CONCLUSION

186. This concludes Fujitsu’s response to the Phase 2 aspects of the Inquiry’s Request. Fujitsu is continuing to consider the Phase 3 questions put to it in the Request, and intends to respond by providing the Inquiry with a further witness statement.

Statement of Truth

I believe the content of this statement to be true.

Signed:

GRO

Dated: 28 Sept 2022

**INDEX TO THE FIRST CORPORATE STATEMENT OF FUJITSU SERVICES
LIMITED**

| Exhibit No. | Document Description | Control No. | URN |
|--------------------|--|--------------------|------------------|
| FSL_03/1 | Document titled "The Horizon Programme - Top Level Briefing" | POINQ0125796F | FUJ00119603 |
| FSL_03/2 | ICL Pathway Monthly Progress Report - June 1997 | POINQ0064333F | FUJ00058162 |
| FSL_03/3 | Official Journal of the European Communities dated 30 August 1994 | POINQ0124377F | WITN037701 02 |
| FSL_03/4 | Statement of Capability and Interest dated 23 September 1994 | POINQ0125750F | FUJ00119557 |
| FSL_03/5 | Request for a Statement of Capability dated 19 October 1994 | POINQ0104400F | FUJ00098229 |
| FSL_03/6 | Statement of Capability dated 19 November 1994 | POINQ0104401F | FUJ00098230 |
| FSL_03/7 | Statement of Service Requirements dated March 1995 | POINQ0104402F | FUJ00098231 |
| FSL_03/8 | Pathway Group Response dated 8 June 1995 | POINQ0104403F | FUJ00098232 |
| FSL_03/9 | Minutes of Pathway Group Board meeting dated 15 March 1996 | POINQ0067426F | FUJ00077838 |
| FSL_03/10 | Document titled "Pathway Draft Contract Response" dated 29 December 1995 | POINQ0125751F | FUJ00119558 |
| FSL_03/11 | Letter from BA/POCL to Jim Morley dated 29 February 1996 | POINQ0125752F | FUJ00119559 |
| FSL_03/12 | Minutes of Pathway Group Board meeting dated 25 April 1996 | POINQ0123502F | FUJ00117331 |

| Exhibit No. | Document Description | Control No. | URN |
|--------------------|--|--------------------|-------------|
| FSL_03/13 | Document entitled "ICL Pathway Ltd - BA/POCL/ICL Review" dated 29 April 1998 | POINQ0125793F | FUJ00119600 |
| FSL_03/14 | CCN 237 submitted on 15 April 1998 | POINQ0125794F | FUJ00119601 |
| FSL_03/15 | PDA Master Plan, Version 1 dated 16 August 1996 | POINQ0125756F | FUJ00119563 |
| FSL_03/16 | PDA Master Plan, Version 3.0 dated 8 April 1997 | POINQ0064656F | FUJ00058485 |
| FSL_03/17 | Authorities Agreement, Version 5 dated 15 May 1996 | POINQ0125753F | FUJ00119560 |
| FSL_03/18 | Functional Specification dated 22 May 1996 | POINQ0125754F | FUJ00119561 |
| FSL_03/19 | Functional Specification, Version 6.0 dated 26 July 1996 | POINQ0125755F | FUJ00119562 |
| FSL_03/20 | IGL1 Software Baseline Release Notice dated 6 September 1996 | POINQ0125757F | FUJ00119564 |
| FSL_03/21 | IGL1 Software Updates Release Notice - Issue 2 dated 17 September 1996 | POINQ0125759F | FUJ00119566 |
| FSL_03/22 | Update 2.0 to IGL1 Software Baseline dated 17 September 1996 | POINQ0125758F | FUJ00119565 |
| FSL_03/23 | Delivered Quality Audit Report - IGL Post Offices, Stroud dated 23 January 1997 | POINQ0064448F | FUJ00058277 |
| FSL_03/24 | Initial Go Live - Lessons Learnt Report dated 12 November 1996 | POINQ0064449F | FUJ00058278 |
| FSL_03/25 | Implementation Strategy (Release 1b) dated 30 May 1997 | POINQ0125762F | FUJ00119569 |
| FSL_03/26 | Release 1b Order Book Control Service Processes and Procedures dated 15 April 1997 | POINQ0123839F | FUJ00117667 |

| Exhibit No. | Document Description | Control No. | URN |
|--------------------|---|--------------------|-------------|
| FSL_03/27 | Minutes of ICL Pathway Board meeting dated 7 May 1997 | POINQ0064319F | FUJ00058148 |
| FSL_03/28 | Release 1c Contents Description dated 22 September 1997 | POINQ0125786F | FUJ00119593 |
| FSL_03/29 | Presentation entitled "ICL Pathway Bringing Technology to Post Office Counters and Benefit Payments", undated | POINQ0125787F | FUJ00119594 |
| FSL_03/30 | Minutes of ICL PLC Board meeting dated 23 July 1997 | POINQ0064323F | FUJ00058152 |
| FSL_03/31 | Known Problem Register at Release 1c, Version 0.3 dated 26 August 1997 | POINQ0067680F | FUJ00078092 |
| FSL_03/32 | Phase 1C (North East) Weekly Progress Report dated 2 December 1997 | POINQ0064508F | FUJ00058337 |
| FSL_03/33 | Live Trial South Wales South West - Weekly Progress Report dated 8 June 1998 | POINQ0064520F | FUJ00058349 |
| FSL_03/34 | Live Trial South Wales South West - Weekly Progress Report dated 13 July 1998 | POINQ0064530F | FUJ00058359 |
| FSL_03/35 | Phase 1C - Post Implementation Report dated 31 March 1998 | POINQ0064519F | FUJ00058348 |
| FSL_03/36 | Service Management - Release 1C Operations Report dated 13 March 1998 | POINQ0064512F | FUJ00058341 |
| FSL_03/37 | Release 1C Change Request - Lost Transactions & Duplicate Payments dated 21 January 1998 | POINQ0067724F | FUJ00078136 |
| FSL_03/38 | ICL Pathway Memorandum with subject "Model Office Test (DROP3)" dated 19 September 1997 | POINQ0067684F | FUJ00078096 |

| Exhibit No. | Document Description | Control No. | URN |
|--------------------|---|--------------------|-------------|
| FSL_03/39 | New Release 2 Contents Description, Version 2.0 dated 24 February 1998 | POINQ0125792F | FUJ00119599 |
| FSL_03/40 | Acceptance of the Operational Trial dated 22 May 1997 | POINQ0125760F | FUJ00119567 |
| FSL_03/41 | Report on Release 2 Process Improvement Programme dated 18 June 1998 | POINQ0064630F | FUJ00058459 |
| FSL_03/42 | Letter from Keith Todd to Stuart Sweetman dated 10 March 1998 enclosing original letter to Peter Mathison dated 6 March 1998 and the ICL Position Paper | POL-0027601 | POL00031117 |
| FSL_03/43 | ICL Pathway Programme Office Monthly Report - March 1998 | POINQ0067864F | FUJ00078276 |
| FSL_03/44 | ICL Pathway Monthly Progress Report, August 1998 | POINQ0064329F | FUJ00058158 |
| FSL_03/45 | Pathway Programme Monthly Report dated 10 July 1998 - Version 1.0 | POINQ0064345F | FUJ00058174 |
| FSL_03/46 | ICL Pathway - Review 28 July 98 | POINQ0125795F | FUJ00119602 |
| FSL_03/47 | Codified Agreement between POCL and ICL Pathway Ltd dated 21 June 2002 - Version 4.0 | POINQ0125816F | FUJ00119623 |
| FSL_03/48 | General Testing Policy, Version 2.0 dated 30 September 1996 | POINQ0007699F | FUJ00001528 |
| FSL_03/49 | Testing & Integration Strategy document dated 30 September 1996 | POINQ0007444F | FUJ00001273 |
| FSL_03/50 | Revisions to the Testing & Integration Approach for Pathway Release 2 - Version 2.0 dated 24 October 1997 | POINQ0007438F | FUJ00001267 |

| Exhibit No. | Document Description | Control No. | URN |
|--------------------|---|--------------------|-------------|
| FSL_03/51 | ICL PLC Board Minutes dated 20 July 1999 | POINQ0009902F | FUJ00003731 |
| FSL_03/52 | Known Problem Register dated 6 July 1999 | POINQ0068390F | FUJ00078802 |
| FSL_03/53 | ICL Pathway Core System Release Contents Description dated 25 June 1999 - Version 1.0 - PA/STR/012 | POINQ0085459F | FUJ00078801 |
| FSL_03/54 | Codified Agreement between POCL and ICL Pathway Ltd dated 28 July 1999 | POINQ0006242F | FUJ00000071 |
| FSL_03/55 | Supplemental Agreement between POCL and ICL Pathway dated 20 August 1999 | POINQ0125799F | FUJ00119606 |
| FSL_03/56 | Second Supplemental Agreement between POCL and ICL Pathway Limited dated 24 September 1999 | POINQ0124313F | FUJ00118149 |
| FSL_03/57 | ICL Pathway Progress Summary for Input to Horizon / Pathway Delivery Meeting, dated 13 October 1999 | POINQ0068768F | FUJ00079180 |
| FSL_03/58 | ICL Pathway Progress Summary for Input to Horizon / Pathway Delivery Meeting dated 27 October 1999 | POINQ0068772F | FUJ00079184 |
| FSL_03/59 | ICL Pathway Progress Summary for Input to Horizon / Pathway Delivery Meeting dated 10 November 1999 | POINQ0124324F | FUJ00118160 |
| FSL_03/60 | ICL Pathway Progress Summary for Input to Horizon / Pathway Delivery Meeting dated 24 November 1999 | POINQ0124345F | FUJ00118181 |
| FSL_03/61 | ICL Pathway Board Meeting Minutes dated 24 November 1999 | POINQ0009831F | FUJ00003660 |

| Exhibit No. | Document Description | Control No. | URN |
|--------------------|--|--------------------|-------------|
| FSL_03/62 | Notes of Horizon/Pathway Special Delivery Meeting on 14 January 2000, sent by Dick Brazear to POCL and ICL employees | POL-0024991 | POL00028509 |
| FSL_03/63 | Third Supplemental Agreement dated 19 January 2000 | POINQ0125815F | FUJ00119622 |
| FSL_03/64 | Letter from Keith Baines to Tony Oppenheim dated 20 March 2000 | POINQ0124352F | FUJ00118188 |
| FSL_03/65 | ICL Pathway Ltd Board Minutes dated 23 February 2000 | POINQ0009842F | FUJ00003671 |
| FSL_03/66 | ICL Pathway Ltd Board Minutes dated 9 May 2000 | POINQ0009853F | FUJ00003682 |
| FSL_03/67 | Audit of the Horizon System Helpdesk Version 1.0 dated 28 April 2000 | POINQ0086852F | FUJ00080681 |
| FSL_03/68 | User Satisfaction Survey & Measurement Process for Implementation dated 25 June 1999 | POINQ0064669F | FUJ00058498 |
| FSL_03/69 | ICL Pathway Customer Service: Service Management Operations Manual Version 1.0 dated 24 August 1998 | POINQ0064667F | FUJ00058496 |
| FSL_03/70 | ICL Pathway Monthly Progress Report - March 1999 | POINQ0064351F | FUJ00058180 |
| FSL_03/71 | ICL Pathway Management Care Visit Programme Procedure dated 7 August 1997 | POINQ0064663F | FUJ00058492 |
| FSL_03/72 | ICL Pathway Monthly Progress Report - December 1997 | POINQ0064337F | FUJ00058166 |
| FSL_03/73 | ICL Pathway Monthly Progress Report - February 1998 | POINQ0064340F | FUJ00058169 |

| Exhibit No. | Document Description | Control No. | URN |
|--------------------|---|--------------------|-------------|
| FSL_03/74 | ICL Pathway Monthly Progress Report - April 1998 | POINQ0064342F | FUJ00058171 |
| FSL_03/75 | EPOSS Functional Description Version 4.0 dated 5 March 1999 | POINQ0085448F | FUJ00079277 |
| FSL_03/76 | PinICL PC0036116 | POINQ0042822F | FUJ00036651 |
| FSL_03/77 | PinICL PC0034332 | POINQ0044162F | FUJ00037991 |
| FSL_03/78 | Collection of Acceptance Incident Forms for various incidents (various dates in 1999) | POL-0024839 | POL00028357 |
| FSL_03/79 | Letter from John Bennett to Dave Smith dated 4 November 1999 with subject line "End-to-End Review of Reference Data Management" | POL-0025044 | POL00028562 |
| FSL_03/80 | ICL Pathway Logical Design for EPOSS/TIP Reconciliation Controls Version 0.8 dated 22 December 1999 | POINQ0007538F | FUJ00001367 |
| FSL_03/81 | E-mail dated 17 October 2003 from Keith Baines to Colin Lenton-Smith, copying Liam Foley and Hilary Forrest with subject Programme Name Change" | POINQ0125817F | FUJ00119624 |
| FSL_03/82 | Change Control Note #1131b | POINQ0007098F | FUJ00000927 |
| FSL_03/83 | Change Control Note #1132a | POINQ0007099F | FUJ00000928 |
| FSL_03/84 | Solution Definition Document - POL SAP Finance System (Release 1) | POINQ0125819F | FUJ00119626 |
| FSL_03/85 | Version 5 of the HNG-X Agreement dated 23 February 2009 | POINQ0006247F | FUJ00000076 |
| FSL_03/86 | Version 7 of the HNG-X Agreement dated 10 May 2010 | POINQ0006249F | FUJ00000078 |

| Exhibit No. | Document Description | Control No. | URN |
|--------------------|---|--------------------|-------------|
| FSL_03/87 | Acceptance Report for HNG-X Acceptance Gateway 3 dated 23 February 2010 | POINQ0103097F | FUJ00096926 |
| FSL_03/88 | Acceptance Report for HNG-X Acceptance Gateway 4 dated 7 July 2010 | POINQ0103394F | FUJ00097223 |
| FSL_03/89 | Horizon Next Generation Acceptance Gate 4 - Joint Board Meeting No. AG4-01 dated 29 June 2010 | POINQ0103483F | FUJ00097312 |
| FSL_03/90 | Horizon Next Generation Release Authorisation AG3 - Board Meeting No. AG3-07 dated 28 January 2010 | POINQ0103482F | FUJ00097311 |
| FSL_03/91 | Service Review Book for February 2010 dated 12 March 2010 | POINQ0100590F | FUJ00094419 |
| FSL_03/92 | Presentation titled "HNG-X Joint Steering Board Meeting" dated 18 March 2010 | POINQ0100628F | FUJ00094457 |
| FSL_03/93 | Presentation titled "Executive Steering Committee HNGX Update" dated 31 March 2010 | POINQ0125826F | FUJ00119633 |
| FSL_03/94 | Delivery Assurance Weekly Update dated 1 April 2010 | POINQ0101244F | FUJ00095073 |
| FSL_03/95 | Post Office Red Alert - Independent Technical Review James Stinchcombe, Principal Solution Architect dated 27 April 2010 | POINQ0102621F | FUJ00096450 |
| FSL_03/96 | Email from RED ALERTS to various recipients with subject "Corporate Red Alert Ref 1112 - Post Office limited (RMGA) - Initial Report" dated 31 March 2010 | POINQ0101233F | FUJ00095062 |
| FSL_03/97 | E-mail from Van Achte Gaetan to 'Amber Alerts' copying Gavin Bounds and David | POINQ0101220F | FUJ00095049 |

| Exhibit No. | Document Description | Control No. | URN |
|-------------|---|---------------|-------------|
| | Keeling, with subject "RMGA Corporate Red Alert" dated 31 March 2010 | | |
| FSL_03/98 | E-mail dated 21 April 2010 from Vince Cochrane to various POL recipients with subject "HNG Red Alert fixes -- update as of Wed the 21st" | POINQ0101521F | FUJ00095350 |
| FSL_03/99 | E-mail dated 17 May 2020 from Jim Singh to various POL recipients with subject "Daily update - Red Alert Issues - 17.05.2010" | POINQ0101967F | FUJ00095796 |
| FSL_03/100 | Presentation titled "Joint Progress Meeting HNG-X Update" dated 1 April 2010 | POINQ0101217F | FUJ00095046 |
| FSL_03/101 | Presentation titled "HNG-X Joint Progress Meeting dated 15 April 2010" | POINQ0101403F | FUJ00095232 |
| FSL_03/102 | Service Review Book for April 2010 dated 17 May 2010 | POINQ0102629F | FUJ00096458 |
| FSL_03/103 | E-mail 6 April 2010 from Graham Allen to John Brimicombe with subject "Red Alert - Independent Technical Review" | POINQ0101265F | FUJ00095094 |
| FSL_03/104 | E-mail chain last dated 27 April 2010 between Alan D'Alvarez, Geoff Butts, Lee Farman and others with subject "Call with James Stinchcombe" | POINQ0125824F | FUJ00119631 |
| FSL_03/105 | Presentation titled "Joint Progress Meeting - HNG-X Update" dated 13 May 2010 | POINQ0101851F | FUJ00095680 |
| FSL_03/106 | Delivery Assurance - Weekly Update 13 May 2010 - Post Office Ltd - HNGX | POINQ0101943F | FUJ00095772 |

| Exhibit No. | Document Description | Control No. | URN |
|--------------------|--|--------------------|-------------|
| FSL_03/107 | Presentation titled "Joint Progress Meeting - HNG-X Update" dated 24 June 2010 | POINQ0102435F | FUJ00096264 |
| FSL_03/108 | Presentation titled "Executive Steering Board - HNG-X Update" dated 1 July 2010 | POINQ0103289F | FUJ00097118 |
| FSL_03/109 | E-mail chain last dated 30 June 2010 between Geoff Butts and others, with subject "update on HNG-X R1 Rollout FOR CASCADE" | POINQ0103280F | FUJ00097109 |
| FSL_03/110 | APS Acceptance Test v.3.0 dated 16 July 1998 | POINQ0007453F | FUJ00001282 |
| FSL_03/111 | DSS/POCL Implementation A (User Training/Procedures) Acceptance Specification v.3.0 dated 20 August 1998 | POINQ0007677F | FUJ00001506 |
| FSL_03/112 | Implementation Part C (Services) v. 2 dated 23 June 1998 | POINQ0007678F | FUJ00001507 |
| FSL_03/113 | MIS Services Acceptance Test Specification v. 1.0 dated 20 October 1998 | POINQ0007641F | FUJ00001470 |
| FSL_03/114 | OBCS Acceptance Test v.3.1 dated 7 October 1998 | POINQ0125797F | FUJ00119604 |
| FSL_03/115 | Security v.2.0 dated 16 October 1998 | POINQ0007698F | FUJ00001527 |
| FSL_03/116 | Service Levels Acceptance Test v.1.0 dated 21 October 1998 | POINQ0007638F | FUJ00001467 |
| FSL_03/117 | Audit Acceptance Specification v.2.0 dated 13 November 1998 | POINQ0125808F | FUJ00119615 |
| FSL_03/118 | OBCS Acceptance Test v.4.0. dated 6 November 1998 | POINQ0125798F | FUJ00119605 |
| FSL_03/119 | The ICL Pathway to TIP Interface Acceptance Test v.3.0 dated 27 November 1998 | POINQ0007635F | FUJ00001464 |

| Exhibit No. | Document Description | Control No. | URN |
|--------------------|--|--------------------|-------------|
| FSL_03/120 | EPOSS Acceptance Test v.4.0 dated 18 December 1998 | POINQ0064583F | FUJ00058412 |
| FSL_03/121 | Help Desk Acceptance Test v.2.0 dated 11 December 1998 | POINQ0007457F | FUJ00001286 |
| FSL_03/122 | Reconciliation Acceptance Test v.2.0 dated 22 December 1998 | POINQ0125814F | FUJ00119621 |
| FSL_03/123 | Implementation Part D - Rollout v.2.0 dated 21 December 1998 | POINQ0068679F | FUJ00079091 |
| FSL_03/124 | End to End Service v.1.0 dated 24 December 1998 | POINQ0125812F | FUJ00119619 |
| FSL_03/125 | Schedule 3 v.1.0 dated 24 December 1998 | POINQ0125810F | FUJ00119617 |
| FSL_03/126 | Policies & Standards v.1.0 dated 11 January 1999 | POINQ0068333F | FUJ00078745 |
| FSL_03/127 | POCL Infrastructure Acceptance Test v.2.0 dated 31 March 1999 | POINQ0007634F | FUJ00001463 |
| FSL_03/128 | Resolution Plan - Acceptance Incident 218 dated 23 September 1999 | POINQ0125805F | FUJ00119612 |
| FSL_03/129 | Acceptance Incident 298 Resolution Plan v. 0.8 dated 23 September 1999 | POINQ0125807F | FUJ00119614 |
| FSL_03/130 | Development Of Manual Describing Use Of OPS, TMS and EPOSS APIs Within ICL Pathway v. 0.3 dated 7 September 1999 | POINQ0125800F | FUJ00119607 |
| FSL_03/131 | OBCS failures testing approach and rectification plan v. 0.2 dated 15 September 1999 | POINQ0125804F | FUJ00119611 |
| FSL_03/132 | Acceptance Proposal for Acceptance Incident 372 v. 0.4 dated 16 September 1999 | POINQ0068761F | FUJ00079173 |

| Exhibit No. | Document Description | Control No. | URN |
|--------------------|---|--------------------|-------------|
| FSL_03/133 | Acceptance Resolution Plan for Acceptance Incident 376 v. 0.9 dated 23 September 1999 | POINQ0124314F | FUJ00118150 |
| FSL_03/134 | Acceptance Resolution Plan or Acceptance Incident 378 v.0.3 dated 16 September 1999 | POINQ0125803F | FUJ00119610 |
| FSL_03/135 | Acceptance Resolution Plan for Acceptance Incident 391 v.1.0 dated 13 September 1999 | POINQ0125802F | FUJ00119609 |
| FSL_03/136 | Resolution Plan for AI408-Horizon System Helpdesk v. 0.5 dated 23 September 1999 | POINQ0125806F | FUJ00119613 |
| FSL_03/137 | Acceptance Resolution Plan for Acceptance Incident 412 v.0.2 dated 10 September 1999 | POINQ0125801F | FUJ00119608 |
| FSL_03/138 | PO Ltd Financial Systems - Release 3 - Conceptual Design dated 2003 | POINQ0096319F | FUJ00090148 |
| FSL_03/139 | IMPACT Release 3 Counter Design for Balancing, Rollover and Stock Processing v. 2.0 dated 12 September 2005 | POINQ0091295F | FUJ00085124 |
| FSL_03/140 | IMPACT Release 3 Design Proposal v. 1.0 dated 30 April 2004 | POINQ0096228F | FUJ00090057 |
| FSL_03/141 | Impact Release 3 - Balancing and Trading Statement Production User Interface v.1.0 dated 18 August 2004 | POINQ0096402F | FUJ00090231 |
| FSL_03/142 | S80 Impact Release 3 EPOSS Counter Operational Support Guide v 1.0 dated 20 May 2005 | POINQ0097363F | FUJ00091192 |
| FSL_03/143 | Impact Release 3 - Counter Design for Declaration, | POINQ0097261F | FUJ00091090 |

| Exhibit No. | Document Description | Control No. | URN |
|-------------|--|---------------|-------------|
| | Correction and Revaluation v. 2.0 dated 8 September 2005 | | |
| FSL_03/144 | Impact Release 3 - Balancing and Trading Statement Production User Interface v. 2.0 dated 31 October 2005 | POINQ0097175F | FUJ00091004 |

Appendix 1
Schedule of Acceptance Specifications

Part 1: Acceptance Specifications

| CCN | CSR Acceptance Specification | Exhibit Reference |
|------|---|-------------------|
| 0338 | CR/ACS/006 APS v.3.0 | FSL_03/110 |
| 0340 | IM/ACS/001 DSS/POCL Implementation A (User Training/Procedures) v.3.0 | FSL_03/111 |
| 0342 | IM/ACS/003 Implementation Part C (Services) v. 2.0 | FSL_03/112 |
| 0343 | CR/ACS/022 (previously CS/ACS/008, v. 0.1) MIS v. 1.0 | FSL_03/113 |
| 0344 | CR/ACS/005 OBCS v.3.0 (v.3.1 located) | FSL_03/114 |
| 0345 | RS/ACS/002 Security v.2.0 | FSL_03/115 |
| 0346 | CR/ACS/019 Service Levels v.1.0 | FSL_03/116 |
| 0361 | CR/ACS/011 Audit v.2.0 | FSL_03/117 |
| 0362 | CR/ACS/005 OBCS v.4.0 | FSL_03/118 |
| 0370 | CR/ACS/009 ICL Pathway to TIP Interface v.3.0 | FSL_03/119 |
| 0378 | CR/ACS/008 EPOSS Acceptance Test Specification v-4.0 | FSL_03/120 |
| 0379 | CR/ACS/018 Help Desk v.2.0 | FSL_03/121 |

| CCN | CSR Acceptance Specification | Exhibit Reference |
|------|--|-------------------|
| 0380 | CR/ACS/012 Reconciliation v.2.0 | FSL_03/122 |
| 0381 | IM/ACS/005 Implementation Part D - Rollout v.2.0 | FSL_03/123 |
| 0382 | RS/ACS/001 End to End Service v.1.0 | FSL_03/124 |
| 0383 | CR/ACS/020 Schedule C3 v.1.0 | FSL_03/125 |
| 0388 | CR/ACS/021 Policies & Standards v.1.0 | FSL_03/126 |
| 0458 | CR/ACS/007 POCL Infrastructure v.2.0 | FSL_03/127 |

Part 2: Acceptance Criteria

| Service | Schedule | Acceptance Criteria |
|------------------------------|----------|---|
| OBCS | H02 | Subject to Clause 201.6, the OBCS shall meet the following Acceptance Criteria, namely that OBCS shall be as specified in Schedule H01 and interwork with the POCL Infrastructure Services specified in Schedule G01, ensuring that: (a) data shall be received, stored, captured and sent in a secure manner, timeously and without corruption; and (b) OBCS shall be secured against fraudulent attack as far as the Codified Agreement requires; and (c) OBCS has the contingency arrangements specified in Schedules H01 and H09 and that all contingency arrangements can be implemented successfully; and (d) OBCS meets the maximum Contracted Transaction Times specified in Schedule H08 and the Minimum Acceptable Thresholds specified in Schedule H08. |
| POCL Infrastructure Services | G04 | Subject to Clause 201.6 , the POLC Infrastructure Services shall meet the following Acceptance Criteria, namely that POCL Infrastructure shall be as specified in Schedule G01 and shall interwork with the Service Environment specified in Schedule 1 and the POCL Application Services and EPOSS specified in Schedules E01, F01 and H01, ensuring that: (a) data shall be received, stored, and transferred in a secure manner, timeously and without corruption; and having been validated as specified in Schedule B08; and (b) data shall be secured against fraudulent attack as far as the Codified Agreement requires; and (c) the POCL Infrastructure Services have the contingency arrangements specified in Schedules G01 and G011 and that all contingency arrangements can be implemented successfully; and (d) the POCL Infrastructure Services meet the maximum Acceptable Thresholds specified in Schedule G10. |
| EPOSS | F02 | Subject to Clause 201.6, the EPOSS shall meet the following Acceptance Criteria, namely that EPOSS shall be as specified in Schedule F01 and interwork with the POCL-Infrastructure Services specified in Schedule G01, ensuring that: (a) data shall be received, stored, captured and sent in a secure manner, timeously and without corruption; and (b) EPOSS shall be secured against fraudulent attack as far as the |

| Service | Schedule | Acceptance Criteria |
|-----------------------------|----------|---|
| | | Codified Agreement requires; and (c) EPOSS has the contingency arrangements specified in Schedules F01 and F09 and that all contingency arrangements can be implemented successfully; and (d) EPOSS meets the maximum Contracted Transaction Times specified in Schedule F08 and the Minimum Acceptable Thresholds specified in Schedule F08. |
| APS | E02 | Subject to Clause 201.6, the APS shall meet the following Acceptance Criteria, namely that APS shall be as specified in Schedule E01 and interwork with the POCL - Infrastructure Services specified in Schedule G01, ensuring that: (a) data shall be received, stored, captured and sent in a secure manner, timeously and without corruption; and (b) APS shall be secured against fraudulent attack as far as the Codified Agreement requires; and (c) APS has the contingency arrangements specified in Schedules E01 and E09 and that all contingency arrangements can be implemented successfully; and (d) APS meets the maximum Contracted Transaction Times specified in Schedule E08 and the Minimum Acceptable Thresholds specified in Schedule E08. |
| POCL Service Infrastructure | B05 | The POCL Service Infrastructure shall meet the following Acceptance Criteria, namely that the elements of the POCL Service Infrastructure shall be as specified in Schedules B01 and B02 and shall interwork with the POCL Service Environment specified in Schedule 1, and that the POCL Service Infrastructure shall be technically capable of supporting the provisions of the POCL Services to the standard necessary to ensure that: (a) data shall be received, stored and transferred in a secure manner, timeously, without corruption and having been validated as specified in Schedule B8; and b) data shall be secured against fraudulent attack as far as the Codified Agreement requires (b) data shall be secured against fraudulent attack as far as the Codified Agreement requires. |

Appendix 2

Schedule of Acceptance Incidents and associated rectification plans as set out in the Second Supplemental Agreement

| No. | Acceptance Incident | Rectification Plans, Schedule 2, Second Supplemental Agreement (24 September 1999). |
|-----|---------------------|--|
| 1. | AI211 | <p>1.1. The Contractor shall apply each of the fixes detailed in the Acceptance Incident Analysis Form for AIN 211 ("Form 211") by the date specified for such fix in Form 211. 1.2. Where no date is specified in Form 211 for the application of a fix, the Contractor confirms that that fix has been successfully applied for all Outlets to which Rollout has occurred as of the date of this Agreement. 1.3. The Contractor shall monitor the effectiveness of the action taken by it to resolve the incident. 1.4. When the monitoring referred to in paragraph 1.3 demonstrates over a period of four consecutive weeks that resolution of AIN 211 has been achieved, then POCL will close AIN 211.</p> |
| 2. | AI218 | <p>2.1. Each of the Contractor and POCL shall complete the steps and achieve the objectives applicable to it (the "218 Obligations") detailed in section 3 and the Contractor shall meet the critical success factors (the "Criteria") detailed in the table headed "<i>Critical Success Factors</i>" in Document CR/ACD/218 (Version 0.5) (dated 23rd September, 1999) (FSL_03/128). 2.2. Each of the Contractor and POCL shall fulfil each of the 218 Obligations applicable to it and the Contractor shall ensure that all the Criteria are met by 31st December, 1999. 2.3. When the 218 Obligations and all the Criteria shall have been satisfied, then POCL will close AIN 218.</p> |
| 3. | AI298 | <p>3.1. Each of the Contractor and POCL shall complete the steps and achieve the objectives applicable to it (the "298 Obligations") detailed in section 5 of Document CR/ACD/298 (Version 0.8) (dated 23rd September, 1999) ("CR/ACD/298") (FSL_03/129) and where that section identifies one party as fulfilling an action, the other party shall assist the aforementioned party to reach a successful conclusion (FSL_03/129). 3.2. Each of the Contractor and POCL shall complete each of the 298 Obligations applicable to it by the dates and to the standards set out in section 5 of CR/ACD/298. 3.3. Without prejudice to the generality of the above paragraphs 3.1 and 3.2, the criteria to be met in respect of AIN 298 by 24th November, 1999 are as set out in Part A of Schedule 4 of this Agreement (FSL_03/56). 3.4. The Contractor shall, until closure of AIN 298, record and report to POCL such data as shall be necessary to enable POCL to calculate the number of Units being recorded as defined in paragraph 3 of Part A of Schedule 4 to this Agreement. 3.5. For the avoidance of doubt, it is agreed that the Contractor shall be</p> |

| No. | Acceptance Incident | Rectification Plans, Schedule 2, Second Supplemental Agreement (24 September 1999). |
|-----|---------------------|--|
| | | permitted to continue the good business practice of carrying out planned reboots outside working hours, such planned reboots not to exceed an average of one per Counter Position per month. 3.6. Without prejudice to the generality of the above paragraphs 3.1 and 3.2, as described in paragraph 5.5.2 of CR/ACD/298, the Contractor shall produce and deliver to POCL by 30 October, 1999 the document referred to in that paragraph for review and agreement by 24 th November, 1999 and the Contractor shall implement the provisions of that revised document by 24 November, 1999. 3.7. When the criteria in paragraph 3.3 and the obligations in paragraph 3.6 shall have been satisfied, POCL will close AIN 298. |
| 4. | AI314 | 4.1. The Contractor shall produce and deliver to POCL a document entitled “ <i>ICL Pathway Generalised API for OPS/TMS</i> ” (the “ API Document ”). 4.2. The Contractor shall produce the API Document in accordance with sections 2 (“ <i>Scope</i> ”), 3 (“ <i>Document Standards</i> ”) and 4 (“ <i>Content of ICL Pathway Generalised API for OPS/TMS</i> ”) of Document CR/SPE/007 (Version 0.3) (dated 7th September, 1999) (“ CR/SPE/007 ”) (FSL_03/130). 4.3. The Contractor and POCL shall review the version of the API Document referred to in sub-paragraph 4.4(A) as described in section 3 of CR/SPE/007. 4.4. The Contractor shall produce and deliver the API Document to POCL: (A) as a version for review without the “Appendix” (as defined in paragraph 5(A) of CR/SPE/007) before 1st December, 1999; (B) as a revised version without the Appendix incorporating the changes arising from the review referred to in the above sub-paragraph 4.4(A) and paragraph 4.3 as a CCN before 28th December, 1999; and (C) with the Appendix before 1st February, 2000 as a CCN. 4.5. POCL will close AIN 314 on approval of the CCN referred to in sub-paragraph 4.4(C). |
| 5. | AI342 | 5.1. Until 1st October, 1999 the Contractor shall monitor the operation of the procedures detailed in the Acceptance Incident Analysis Form for AIN 342 (“Form 342”) under the heading “New Procedures”. 5.2. The Contractor shall ensure that the daily automatic and email reports described in Form 342 under the headings “Program Changes Required” and “New Procedures” (under sub-heading “b. Central Processing Delays”, paragraph 2) are produced. 5.3. When the monitoring detailed in paragraph 5.1, or such other monitoring as the parties may agree, demonstrates that AIN 342 has been resolved and the requirements of paragraph 5.2 are being fulfilled, POCL will close AIN 342 (FSL_03/56) |
| 6. | AI369 | 6.1. Each of the Contractor and POCL shall complete the steps and achieve the objectives applicable to it (the “369 Obligations”) detailed in the table (in two parts) extracted from Document BA/ACC/020 (version 0.4) (dated 20th September) (FSL_03/131) and where that table identifies one party as fulfilling an action, the other party shall assist the aforementioned party to reach a successful conclusion. 6.2. |

| No. | Acceptance Incident | Rectification Plans, Schedule 2, Second Supplemental Agreement (24 September 1999). |
|-----|---------------------|--|
| | | <p>Each of the Contractor and POCL shall complete each of the 369 Obligations applicable to it by 31st December, 1999. 6.3. When the 369 Obligations shall have been satisfied by the Contractor and POCL, POCL will close AIN 369. 6.4. On the completion of the Contractor's 369 Obligations where the Contractor has taken the lead on actions to be fulfilled (as referred to in BA/ACC/020), POCL shall confirm to the Contractor in writing that such obligations have been completed. However, this confirmation shall not affect any other of the Contractor's obligations to ensure that AIN 369 is ultimately resolved, in accordance with BA/ACC/020.</p> |
| 7. | AI372 | <p>7.1. The Contractor shall complete the steps detailed in Document CR/ACD/372 (Version 0.4) (dated 16th September, 1999) ("CR/ACD/372") in paragraph 5.2: (A) at sub-paragraph 6 (headed ".dll checking") by the time at which the step detailed in paragraph 7.4 below is completed; and (B) at sub-paragraph 3 by the later of the completion of the steps detailed in sub-paragraphs 7.2(A) and 7.2(B) below plus one week (FSL_03/132). 7.2. The Contractor shall complete the steps detailed in CR/ACD/372 in paragraph 5.2 at sub-paragraph 7, in the case of: (A) running the software distribution of the "<i>Riposte Peripheral Server (Update Number 20)</i>" by 16th December, 1999, although the Contractor shall aim to ensure distribution by 30th September, 1999; and (B) running the software distribution of the "<i>Consolidated EPOSS/Counter Applications Upgrade</i>" by 16th December, 1999, although the Contractor shall aim to ensure distribution by 15th October, 1999. 7.3. The Contractor shall supply the appropriate supporting documentation as described in paragraph 5.2 of CR/ACD/372 by 1st November, 1999. 7.4. The Contractor shall review the software distribution undertaken in pursuance of the above sub-paragraphs 7.2(A) and (B) in accordance with paragraph 5.2.1 of CR/ACD/372 by 16th March, 2000, or if earlier, three months from the date on which the steps detailed in paragraph 7.2 above are both completed. 7.5. When the obligations referred to in sub-paragraphs 5.2(3) and 5.2(6) of CR/ACD/372, the software distributions referred to in the above paragraph 7.2, the supply of the supporting documentation referred to in paragraph 7.3 above; and the review of the software distribution referred to in paragraph 7.4 above shall have been completed, POCL will close AIN 372.</p> |
| 8. | AI376 | <p>8.1. Each of the Contractor and POCL shall complete the steps and achieve the objectives applicable to it (the "376 Obligations") set out in Document CR/ACD/376 (Version 0.9) (dated 23rd September, 1999) ("CR/ACD/376") and where that document identifies one party as fulfilling an action, the other party shall assist the aforementioned party to reach a successful conclusion (FSL_03/133). 8.2. Each of the Contractor and POCL shall complete each of the 376 Obligations applicable to it by the dates and to the</p> |

| No. | Acceptance Incident | Rectification Plans, Schedule 2, Second Supplemental Agreement (24 September 1999). |
|-----|---------------------|---|
| | | standards set out in CR/ACD/376. 8.3. When the TIP Integrity Checking Period ends, POCL will close AIN 376. |
| 9. | AI378 | 9.1. In accordance with the details set out in the Acceptance Incident Analysis Form for AIN 378 (“Form 378”) and in Document CR/ACD/378 (Version 0.3) (dated 16th September, 1999), the Contractor confirms that it has analysed the incidents in Form 378 (FSL_03/134). 9.2 The Contractor shall apply a “Diagnostic”, which shall be effective by 1st October, 1999, which shall: (A) detect and prevent null Cash 9.2 Account IDs, if necessary by forcing the Outlet to re-run the cash account process; and (B) log diagnostic messages to facilitate further analysis. 9.3. After a sufficient level of data has been acquired from the Diagnostic, the Contractor shall promptly determine the cause of TIP 916 and shall promptly apply an appropriate fix and monitor its application until the fix is successful for a continuous period of two weeks. 9.4 When the fix referred to in paragraph 9.3 shall have been successful for a continuous period of two weeks, POCL will close AIN 378. |
| 10. | AI390 | 10.1. As described in the Acceptance Incident Analysis Form for AIN 390 the Contractor shall introduce a facility whereby, subject to paragraph 10.2 below, following a crash of the APS at a counter and when undertaking session recovery or disaster recovery (for those transactions where a system receipt has been produced), the user shall still have the option of reserving a gap of transactions and delaying recovery to a more convenient time. 10.2. The facility detailed in the above paragraph 10.1 is subject to the qualification that in the event of a second crash occurring before the initial recovery is completed, the procedure shall be that the clerk shall undertake recovery of all those deferred transactions and then any other transactions that may have occurred as a result of the second crash. 10.3. The facility detailed in the above paragraph 10.1 shall be applied by the Contractor to all Outlets to which Roll-Out has occurred as at that date of application by 30th November, 1999 and the Contractor shall then monitor the facility. 10.4. When the monitoring referred to in paragraph 10.3 shall have demonstrated over a continuous period of two weeks that resolution of AIN 390 has been achieved, then POCL will close AIN 390. |
| 11. | AI391 | 11.1. The Contractor shall complete the steps (the “391 Obligations”) detailed in paragraphs 5.1.2 and 5.2 of Document CR/ACD/391 (Version 1.0) (dated 13th September, 1999) (“ CR/ACD/391 ”) and POCL shall comply with its obligations under paragraph 5.2 of CR/ACD/391 (FSL_03/135). 11.2. The Contractor shall complete the 391 Obligations in accordance with the timetable and standards set out in paragraphs |

| No. | Acceptance Incident | Rectification Plans, Schedule 2, Second Supplemental Agreement (24 September 1999). |
|-----|---------------------|---|
| | | 5.1.2 and 5.2 of CR/ACD/391. 11.3. When the obligations (with the exception of the obligations relating to timetable) detailed in paragraphs 11.1 and 11.2 shall have been completed, POCL will close the incident. |
| 12. | AI408 | 12.1. Each of the Contractor and POCL shall complete the outstanding steps applicable to it (the “408 Obligations”) set out in the table in paragraph 5.4 of Document CR/ACD/408 (Version 1.5) (dated 23rd September, 1999) (“ CR/ACD/408 ”) (FSL_03/136). 12.2. Each of the Contractor and POCL shall complete to a satisfactory standard the 408 Obligations applicable to it in accordance with the timetable set out in the table in paragraph 5.4 of CR/ACD/408. 12.3. When the obligations (with the exception of the obligations relating to timetable) detailed in paragraphs 12.1 and 12.2 shall have been completed, POCL will close the AIN 408. |
| 13. | AI412 | 13.1. Each of the Contractor and POCL shall complete the steps and objectives applicable to it (the “412 Obligations”), and all intermediate actions required to achieve those steps, set out in the table at Section 6 of Document CR/ACD/412 (Version 0.2) (dated 10th September, 1999) (“ CR/ACD/412 ”) and (with the exception of item 1 in that table) as described in more detail in section 5 of CR/ACD/412 (FSL_03/137). 13.2. Each of the Contractor and POCL shall complete to a satisfactory standard the 412 Obligations applicable to it (and all intermediate steps and objectives) in accordance with the timetable set out at Section 6 of CR/ACD/412. 13.3. When the obligations (with the exception of the Obligations relating to timetable) detailed in paragraphs 13.1 and 13.2 shall have been completed, POCL will close incident 412. |

Appendix 3

Documents relating to the Impact Programme

| Reference | Document Title | Exhibit Number |
|------------------|---|-----------------------|
| BD/CDE/008 | PO Ltd Financial Systems - Release 3 – Conceptual Design | FSL_03/138 |
| EA/HLD/005 | IMPACT Release 3 Counter Design for Balancing, Rollover and Stock Processing | FSL_03/139 |
| EA/DPR/004 | IMPACT Release 3 Design Proposal | FSL_03/140 |
| EA/IFS/013 | Impact Release 3 – Balancing and Trading Statement Production User Interface | FSL_03/141 |
| EP/SPG/001 | S80 Impact Release 3 EPOSS Counter Operational Support Guide | FSL_03/142 |
| EA/HLD/006 | Impact Release 3 - Counter Design for Declaration, Correction and Revaluation | FSL_03/143 |
| EA/IFS/013 | Impact Release 3 – Balancing and Trading Statement Production User Interface | FSL_03/144 |