

ICL Pathway Forest Road Feltham Middlesex TW13 7EJ

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Mr Keith Baines
IS Service Manager
Post Office Limited
2nd Floor
Calthorpe House
15/20 Phoenix Place
London WC1X 0DG

15th February 2002

Our Ref: CLS/jla/336

Dear Keith,

Lost Data and Audit Requests

I refer to your letter to me of 6th February relating to the Lost Data incident.

Since May 2001 there has been extensive communication between ICL Pathway and POCL about the cause of the incident and the subsequent resilience measures taken by ICL Pathway. It is unfortunate that at this stage of our substantial negotiations relating to Network Banking that you should now make various further allegations as to breach of ICL Pathway's contractual obligations and raise doubts as to ICL Pathway's ability to be involved in delivering financial services. However, I will briefly respond to the key points in your letter.

ICL Pathway's letter dated 23 May 2001 (referred to in your letter) sets out the events relating to the incident. It is not right that these events demonstrate poor implementation of the audit trail and failure by ICL Pathway to exercise appropriate management control in carrying out the procedures for servicing audit trail requests. This is the only incident of its kind since provision of this service since the Summer of 1999.

The totality of events referred to in the 23 May letter were exceptional, as were ICL Pathway's attempts to recover the situation including the involvement of Vagon. Our investigations and analysis have shown that there was a coincidental read-error on the DLTs used to store the audit trail at Wigan and Bootle and that there was no common cause for the failure. The DLTs originated from different batches and were written on different drives in two separate locations. With a view to undertaking analysis and recovery, the decision was taken to transport the DLT from Wigan to Feltham using ICL - ISD's normal courier, TNT. As we are all aware, the tape was lost and never recovered although ICL Pathway made several requests to TNT to investigate and offered to help search for the tape at TNT's depot. The DLT from Bootle (which was transported by an ICL Pathway employee to Feltham) enabled us to undertake analysis and recovery work to the point that we were able to reduce the break in the audit trail from 6 days to 1 day (19.27 Sunday 6 August 2001 to 16.09 Monday 7 August 2001).

In light of this incident and notwithstanding that it was exceptional ICL Pathway reviewed measures to improve resilience which involved the introduction of the "read after write" activity. As you are aware, this protects against accidental use of flawed media which was established as the cause of the incident. I confirmed these measures

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to you in my letter of 7 August in which I also confirmed the fact that it would be necessary to undertake a complete redesign of the (audit) solution in order to completely remove risk of tape corruption in the future. Obviously, on this last point I was referring only to the data storage design options. In view of my 7 August letter I do not understand why you are now raising this as an issue by reference to the entry in the ICL Pathway problem log.

The "read after write" checks together with tape cloning at both Data Centres has been implemented since 8 September 2001 so that there are two copies of all audit data at each centre. I referred to this and other related matters in my letter to you dated 19 September 2001. All audit DLTs are stored in the Data Centre computer rooms, in their individual plastic cases, on correct storage racking, in line with recommendations for long-term storage of DLT media.

Following the explanations given to POCL and the overall exchange of communication about the incident and subsequent measures taken by ICL Pathway, I do not understand your apparent lack of confidence that a similar incident will not occur in the future. On this point your comments on the ICL Pathway problem log entries concerning "read after write" are not relevant. The PMD entries were made in May 2001 and since then changes to the timing of the various backup jobs in the overall Maestro Schedule have removed the impact problem. In any event the impact occurred between 19.00 and 07.00 and not during normal working hours when data retrieval takes places. This would also be the case for Network Banking and I do not see your concerns about the cost impact for this proposed service.

I cannot accept that the incident and the subsequent developments makes you believe that there is a significant risk to your business which in turn makes you question the fitness of ICL Pathway's infrastructure to deliver financial services.

Repeat

I deny that ICL Pathway is in breach of the various contractual obligations and clauses set out in your letter. I do not propose to respond by making legalistic references to the clauses when in all the circumstances I do not see how ICL Pathway can be held to be in breach as you allege.

By way of example only, your reference to the apparent failure by ICL Pathway to implement optical storage media under S699 completely ignores the fact that through the process of change control DLT has long since been introduced and accepted by POCL as the physical storage medium (see for instance Version 3 Audit Trail Functional Specification under CCN 423).

In light of this letter I would ask you to reconsider your views and requests in this matter so as to help minimise disruption to the ongoing negotiations.

Yours sincerely,

GRO

Colin Lenton-Smith
Director, Commercial and Finance