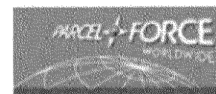


**Royal Mail Group**

Presentation For Audit Committee  
IT Governance Review, September 2008



CONFIDENTIAL

## Executive Summary

### Scope and Approach

We have asked PwC to perform a follow up review of the initial IT benchmarking exercise completed in May 2008 as part of their on-going support to the IT governance and controls enhancement programme. This activity is ongoing, and we summarise key actions and progress since the May Audit Committee update. Attached is the updated IT controls benchmarking table which highlights progress. Management assessed that the circled areas should receive our initial focus and significant progress has been achieved in the last quarter.

PwC has independently assessed our progress in these areas through detailed interviews and review of key documentation. The summary findings are documented below:

### Summary Findings

The IT organisational structure has significantly changed since the beginning of 2008. This has positively influenced staffing and key processes within Group Technology. Significant progress has been made in the recruitment of new staff into key positions. In the past 3 months, 41 verbal offers have been accepted, with 17 new members having already commenced employment. This does not include the recruitment of 5 out of the 7 REMCO previously vacant positions within IT.

One of the key actions following restructuring has been to develop a more comprehensive process for capturing, managing and mitigating IT risks. This change programme is ongoing with key focus being on embedding the new organisational structures and where appropriate the recruitment of additional key skills by Q4 2008.

The initial review of the control environment identified a number of weaknesses which were grouped into the 4 key areas below. Recent significant initiatives that have enhanced the specific control environment in these areas have also been documented:

- Access Control

- Disk encryption is being rolled out to the laptop and desktop environment. This project is expected to be completed in October.
- Personal firewalls are being rolled out to Royal Mail laptops in a phased approach.

## Executive Summary

### Summary Findings (continued)

- **IT Policies, Standards and Procedures**
  - The review of the information security policy framework and document set has been presented to the CIO and a refresh of existing policies has been commissioned (targeted for completion by the end of September 2008).
  - The roll out of a standard project methodology has been initiated with the design and communication of the Harmony approach.
- **Business Continuity and Disaster Recovery**
  - An application conformance project has been instigated to ensure that all critical applications adhere to a specific set of minimum resilience standards
  - A mirroring architecture design for the data centres has been implemented allowing for substantially increased resilience.
  - Critical batches are now covered by the key business function process, ensuring that all errors and incomplete batches are identified and resubmitted.
- **New Technology and Systems**
  - Tracked Plus, the roll out of hand held devices for delivery staff, has reached stage 1 of its deployment strategy.
  - Discussions are underway for new web channel architecture and tech refresh strategy

## Executive Summary

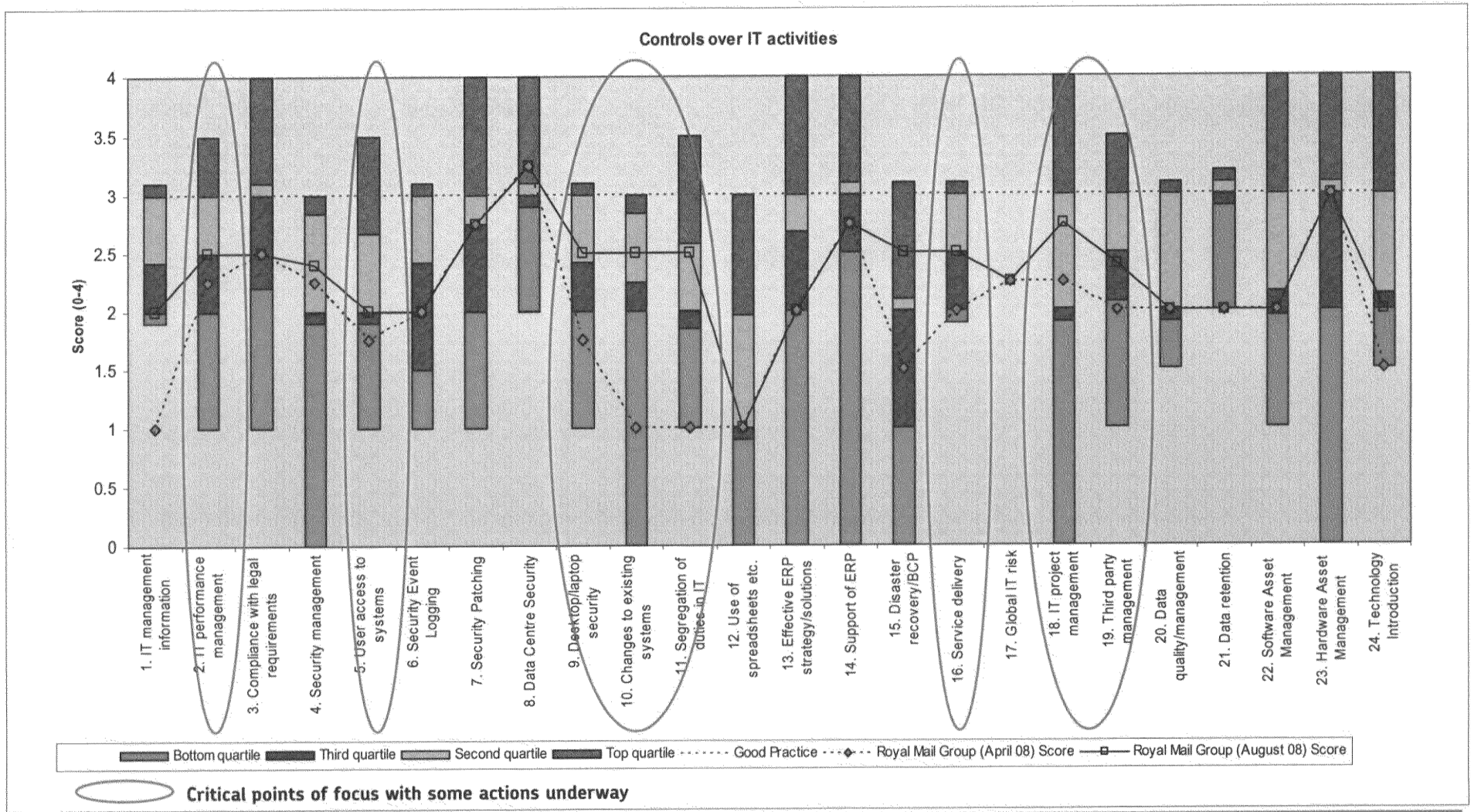
### Next Steps

In addition to the completed work highlighted by PwC, there are other areas where performance improvement is being progressed. The most significant is work underway by CSC in their service improvement “30-60-90 day” plan. This is primarily focused on service delivery and is monitored on a regular basis through defined critical success factors. A high level overview of progress made to date is detailed in appendix A. Further actions by priority area are listed below:

- A review of the monitoring of third parties’ SLAs against agreed Royal Mail minimum standards.
  - Analysis and identification of all relevant third party contracts has substantially been completed by the commercial delivery group within Service Delivery. In parallel an assessment of adherence to Royal Mail standards has been initiated with findings due in Q3 2008.
- Review and possible redesign of the critical IT systems prioritisation list and agreed escalation routes. This should include a review of the current accepted response times and system ownership.
  - Alignment of change management controls with COBIT has commenced and is planned to be completed by the end of December 08.
- The implementation of a process to assess the impact of system changes on existing systems through the introduction of a revised Project Management Methodology.
  - The first iteration of Harmony has been rolled out and is being applied across the group.
  - The revised gating methodology has been completed in June and applied to the major programmes of work in August.
- The implementation of group wide data standards, including key ownership and compliance with legislative and regulatory processes
  - Work has not yet been commenced in this area



## IT Controls Benchmarking – Compared to 14 Large UK Consumer Products and Services Companies (April and August 2008 Scores)





## Appendix A – Service Transformation Program Achievements – April to June

| TECHNOLOGY       | ACTIVITY  | DATE        |   |
|------------------|---|-------------|---|
| MQ Series        | MQSeries WebSphere upgraded as part of Infomail implementation.   | April       | ✓ |
| AS400            | Additional server introduced to improve stability for S&C applications.   | May         | ✓ |
| Networks         | RMG Firewalls now managed by CSC are fully backed up and added to the established 24 x 7 network monitoring tools                             | May         | ✓ |
| Datacentre       | Copenhagen: Extensive investment in Facilities (UPS, Power and Cooling) now complete resulting in increased resilience at data centre level   | May         | ✓ |
| Servers          | Copenhagen: Commissioned IBM and SUN to do complete health checks on all Unix servers   | May         | ✓ |
|                  | Sun Complete / IBM  | In Progress |   |
| Monitoring       | 'Node down' alerting in place for all Unix servers (except those behind firewalls)  | June        | ✓ |
|                  | Project initiated to implement RCCM tool on the account - improves monitoring and reporting of many aspects of service performance            | June        | ✓ |
| Active Directory | All Domain Controllers upgraded   | June        | ✓ |
| Architecture     | Review of server virtualisation opportunities   | June        | ✓ |
| Storage          | HDS and NETAPP have completed full health checks of the relevant storage environments.  | May         | ✓ |
|                  | Fully resilient paths between e-Bizz servers and SAN now instated and resilient.  | June        | ✓ |
|                  | Development NETAPP storage device replaced with latest model.   | June        | ✓ |
| SYSTEM           | ACTIVITY  | DATE        |   |
| Blackberry       | Fast tracked UAT Server into Production to provide additional capacity as an interim solution   | June        | ✓ |
|                  | Manual monitoring of service introduced until automated solution available  | June        | ✓ |
|                  | Proposal to RMG to reintroduce regular maintenance schedule   | June        | ✓ |
|                  | Proposal to RMG to provide additional resilience/redundancy in service  | June        | ✓ |
| Notes            | Extra HDS storage capacity added at NDC/Huthwaite to allow for immediate Notes data growth.   | June        | ✓ |
| Pegasus          | Stabilisation – including enhancements to Application SQL, database configuration and additional memory and CPUs for SQL d/b servers          | June        | ✓ |
| SAP              | SAP Batch Run reduced (01:30 finish - final stage of saving of over 4 hours)  | June        | ✓ |
|                  | Implemented Standard maintenance window   | June        | ✓ |
|                  | Formal review of all CRs  | June        | ✓ |
| Siebel           | Fix from Oracle identified and implementation planned   | June        | ✓ |
|                  | Manual monitoring of batch introduced until automated solution available  | June        | ✓ |
| PROCESS          | ACTIVITY  | DATE        |   |
| Organisation     | New service management organisation introduced  | May         | ✓ |
| Change           | Stronger review and approval regime implemented including greater Architectural support   | May/June    | ✓ |
|                  | Activities in place to reduce volume and frequency of changes   | May         | ✓ |
|                  | Additional approval levels required for Alert changes   | May         | ✓ |
|                  | Greater focus on addressing root cause of any failed changes  | May         | ✓ |
|                  | Imminent changes now reviewed at DSR meetings to ensure all support teams aware   | June        | ✓ |
|                  | On-shore Change Manager to join account on 30/06 to consolidate progress and provide additional coaching to off-shore Change Team             | June        | ✓ |
| Release          | Forward schedule of releases now in place with visibility to RMG and CSC  | May         | ✓ |
|                  | Release (Production Integration) and Change much more closely aligned   | May         | ✓ |
| Problem          | New Problem Manager appointed. (April)  | April       | ✓ |
|                  | 2008 RCA's and follow up actions reviewed.  | June        | ✓ |
|                  | Analysis of trends introduced   | June        | ✓ |
| Incident         | Major focus on effectiveness on notification and escalation. 3 hour limit introduced for escalation to Gavin Larkings for any Sev 1 incident. | June        | ✓ |
| DSR              | DSR revamped to ensure all support teams have helicopter visibility of account service landscape each day                                     | June        | ✓ |
|                  | Previous and current day's changes reviewed   | June        | ✓ |
|                  | Status of Sev 1 incidents updated   | June        | ✓ |
| SLA              | Overview of month to date SLA performance reviewed and additional emphasis placed on at risk services   | June        | ✓ |

## Appendix B – List of Key Documents Reviewed to Provide Benchmark Assessment

1. Information Security Review (Bearingpoint)
2. Results of Penetration Testing
3. Security Survey Parameters , Version 3 , March 2008
4. AP Duplicate Payments Management Letter, 25 July 2007
5. IGF Presentation for Data forum, version 3, 13 September 2007
6. Information Management Policy vFinal, March 2008 & Information / Data Strategy Forum 10 January 2008
7. Information Security Policies, Information Security Policy Framework, Version 3, RAG status
8. Ernst & Young IT General Controls Review 2007 Presentation – 2008 Kick off Meeting 14 January 2008
9. Ernst & Young Current Update current issues – email to Paul Kelsall 8th March 2008
10. Royal Mail Group Audit 2008 – Open Items worksheet
11. Introduction to Governance, risk & Control in Royal Mail Presentation – 19 November 2007
12. 8Group Technology Strategic Risk Profile, Executive Update January 2008
13. CSC – Computer Sciences corporation SAS 70, 1 January 2007 – 30 September 2007
14. Harmony Redbook, Harmony Implementation in Royal Mail Letters V 1.12, 13 APRIL 2008
15. Outsourcing SLAs
16. Technology Governance Meetings v1 28 March 2008
17. Dial Den Pictures Document
18. GT Draft Risk Register, 10 January 2008
19. Internal Audit & Risk Management Update, 20 March 2008
20. Royal Mail Group Technology Risk & Internal Control Report Year Ended 30th March 2008
21. Royal Mail Letters, Information Management Roadmap, v 1, 16th March 2007
22. RML IS-IT Strategy Data Model View V3
23. ROYAL MAIL GROUP plc, RISK & CONTROL SELF-ASSESSMENT SIGN-OFF –Year Ended 30th March 2008
24. Change Request Process\_v6
25. Change Control Stats Sept 07
26. Security Improvement phase 1, Security Improvement phase 2, 12 February 2008.
27. Project Delivery Framework.
28. Weekly / fortnightly reports examples.
29. PMO KPI Dashboard