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SCHEDULE A2

RELATIONSHIP AND GOVERNANCE

Version History

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SCHEDULE A2

RELATIONSHIP AND GOVERNANCE

1. OBJECTIVES

- 1.1 The Parties intend that the relationship and governance arrangements under this Schedule A2 will help achieve the aim of ensuring an effective working relationship between the Parties and the overall success of the Agreement.
- 1.2 The relationship and governance arrangements under this Schedule A2 will be used, *inter alia*, to monitor, and assist with the aim of achieving, the Joint Objectives set out in Recitals E(d) to (g) (inclusive) of this Agreement.

2. THE RELATIONSHIP

- 2.1 Decisions shall be taken through the following mechanisms (each a "Relationship"):

2.1.1 ~~Systems Integration Partnership and Executive Relationship;~~

2.1.2 Service Management Relationship;

2.1.3 Commercial Relationship;

2.1.4 ~~2.1.4 — the Demand Planning Board; and~~

2.1.5 Programme/Release Relationship;

2.1.6 the Demand Planning & Project Prioritisation Board;

2.1.7 Horizon Defects Forum;

2.1.8 Information Security Management Forum, and

2.1.9 Spend Commitment Review.

by the Post Office Subject Lead and the Fujitsu Services Subject Lead for each relevant Relationship.

- 2.2 Annex 1 to this Schedule A2 sets out in relation to each Relationship:

2.2.1 the Post Office Subject Leads of that Relationship and any other Post Office appointed members;

2.2.2 the Fujitsu Services Subject Leads of that Relationship and any other Fujitsu Services appointed members;

2.2.3 the responsibilities of that Relationship;

2.2.4 the frequency with which that Relationship will meet, unless agreed otherwise by the Parties; and

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2.2.5 certain other general information relevant to that Relationship.

3. GENERAL PROVISIONS

- 3.1 Save to the extent that a matter is one of the "Reserved Matters" described in paragraph 5 of this Schedule A2, Decisions agreed between the Subject Leads of each Party (or their fully empowered deputies) for the appropriate Relationship will be effective and binding on the Parties (whether or not such Decision is made at a scheduled meeting of a Relationship), provided in each case such Decisions are within the scope of the relevant Relationship's responsibilities as described in Annex 1 to this Schedule A2 and such Decision is recorded in accordance with paragraph 3.5.
- 3.2 Each Relationship shall be conducted through "meetings", comprising, for the purposes of this Schedule A2, face to face, telephone conferences, ~~teleconferences~~on-line meetings or other means of discussion as the Parties consider appropriate from time to time.
- 3.3 The Subject Leads for each Relationship will agree what (if any) regular or occasional meetings they wish to hold (and their frequency), where otherwise not stated in Annex 1 to this Schedule A2, in order to discharge the responsibilities and purpose of the relevant Relationship.
- 3.4 Members of a Relationship may, with the consent of the other Party's Subject Lead for that Relationship (such consent not to be unreasonably withheld or delayed), invite other persons to attend meetings of that Relationship.
- 3.5 For any Decision of a Relationship to be effective and binding on the Parties, it must be in writing and signed by the Subject Leads (or their fully empowered deputies) of that Relationship.
- 3.6 At least once in every calendar year, the members of each Relationship shall discuss and review whether the frequency with which their Relationship meetings are held should be altered.
- 3.7 The Parties agree that day-to-day operational issues arising under or in connection with this Agreement will be managed through delegated authority, including through operational review forums, project boards and problem management working groups that are established from time to time by the Parties, with a view to resolving them in a timely manner.
- 3.8 Any operational issues which cannot be resolved in a timely manner in accordance with paragraph 3.7 shall be considered by the relevant Subject Leads at the first available opportunity.
- 3.9 The Parties agree to use their reasonable endeavours to make Decisions through timely and effective communication through the appropriate Relationship and not to unreasonably delay Decisions.

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- 3.10 The Subject Leads of each Relationship will agree measurement criteria from time to time for determining the effectiveness of the relationship between the Parties in meeting the Joint Objectives set out in Recitals E(d) to (g) (inclusive).
- 3.11 In addition to the Subject Leads for each Relationship, each of the IT Operations Director for Post Office and the Delivery Executive for Fujitsu Services shall supervise the Agreement and shall hold such meetings as they jointly consider necessary to monitor the strategic direction of the relationship between the Parties under this Agreement.
- 3.12 Nothing in this Schedule A2 shall restrict either Party from exercising any right conferred upon it under this Agreement and notwithstanding anything to the contrary in this Schedule A2, no decision to exercise or waive any such right shall require the concurrence of the other Party.

4. PROGRAMME/RELEASE RELATIONSHIP

- 4.1 The Programme/Release Relationship shall:
- 4.1.1 provide a governance structure for each programme and/or Release under this Agreement
 - 4.1.2 it will, consider, *inter alia*, future work or changes generated by ongoing and planned feasibility studies and other areas of potential work.
- 4.2 Annex 1 to this Schedule A2 sets out the Subject Leads, other members, responsibilities and frequency of meetings of each of the boards within the Programme/Release Relationship.

5. RESERVED MATTERS

- 5.1 New, increased, reduced or modified obligations or responsibilities of either Party can only be effected by making changes to this Agreement in accordance with the Change Control Procedure. Nothing in this paragraph 5.1 shall restrict either Party from agreeing Work Orders.
- 5.2 Commitment of new expenditure by Post Office can only be approved through the processes described in Schedule D2 or Schedule A3.
- 5.3 To the extent that a Decision under this Schedule A2 has had or will have an impact on:
- 5.3.1 the costs of Fujitsu Services (of an amount greater than £10,000) which Fujitsu Services would have dealt with under the Change Control Procedure and reflected in a change to the Charges had that impact been understood at the time the Decision was made;
 - 5.3.2 the achievement of any Service Level or other obligation of Fujitsu Services under this Agreement;

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5.3.3 any contractual or project date agreed between the Parties in relation to this Agreement; or

5.3.4 any Post Office Responsibilities which would have been dealt with under the Change Control Procedure had such impact been understood at the time the Decision was made,

that Decision will be reversed (to the extent it is reasonably practicable to do so) by the Relationship which made that Decision with effect from the date of such reversal, and the matter dealt with under the Change Control Procedure. Each Party shall bear its own costs of complying with such Decision until it is reversed in accordance with this paragraph. Any disputes arising in relation to such reversal will be resolved in accordance with the Dispute Resolution Procedure.

6. ESCALATION PROCEDURES

Any dispute arising out of or in connection with this Agreement, including any matters arising out of or in connection with this Schedule A2, shall be resolved in accordance with the Dispute Resolution Procedure.

7. RELATIONSHIP MANAGEMENT

The Parties shall jointly monitor the operation of the relationship and governance arrangements under this Schedule A2 and initiate remedial action (including escalation if required in accordance with paragraph 6) if these are not being followed.

8. ASSOCIATED DOCUMENTS

8.1 The following CCDs are associated with this Schedule A2:

	Document Reference	Document Title
1	BP/STD/003	"Standard Terms and Conditions for Work Orders"

8.2 The following CRDs are associated with this Schedule A2:

	Document Reference	Document Title
	NO CRDs APPLICABLE	

9. GOVERNANCE FOR OPERATIONAL SERVICES AND THE TOWERS MODEL

9.1 Fujitsu Services acknowledges that the supplier that Post Office chooses as its Post Office Service Integrator for the new Towers Model may act as Post Office's managing partner. Subject to paragraphs 9.4 and 9.6 below, the Parties acknowledge and agree

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that Post Office Service Integrator shall be entitled, on behalf of Post Office, to exercise any rights or perform any obligations of Post Office under this Agreement, provided that only Post Office shall be entitled to exercise its rights under Clauses 47, 58 and 66 of the Agreement and paragraph 7 of Annex 2 to Schedule A2.

- 9.2 For the purposes of the Post Office Service Integrator performing its role as a managing partner for the Post Office and subject to paragraphs 9.1 and 9.4, references in this Agreement to Post Office shall be interpreted to refer to or include Post Office Service Integrator as relevant. Post Office's opinion shall prevail in the event of any dispute as to whether a reference refers to or includes the Post Office Service Integrator. Delegation to the Post Office Service Integrator shall be without prejudice to Post Office's right to exercise its rights under any provision of the Agreement on its own behalf. For the avoidance of doubt, nothing in this paragraph 9 is intended to create a separate contract between Fujitsu Services and Post Office Service Integrator or to assign or novate this Agreement or any part of it to Post Office Service Integrator.
- 9.3 In the event that Post Office appoints the Post Office Service Integrator to manage some or all of its IT services on its behalf, Fujitsu Services shall perform all its obligations owed to Post Office under this Agreement to the Post Office Service Integrator as if the Post Office Service Integrator is Post Office. To the extent that Fujitsu Services fails to perform its obligations under the Agreement, Post Office retains the ability to enforce its rights against Fujitsu Services and require it to perform those obligations. In the event that either Party considers co-operation and collaboration between Fujitsu Services, Post Office Service Integrator and other Tower Contractors is not in accordance with this paragraph 9, then either Party may escalate the issue through the Dispute Resolution Procedure.
- 9.4 Without prejudice to Post Office's right to exercise its rights under any provision of the Agreement on its own behalf, in the event that Post Office Service Integrator exercises the rights of Post Office under Clauses 23, 24 or 25 of the Agreement, Fujitsu Services shall only be required to disclose details of the aggregated price of performing the Services and not details of pricing for specific Services or details of the cost base it uses to calculate such prices which may indicate Fujitsu Services' pricing strategy or pricing levels to Post Office Service Integrator.
- 9.5 Without prejudice to paragraph 9.1 above but subject to paragraph 9.6 below, the Parties acknowledge and agree that Post Office Service Integrator shall be entitled to attend any of the meetings described in this Schedule either in addition to Post Office or on behalf of and as the representative of Post Office. The Post Office Service Integrator may in some instances be the sole representative of Post Office at such meetings or governance boards and will be responsible for the relationship relevant to those meetings or governance boards. Where Post Office Service Integrator attends a meeting on behalf of Post Office, Post Office Service Integrator shall be entitled to exercise such rights and perform such obligations as Post Office would be entitled to exercise or perform at such meeting.
- 9.6 Post Office shall ensure that it has a representative at the following governance boards in addition to or instead of Post Office Service Integrator:

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- 9.6.1 Executive Relationship;
- 9.6.2 Commercial Relationship; and
- 9.7 As part of its transition to the Towers Model and in order to ensure the smooth and effective delivery of end-to-end services to Post Office, Post Office may require its suppliers of IT services to enter into good faith negotiations and agree non-disclosure agreements with other Tower Contractors and/or other third parties ("NDA(s)") and operating level agreement(s) ("OLA(s)") setting out each supplier's respective obligations and dependencies to Post Office and each other supplier. Fujitsu Services shall, where reasonably requested by Post Office, use its reasonable endeavours to enter into NDA(s) and OLA(s) with Post Office Service Integrator and/or any Tower Contractors and/or any other third parties within 3 months of such notification by Post Office. In the event that Fujitsu Services has not or considers it will not be able to enter into NDAs and/or OLAs within such 3 month timescale, Fujitsu Services shall promptly notify Post Office of any issues preventing compliance with such 3 month timescale and the Parties shall work together to address the issues in good faith within a reasonable timescale to be agreed mutually. In the event that the Parties are unable to agree a reasonable timescale, either Party may escalate the matter through the Dispute Resolution Procedure. For the avoidance of doubt, Post Office shall not be a party to any such NDA or OLA.
- 9.8 Post Office may wish to make changes to the governance structure in this Agreement to align with its new Tower Model and to implement changes associated with any OLA. All such changes shall be managed as a change to the Agreement and implemented via the Change Control Procedure. Fujitsu Services shall be entitled to charge for any additional costs or risks as a result of changes to the existing governance structure in accordance with the Change Control Procedure.
- 9.9 Fujitsu Services shall collaborate reasonably with Post Office Service Integrator and the Tower Contractors by adopting Good Professional Practice in relation to collaborating and co-operating with Tower Contractors to enable Post Office to maximize the benefit of the strategic IT supply chain and optimal target operating model selected by Post Office for its IT and change transformation programme including by:
 - 9.9.1 responding to and following the Post Office Service Integrator's instructions, including meeting all timescales, where provided in accordance with the terms of this Agreement;
 - 9.9.2 save as set out in the Agreement, reporting to the Post Office Service Integrator as if it were Post Office;
 - 9.9.3 co-operating with the Post Office Service Integrator where it seeks to manage and resolve issues between the Tower Contractors including any Incidents;
 - 9.9.4 providing the Services in accordance with collaboration requirements and responsibilities set out in Schedule F.

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For the avoidance of doubt, Fujitsu Services shall be entitled to charge Post Office for its demonstrable additional costs in complying with this paragraph 9.9 which the Parties shall agree through the Change Control Procedure to the extent to which such costs are not covered by the (i) Charges relating to the other Services provided under this Agreement and (ii) de minimis amount of time being equivalent to 15 man days of additional effort (over and above those activities performed by Fujitsu Services prior to the implementation of some or all of the Tower model) in any quarter (being January to March, April to June, July to September and October to December) incurred by Fujitsu Services in complying with this paragraph 9.9.

- 9.10 Fujitsu Services shall at all times work with Post Office and Post Office Service Integrator, in good faith, to develop governance processes, collaboration arrangements and meeting structures in relation to the provision of the Services in order to:

9.10.1 facilitate consistent management, reporting, and sharing of information between Fujitsu Services, Post Office Service Integrator and Post Office (as applicable); and

9.10.2 support and assist the delivery of the Services to Post Office and the delivery of other relevant Tower services by Post Office Service Integrator and other Tower Contractors, to Post Office.

- 9.11 The Fujitsu Subject Lead for the Executive Relationship (or a suitable alternative in terms of seniority, decision making ability and knowledge of this Agreement) shall attend meetings of the governance board entitled "Supply Chain Member Board" instituted under the agreement between the Post Office Service Integrator and Post Office.

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Annex 1 to Schedule A2**Relationships**

The Parties acknowledge that the job titles of the Relationship members identified in this Annex 1 may change over time (particularly if either Party introduces any new internal management structure) and that should this occur the appropriate attendees would be the persons holding the equivalent position to those identified below.

Executive Relationship	
Post Office Members	<u>CIO</u> Director, Horizon IT Purchasing Director for Post Office (Subject Lead for Executive Responsibilities) Head of Change and IS (Subject Lead for SIP-Related Responsibilities) <u>Director, Service Operations, Enterprise IT and Vendor Management</u> and Post Office Service Integrator (at Post Office discretion)
Fujitsu Services Members	<u>VP Digital Transformation & Innovation</u> <u>Delivery Executive (Subject Lead)</u>
Responsibilities	Executive Responsibilities - Monitoring the overall success of the relationship, including resolution of any Disputes escalated for Executive Review under the Dispute Resolution Procedure. - Review escalations from lower level meetings. - Discuss the strategic direction of Services. - Approval of new initiatives (HNG-X and non-HNG-X). - Overseeing management by the Commercial Relationship of matters arising in respect of Market Testing under Schedule D6. - Monitoring the performance of Fujitsu Services' obligations in connection with this Agreement for the purposes of determining matters relevant to Fujitsu Services' appointment as Preferred Systems Integrator and disclosing the results of such monitoring to Fujitsu Services in accordance with Schedule A1. - Gain Share and Strive monitoring, including agreement of baselines.

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Service Management Relationship	
Post Office Members	Head of Horizon Live Services (Subject Lead) Head of Horizon Commercial Head of Horizon Security Senior Service Manager
Fujitsu Services Members	Senior Service Delivery Manager (Subject Lead) Service Delivery Manager Service & Operations Team
Responsibilities	- Ensuring continuous improvement in the service management environment through pro-active management & prioritisation. - Reviewing Operational Services performance for the previous month, including against agreed Service Levels and agreeing remedies payable (if any) in accordance with the relevant terms of this Agreement. - Discuss overview of Key performance indicators - Review Incident volumes, Major Incidents and resolution actions - Review Errors and Problem Management - Reviewing operational reliability of infrastructure used to deliver the Services (whether the Infrastructure or the infrastructure used to deliver the Post Office Cloud) and considering/recommending remedial courses of action (e.g. full or partial technological refresh or Service Level relief). - Resolving operational issues including, but not limited to, those arising from non-conformance to agreed Service Levels. - Reviewing future change plans to ensure the live environment is prepared for Operational Services. - Capacity management in relation to Service Management Services. - Monitoring Operational Business Change processes.
Frequency	Monthly
Other general information	There will be a monthly service review meeting for which Fujitsu Services shall prepare reports in the formats agreed from time to time.

Commercial Relationship	
Post Office Members	Head of IT Contract Management (Subject Lead, in relation to commercial, business, governance and other issues)

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	+ any additional Commercial Team Members
Fujitsu Services Members	Senior Commercial Manager (Subject Lead)
Responsibilities	• Management and administration of the Agreement. • Agreeing amendments to the Agreement subject to the Change Control Procedure. • Overseeing the ordering, invoicing and payment process in Schedule D2. • Overseeing the carrying out of Work Orders. • Reviewing changes to the CCD entitled "Standard Terms and Conditions for Work Orders" (BP/STD/003). • Agreeing Change Notes in relation to Work Orders. • Reviewing performance of and, where necessary, improvements to the Change Control Procedure. • Management reviews of Open Book, Gain Share and Market Testing. • First level escalation for Disputes about the interpretation of this Agreement, about invoice amounts or terms, and about other matters referred to the Commercial Relationship. • Monitoring, reviewing and reporting of events and progress and issue resolution in respect of Market Testing under Schedule D6. • Discuss and action legislative changes, compliance issues and audit requests and Freedom of Information (FOI) requests. • Agree and approve contract conformance exercise
Frequency	Monthly

Programme/Release Relationship

Each of the following boards shall be established for each relevant programme or Release (including Project HNG-X save in relation to the HNG-X Acceptance Board and the HNG-X Acceptance Dispute Board which shall be constituted as described in Schedule B6.3.)

Programme /Release Board(s)	
Post Office Members	Business Partner relevant to the subject matter of the programme or Release (Subject Lead), Programme and/or Release manager, Design Authority (if appointed), and Business change manager (if appointed), and/or Post Office Service Integrator; and Commercial manager (as required)
Fujitsu Services	Fujitsu Services' SI Director (Subject Lead)

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Members	Programme and/or Release manager Others, as appropriate for the programme or Release.
Responsibilities	• Delivery of programmes and Releases to time and budget. • Managing and resourcing Work Packages which relate to major development programmes. • Managing contingency budgets approved in Work Orders including, where appropriate, delegating authority to appropriate managers. • Directing the holding of meetings of the 'Joint Release Authorisation Board'. • Project management and governance in accordance with this Agreement or, to the extent not in conflict or inconsistent with this Agreement, PRINCE 2 standard practice. For example: • review and resolution of operational issues arising in design, development and testing; and • review progress and performance against plan. Notwithstanding the Parties' use of PRINCE 2, or any other design or project management methodology, the provisions of this Agreement shall not be varied by such use unless the Parties agree otherwise in accordance with the Change Control Procedure.
Frequency	As determined by the Subject Leads.
Other general information	• There will be one 'Programme/Release Board' for each major programme/ Release. • The Subject Leads will discuss current and future demand for such boards.

Acceptance Boards (for each Release)	
Post Office Members	<i>Mandatory attendees:</i> Head of Change and IS (or designate) – Chair, HNG-X Programme Manager (or designate), Requirements & Acceptance Manager, HNG-X Acceptance Manager, HNG-X Design Authority, and/or Post Office Service Integrator <i>Optional attendees:</i> Testing Manager in each case for the relevant Acceptance activity, Post Office Commercial Manager
Fujitsu Services Members	<i>Mandatory attendees:</i> SI Director (or designate)

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	Commercial Director (or designate) HNG-X Programme Director HNG-X Acceptance Manager HNG-X Solution Architect <i>Optional attendees:</i> Testing Manager in each case for the relevant Acceptance activity.
Responsibilities	To agree the Acceptance status of the relevant Release (including distribution of HNG-A Application updates by Fujitsu Services to the EUC Tower Contractor for onward release management) and provide a recommendation to the 'Joint Release Authorisation Board'.
Frequency	As required to monitor progress towards each Acceptance Gateway.

Acceptance Dispute Board	
Post Office Members	<i>Mandatory attendees:</i> Head of Change and IS (Chair) HNG-X Programme Manager HNG-X Acceptance Manager HNG-X Design Authority; and/or Post Office Service Integrator; and Post Office Commercial Manager <i>Optional attendees:</i> Testing Manager in each case for the relevant Acceptance activity.
Fujitsu Services Members	<i>Mandatory attendees:</i> SI Director Commercial Director HNG-X Programme Director HNG-X Acceptance Manager HNG-X Solution Architect <i>Optional attendees:</i> Testing Manager in each case for the relevant Acceptance activity.

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Responsibilities	- Consider and resolve Acceptance disputes arising under Schedule B6.3. - Consider and resolve Acceptance disputes arising under Schedule B1.1.
Frequency	As and when required to resolve issues arising during the Acceptance activity.

Joint Release Authorisation Board	
Post Office Members	Head of Operations Control (or nominated representative) (Subject Lead) Delivery Integration and Assurance manager, and/or Post Office Service Integrator
Fujitsu Services Members	Fujitsu Services' SI Director (Subject Lead) Customer Service Director and the appropriate Customer Service Introduction Manager.
Responsibilities	<u>Agree the criteria and processes by which Releases, of HNG-X Central Infrastructure updates or HNG-X Application updates, will be authorised for release into field trial or live operation and carry out readiness reviews of stakeholders accordingly. (N.B. Joint Release Approval Boards, or similar, held between Post Office and EUC Tower Contractor members to authorise the release of HNG-A Application updates may be held jointly or separately from those for HNG-X Central Infrastructure updates or HNG-X Application updates, but distinct authorisations for Release must be given to the different parties)</u>
Frequency	As and when directed by the 'Programme/Release Board'.

Demand Planning & Project Prioritisation Board	
Post Office Members	Head of IT Enterprise Demand Management (Subject Lead) + other representatives as agreed from time to time, and/or <i>Optional attendee:</i> Head of IT Contract Management
Fujitsu Services Members	Programme Manager (Subject Lead) + other representatives as agreed from time to time <i>Optional attendee:</i> Delivery Executive
Responsibilities	- Review day-to-day Demands (includes New, In Progress, & On-Hold) - Resolve any escalations and priorities

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	• Oversight of agreeing Work Packages
Frequency	Weekly

Horizon Defects Forum	
Post Office Members	Head of Horizon Live Service (Subject Lead) Horizon IT Problem Manager + other representatives as agreed from time to time, and/or
Fujitsu Services Members	CISO + other representatives as agreed from time to time
Responsibilities	• Review progress of existing defects and (New defects discussed in emergency meeting) • Review overall impact and prioritisation of implementation defects • Agree options, actions and timeline for resolution of each defects • Review and accept evidence of defect resolution and agree closure of defects • Agree branch communication of any open and resolved defects
Frequency	Weekly NB: An emergency meeting will be held for new defects

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Information Security Management Framework	
Post Office Members	Cyber Security Compliance Manager (Subject Lead) Head of Horizon Security Head of Horizon Commercial Team Head of Security Architect Optional: CISO + other representatives as agreed from time to time, and/or
Fujitsu Services Members	Information Security Manager Security Architect Optional: CISO + other representatives as agreed from time to time
Responsibilities	Assess the current security posture of Horizon versus the ideal target state by providing a forum that performs the following: • Assessment of compliance with relevant contractual clauses from the security schedule – where possible to be done offline • Assessment of the risk status of all items associated with transition to the cloud including but not limited to EOSL risks, transition risks, SMS RACI • Assessment of incidents, root causes and resulting risks and actions • Escalation to CIO and Fujitsu management of items for their attention • Review of Status of actions & improvements plans to bring current status into line with appetite.
Frequency	Monthly

Spend Review	
Post Office Members	Head of IT Contract Management (Subject Lead, in relation to commercial, business, governance and other issues) IT Finance Horizon Financial Analyst + other representatives as agreed from time to time
Fujitsu Services	Finance Manager (Subject Lead)

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Members	Senior Commercial Manager Delivery Executive
Responsibilities	• Rolling Actions from previous meeting • Review the actual/forecast category committed spend by Fujitsu Services. • Review holistic view of Fujitsu Services committed spend over the period • Review shortfalls where spend commitments are not met and agree how to address financial challenges. •
Frequency	Six Monthly

Annex 2 to Schedule A2

Dispute Resolution Procedures

1. INTRODUCTION

- 1.1 The Parties shall use the Dispute Resolution Procedure to resolve any Dispute.
- 1.2 There may, subject to the other provisions of this Annex 2 to Schedule A2, be up to five stages (each a "Stage") to the DRP as follows:
 - 1.2.1 the Subject Lead Review to be carried out in accordance with paragraph 2;
 - 1.2.2 the Executive Review to be carried out in accordance with paragraph 3;
 - 1.2.3 the Board Review (including facilitation by an expert) to be carried out in accordance with paragraph 4;
 - 1.2.4 provided that the Parties agree to such procedure, mediation (to be carried out in accordance with paragraph 6) or expert determination (to be carried out in accordance with paragraph 7); and
 - 1.2.5 where any mediation does not resolve the Dispute or the Parties do not agree to the use of mediation or expert determination, or as otherwise provided for in this Agreement, resolution through the courts of England.
- 1.3 The Parties may relax the timescales referred to in the DRP by mutual agreement (such agreement not to be unreasonably withheld or delayed).

2. SUBJECT LEAD REVIEW

- 2.1 Subject to paragraph 2.2, as soon as either Party becomes aware of a disputed matter it shall refer the Dispute to the Subject Leads best qualified to deal with the Dispute (taking into account the nature of the Dispute and the responsibilities of each Subject Lead) for resolution within five Working Days of the date of referral (the "Subject Lead Review"). If the Dispute relates to the interpretation of this Agreement or to the amount or terms of invoices, then the Dispute shall be referred to the Commercial Relationship for resolution.
- 2.2 As soon as either Party becomes aware of a disputed matter in relation to the SIP it shall refer the Dispute to Executive Review described in paragraph 3.

3. EXECUTIVE REVIEW

- 3.1 In the event that the Subject Leads of the Relationship to which the Dispute is referred under paragraph 2 fail to resolve that Dispute, the Dispute shall be referred to the Systems Integration Partnership and Executive Relationship for resolution in accordance with this paragraph 3 (the "Executive Review"). Each Party shall, no later than five Working Days after such failure (or as soon as reasonably practicable if the

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Dispute is in relation to the SIP), provide the other with a Statement of Dispute. If the Parties agree to do so, such statements may be provided sequentially by one Party responding to the Statement of Dispute of the other.

3.2 The Subject Leads of the Systems Integration Partnership and Executive Relationship or other individuals nominated by each Party suitably empowered to deal with executive matters (the "Nominated Executives") will be responsible for collating all relevant information relating to the Dispute and for progressing the Dispute through the DRP until it is resolved or determined.

3.3 The Executive Review shall take place within ten Working Days of the referral with the object of resolving the Dispute by way of good faith negotiation.

3.4 The Parties may agree, before the Executive Review referred to in paragraph 3.3 takes place, or if that review fails to resolve the Dispute referred to it, to appoint an expert facilitator (the "Facilitator") to assist with resolution of the Dispute on the following basis:

3.4.1 The Facilitator will be appointed as soon as reasonably practicable;

3.4.2 The Facilitator shall be an individual who:

3.4.2.1 holds qualifications in respect of the subject matter underlying the Dispute; and

3.4.2.2 is approved by both Parties (such approval not to be unreasonably withheld or delayed).

3.4.3 In the event that the Parties fail to agree upon an individual as the Facilitator, the Facilitator shall be appointed at the request of Post Office or Fujitsu Services (whichever is the earlier) by the President for the time being of the Institution of Engineering and Technology so long as such appointee shall meet the criterion in paragraph 3.4.2.1.

3.4.4 The Facilitator shall act as a facilitator and not as an expert or arbitrator and his fees shall be borne by the Parties in equal shares.

3.4.5 Within five Working Days of appointment of the Facilitator the Parties shall submit to the Facilitator:

3.4.5.1 each Party's Statement of Dispute (as amended to reflect matters discussed so far), such statement also to be disclosed to the other Party; and

3.4.5.2 a joint agreed statement describing the scope of the initial guidance required from the Facilitator.

3.4.6 The Dispute shall be referred to the Facilitator to obtain such initial guidance and the Parties shall request that the Facilitator gives such guidance within 15

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Working Days of receipt of the Statement of Dispute from both Parties. The Facilitator shall not be required to determine the Dispute unless the Parties agree that he shall be appointed as an Expert in accordance with paragraph 7.

- 3.4.7 Once the Facilitator has given to the Parties his initial guidance on the Dispute, the Nominated Executives shall meet within five Working Days of the initial guidance being given and attempt to resolve the Dispute with the advice and guidance of the Facilitator within ten Working Days of the meeting.

4. BOARD REVIEW

- 4.1 If the Dispute is not resolved by the Executive Review, the Parties may, if both Parties agree, refer the Dispute for review by (i) either or both of the Horizon Director and/or the CIO of the Post Office and (ii) the Commercial Division Director, Fujitsu Services (the "Board Review").
- 4.2 The Board Review shall take place within five Working Days of the referral with the object of resolving the Dispute by way of good faith negotiation.
- 4.3 If the Dispute is not resolved within ten Working Days of the Board Review, the Parties may, if both Parties agree, refer the Dispute to a Mediator (for resolution in accordance with paragraph 6) or to an Expert (for determination in accordance with paragraph 7).
- 4.4 If the Parties do not reach agreement whether (a) to refer the Dispute for resolution by Board Review, within 15 Working Days of completing the Executive Review, or (b) to refer the Dispute to a Mediator or an Expert pursuant to paragraph 4.3, either Party may seek resolution of the Dispute through the courts of England. Notwithstanding the requirement in paragraph 4.2, if the Board Review has not taken place within 20 Working Days of referral, either Party may seek resolution of the Dispute through the courts of England.

5. STATEMENT OF DISPUTE

- 5.1 A "Statement of Dispute" means a signed and dated statement of a Subject Lead containing the following information:
- 5.1.1 the name, job title, postal address and contact telephone number of the Subject Lead making the statement on behalf of one Party and that of the Subject Lead of the other Party to whom the statement is given (each such Subject Lead being a "Dispute Owner");
- 5.1.2 an adequate description of the Dispute, from the perspective of the Party on whose behalf the statement is made;
- 5.1.3 any dates by which an output or decision is required for operational reasons; and
- 5.1.4 any recommendation for the resolution of the Dispute which the Dispute Owner considers appropriate.

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5.2 Within five Working Days of the completion of each Stage of the DRP the Dispute Owners of each Party shall, if the Dispute has not been resolved, prepare a joint statement including:

5.2.1 the findings of the Stage in question; and

5.2.2 the output or decision required from the next Stage of the DRP,

to be used by or in connection with the next stage of the DRP.

6. MEDIATION

6.1 At any time after the Executive Review, the Parties may agree that the Dispute shall be referred to mediation. In the event that the Parties agree to mediation, the Parties will be responsible for appointing the mediator (the "Mediator"), but in the event that they are unable to agree on a Mediator either or both of the Parties shall request the Centre for Dispute Resolution ("CEDR") to appoint a Mediator.

6.2 The Parties shall, with the assistance of the Mediator, seek to agree the mediation procedure. In default of such agreement, the Mediator shall act in accordance with CEDR rules. The Parties shall, within five Working Days of the date on which the terms of the mediation are settled, meet the Mediator in order to agree a programme for the exchange of any relevant information and the structure to be adopted for the mediation.

6.3 Subject to agreement between the Parties, the mediation shall take place within 30 Working Days of the appointment of the Mediator.

7. EXPERT DETERMINATION

7.1 At any time after the Board Review, the Parties may agree that the Dispute shall be referred to an expert ("Expert"), appointed by the Parties, for final determination of the Dispute.

7.2 The Expert shall be appointed as soon as reasonably practicable and shall be an individual who:

7.2.1 holds qualifications in respect of the subject matter underlying the Dispute in question; and

7.2.2 is approved by both Parties (such approval not to be unreasonably withheld or delayed).

7.3 In the event that the Parties fail to agree upon the Expert to be appointed, the Expert shall be appointed, at the request of Post Office or Fujitsu Services, by the President for the time being of the Institution of Engineering and Technology so long as such appointee shall meet the criterion specified in paragraph 7.2.1.

7.4 The Expert appointed under paragraph 7.2 shall act on the following basis:

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- 7.4.1 the Expert shall act as an expert and not as an arbitrator;
- 7.4.2 the Expert shall decide the procedure to be followed in the determination of the Dispute and shall be requested to make his determination in writing within 20 Working Days after his appointment or as soon as practicable thereafter;
- 7.4.3 the Expert's determination shall (in the absence of manifest error) be final and binding on the Parties;
- 7.4.4 any amount payable by Fujitsu Services to Post Office as a result of the Expert's determination shall be paid within ten Working Days of the Expert's determination being notified to the Parties;
- 7.4.5 any amount payable by Post Office to Fujitsu Services as a result of the Expert's determination shall be included in the next invoice for the Charges and paid by Post Office in accordance with Schedule D2; and
- 7.4.6 the costs of the determination, including the fees and expenses of the Expert, shall be borne by the Parties in such proportions as may be determined by the Expert.

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Annex 3 to Schedule A2**Planning of Pre-Committed Resource****1. INNER CORE TEAM TO 31ST MARCH 2015**

- a) The Parties shall agree an Inner Core Team of resources for the period up to 31st March 2015 under the auspices of the Demand Planning Board. The Inner Core Team for such period shall consist of those Fujitsu Services personnel who have specialist knowledge and experience of the infrastructure and/or processes used to support Post Office's needs under the Agreement and whose loss would cause a significant increase in cost or time for the implementation of future change whilst new staff were trained in or re-discovered that key knowledge.
- b) The Inner Core Team for the period up to 31st March 2015 is initially set at 9 full time posts covered by 12 people. Post Office shall have the final say on posts, skill sets and who is included within the Inner Core Team from the list of candidates recommended by Fujitsu Services but shall not unreasonably refuse candidates and shall provide reasons where it reasonably refuses. The Demand Planning Board shall record in its minutes which areas of the business Fujitsu Services feel is not sufficiently covered to enable mitigation actions to be taken if necessary.
- c) Limited changes: The Inner Core Team shall be fixed (in terms of variety of skill sets and numbers of posts and persons) from the date of signature of CCN1271c and such elements may not be varied prior to 31st March 2015 other than under the process set out in paragraph 3 below in relation to skill sets only.
- d) The additional provisions regarding the Inner Core Team set out in paragraphs 11 and 12 below shall apply with effect from 1st April 2015 except that paragraph 11 will not apply in the event that the Inner Core Team is terminated by Post Office pursuant to paragraph 12 below.

2. OUTER CORE TEAM TO 31st MARCH 2015

- a) The Parties shall agree an Outer Core Team of resources for the period up to 31st March 2015 under the auspices of the Demand Planning Board. The Outer Core Team shall consist of those Fujitsu Services personnel who have specialist knowledge and experience of the infrastructure and/or processes used to support Post Office's needs under the Agreement and whose loss would cause a significant increase in cost or time for the implementation of future change whilst new staff were trained in or re-discovered that key knowledge.
- b) The Outer Core Team for the period up to 31st March 2015 is initially set at 15 full time posts covered by 18 people. Post Office shall have the final say on posts, skill sets and who is included within the Outer Core Team from the list of candidates recommended by Fujitsu Services but shall not unreasonably refuse candidates and shall provide reasons where it reasonably refuses. The Demand Planning Board shall record in its

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minutes which areas of the business Fujitsu Services feel are not sufficiently covered to enable mitigation actions to be taken if necessary.

- c) Right to cancel Outer Core Team: Post Office shall have the right to cancel the Outer Core Team effective from the second anniversary of signature of CCN1271c. Post Office may exercise such option in writing to the Fujitsu Services Commercial Director up to 21 months from signature of CCN1271c only. If such break option is not activated, the Outer Core Team shall continue in place as normal until 31st March 2015.
- d) Limited Changes: The Outer Core Team shall be fixed (in terms of variety of skill sets and numbers of posts and persons) from the date of signature of CCN 1271c and such elements may only be varied:
 - i) in relation to numbers of persons and posts only, on Post Office giving 9 months' notice after that date. Post Office shall not reduce the numbers of persons and/or posts of the Outer Core Team as initially set by more than 20% during the initial 2 years from signature of CCN1271c. During years 3-5 from signature of CCN1271c, assuming Post Office has not invoked the break option at point 2(b) above, Post Office may reduce the numbers of persons and/or posts of the Outer Core Team by up to 20% in total of the size existing at the second anniversary of signature of CCN1271c during the remainder of the Term of the Agreement. Should Post Office not have utilised the full 20% reduction during the initial 2 years, then the remaining balance is not carried over to the 3rd-5th years.
 - ii) In relation to skill sets only, under the process set out in point 3) below.

3. VARIATIONS TO SKILL SETS OF THE INNER AND OUTER CORE TEAMS:

- a) Where forecast utilisation of a specified skill set within either the Inner Core Team or Outer Core Team is less than 50% for three or more succeeding months, Post Office may request at the Demand Planning Forum for that skill set to be exchanged for another skill set where consistent demand is shown. Post Office may, after the first anniversary of signature of CCN1271c, change 1 person in the Inner Core Team and 2 people within the Outer Core team under this provision each year.
- b) Where the replacement persons are from the Inner Core Team, the Outer Core Team or the Standing Team, it is expected that Post Office will normally backfill that post, leaving the total within each team unchanged. Post Office's rights in respect of team size reductions under the other provisions of CCN1271c would be unaffected.
- c) Post Office's entitlement to discounts will be unaffected by exchanges of personnel under this paragraph.
- d) Only in the event that the Post Office has requested the substitution, any re-skilling requirements for the replacement resource will be chargeable to the Post Office provided that Fujitsu Services shall take all reasonable endeavours to minimise the need for such re-skilling.

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4. Fujitsu Services undertakes to use all reasonable endeavours to ensure that the Inner Core Team and Outer Core Team personnel are not removed or replaced for the duration of the Agreement. However, in the event that any of the Inner Core Team or Outer Core Team personnel become unavailable for any reason (including without limitation death, injury, sickness, career advancement or resignation), Fujitsu Services shall have the right upon giving 30 days' notice in writing to Post Office to replace such an individual with another individual whose abilities and qualifications are appropriate for the services to be performed by such individual. Fujitsu Services shall submit to Post Office the CV of any such replacement and shall take any representation from Post Office in response under due consideration. Post Office shall not be charged for any training required to bring such staff up to the required standard of knowledge.

5. CONFIDENTIALITY

- a) Post Office may reproduce, copy and disclose Personnel Information relating to the Inner and Outer Core Teams:
- i) to Post Office's Subject Leads for (i) the Systems Integration Partnership and Executive Relationship, (ii) the Commercial Relationship and (iii) current members of the Demand Planning Board;
 - ii) to its professional advisers provided such reproduction, copying and disclosure is necessary for the purposes of this Agreement; or
 - iii) as required by law,
 - iv) provided that Post Office shall procure that the persons referred to in paragraphs (i) and (ii) above shall not themselves disclose Personnel Information (except amongst themselves) without the express written consent of Fujitsu Services.
- b) Post Office may discuss Personnel Information with and disclose Personnel Information to Fujitsu Services Listed Personnel.

6. STANDING TEAM TO 31st MARCH 2015

- a) The Parties shall agree a Standing Team of resources for the period up to 31st March 2015 under the auspices of the Demand Planning Board. The Standing Team during such period shall consist of an agreed number of personnel per grade sufficient to meet the Fujitsu Services forecasted minimum level of resources required, over and above the Inner Core Team and the Outer Core Team, to match the minimum Fujitsu Services forecasted workload anticipated within the next rolling 9 month period. This is initially set at 20.9 full time posts covered by 23 people. Post Office may terminate individual resource from this team on 3 months' notice after completion of the first 9 months. Post Office shall have the final say on what quantity of personnel for each grade is included within the Standing Team from the recommended list provided by Fujitsu Services. For replacements, Fujitsu Services shall recommend its suggested candidate plus at least 1 other qualified candidate and Post Office may request further candidates where, for good reason, neither of the submitted candidates is acceptable. Fujitsu Services remains the final arbiter on who fills each post, as long as they meet the required qualifications and experience."

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7. REPORTING

- i) Fujitsu Services shall present to each Demand Planning Board the following reports. The Demand Planning Board may request other reports as necessary to facilitate resource management.
 - (1) Resource requirements for committed and projected business
 - (2) Allocation of Inner Core Team, Outer Core Team and Standing Team personnel against the resource requirements at 7(i)(1) above.
 - (3) Requirements for additional specialist or volume-driven resources
 - (4) Shortfall in utilisation of any Inner Core Team, Outer Core Team or Standing Team members. Fujitsu Services shall make available the CV of any personnel having spare capacity to Post Office to facilitate their re-allocation.
 - (5) Actuals against Fujitsu Services forecasts in relation to resource requirements, allocation and utilisation.
 - (6) Such information as is required to allow Post Office to allocate costs to individual changes for re-charge to internal customers.

8. ESTIMATING

- 8.1 In the event that forecast estimates prove inaccurate in practice, Fujitsu Services shall identify:
 - a) any persistent causes of such inaccuracy
 - b) in extreme cases of inaccuracy, the cause(s) of such inaccuracy
- 8.2 In the case of any persistent causes identified under 8.1(a) above, the Party owning the area from which the cause originates shall, with the reasonable co-operation of the other Party where required (which shall be supplied free of charge), generate an action plan for addressing the cause which shall be presented to the Demand Planning Board for ratification.
- 8.3 In the case of any extreme cause of inaccuracy identified under 8.1(b) above, the Party owning the area from which the cause originates shall, with the reasonable co-operation of the other Party where required (which shall be supplied free of charge), shall generate an action plan for reducing or eliminating the chance of that cause re-occurring which shall be presented to the Demand Planning Board for ratification.
- 8.4 The Party owning the area from which the cause originates shall fund any action required under the action plan.
- 8.5 The Demand Planning Board shall agree any further measures it deems necessary to rectify continuing inaccuracy in estimates.

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9. SPARE CAPACITY

- i) In the event that a member of the Inner Core Team, Outer Core Team or the Standing Team is unallocated to a particular task for any period, Fujitsu Services shall notify Post Office as soon as possible, in any event at the next succeeding Demand Planning Board. Fujitsu Services shall use all reasonable endeavours to locate work either on or off the programme to utilise this spare capacity and report its findings to Post Office. Where staff are used other than to support Post Office programmes or services, charges shall be reduced accordingly and Post Office shall not pay anything for any time any persons are working on non-Post Office matters or are unavailable for reasons of sickness, corporate training, leave etc. Where staff are available but are unable to be utilised or re-deployed, charges shall fall to Post Office.
- ii) In the event that Fujitsu Services is unable to locate sufficient work to fill such spare capacity, Post Office shall have the option to identify work for the individual, either on contract work, within the SIP or on work currently outside the Agreement. In the latter case, such work would be brought within the contract scope to ensure that a contractual framework was provided for the services performed.

10. OFFSHORING

In the event that the Parties agree that it is possible to Offshore either a Standing or an Inner Core Team or Outer Core Team role, Fujitsu Services shall:

- i) provide to Post Office a revised potential cost for that role to include the re-training etc required. Fujitsu Services shall also provide all reasonable information in relation to any potential risks from the Offshoring to allow Post Office to make an informed decision on whether Offshoring is advisable in the particular case. Where the costs of such investigation exceeds 2 man-days, such investigation shall be chargeable to Post Office at the appropriate rate provided that the nature of this investigation (including as to its scope and duration) have been agreed in writing by the Post Office prior to the commencement of such investigation ; or
- ii) consider the proposal under the Gain Share principles.

The choice between (i) or (ii) above shall be entirely at Post Office's discretion.

11. INNER CORE TEAM FROM 1st APRIL 2015

- 11.1 During the period from 1st April 2015, unless terminated in accordance with paragraph 12 below or increased or decreased in accordance with paragraph 11.3 below, the Inner Core Team shall be set at 16 full time posts covered by 25 people. Post Office shall have the final say on posts, skill sets and who is included within the Inner Core Team from the list of candidates recommended by Fujitsu Services but shall not unreasonably refuse candidates and shall provide reasons where it reasonably refuses. In selection of the Inner Core Team Post Office shall take into account that during the period when Transitional Support Services are provided and Post Office is in transition to the Towers Model a different mix of skills may be required to retain the knowledge

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required to deliver the Services while protecting the reputations of Post Office and Fujitsu Services. The Demand Planning Board shall record in its minutes which areas of the business Fujitsu Services feel is not sufficiently covered to enable mitigation actions to be taken if necessary.

- 11.2 The Charges for the Inner Core Team shall be calculated on a discounted basis in accordance with Schedule D1. This discount shall be applied monthly as a credit to the operating charge.
- 11.3 Post Office may increase or decrease the size of the Inner Core Team before or after 1st April 2015 by giving three (3) months' notice to Fujitsu Services.
- 11.4 Removal of members of the Inner Core Team in accordance with paragraph 11.3 above will impact the discounting as per paragraph 10.4B of Schedule D1.

12. TERMINATION OF THE INNER CORE TEAM

- 12.1 Post Office may terminate the requirement for the Inner Core Team with effect from 1st April 2015, without payment of any charge to Fujitsu Services, upon providing written notice to this effect to Fujitsu Services on or before 30th September 2014. In the event of any such termination, the provisions of paragraph 11 above shall not apply.

13. OUTER CORE TEAM AND STANDING TEAM FROM 1st APRIL 2015

- 13.1 During the period from 1st April 2015, the Outer Core Team shall be initially set as a commitment to spend £150,000 per month on Development Resources.
- 13.2 The full time posts supplied in the Outer Core team can be changed but require a three month notice period and Post Office must confirm its requirement for resources 3 months in advance.
- 13.3 The discount structure for the Outer Core team is included in 10.4B of Schedule D1. This discount shall be applied monthly as a credit to the operating charge.
- 13.4 There will be no Standing Team during the period from 1st April 2015.

14. CORE TEAM MODEL FROM 1st APRIL 2016

- 14.1 The approaches set out in paragraphs 11 and 13 shall expire at the end of 31st March 2016.
- 14.2 From 1st April 2016 to 31st March 2023 for the remainder of the term, Post Office commits to funding the "Core Team" which shall comprise 16 on-shore full time equivalent posts covered by up to 25 people. Post Office shall have the final say on posts, skill sets and who is included within this team, from time to time, provided such persons and posts are chosen from the list of candidates recommended by Fujitsu Services. Post Office shall not unreasonably refuse candidates and shall provide

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reasons where it reasonably refuses. In the event Post Office wishes to vary the posts, skill sets and who is included in the Core Team it shall do so by giving three (3) months' notice to Fujitsu Services, unless, in respect of who is included in the Core Team, a member of the Core Team is guilty of misconduct, is underperforming or otherwise exhibits unacceptable behaviour, in which case, Post Office may require the immediate removal by Fujitsu Services of that member from the Core Team. Where a member is removed from the Core Team as described above, Fujitsu Services shall promptly replace them with a person satisfactory to Post Office (acting reasonably).

15. CRITICAL SMEs FROM 1st APRIL 2023

- 15.1 From 1st April 2023, Fujitsu Services shall retain a list of Critical SMEs as identified and agreed between the Parties for the duration of the Term. These Critical SMEs shall be utilised in the delivery of Development and/or Operational Services (including for the purposes of any knowledge transfer to Post Office or a Next Supplier) as allocated from time to time in accordance with the Parties' demand planning arrangements and Change Control procedure.
- 15.2 Fujitsu Services will not remove any Critical SMEs from delivery of the Services, except for the following reasons: (a) the individual resigns, (b) the individual retires, (c) the individual goes on long-term sick leave, (d) the individual is dismissed for conduct or some other substantial reason, or (e) the individual refuses to continue performing their duties in respect of the Services.
- 15.3 Fujitsu Services will seek Post Office's input and will use reasonable endeavours to reach agreement on an appropriate replacement for any Critical SMEs.
- 15.4 In the event that any Operational Service activity to which a Critical SME is aligned to is terminated, Fujitsu Services shall have no obligation to retain that Critical SME or provide a replacement for that Critical SME. In the event that one or more of the Operational Service activities to which the Critical SME is aligned are terminated but other such activities continue, Fujitsu Services shall inform Post Office before removing or replacing such Critical SME; however, the removal of such Critical SMEs shall remain at Fujitsu Services sole discretion.