

SCHEDULE A11 - ACCEPTANCE PROCEDURES-

ACCEPTANCE PROCEDURE FOR CORE SYSTEM

1. ACCEPTANCE TESTING

1.1 The Acceptance Procedure for Acceptance of the Core System ("CSR Acceptance") shall be as set out in this Schedule.

1.2 In respect of CSR Acceptance there will be agreed:-

- (i) a set of Acceptance Criteria;
- (ii) a set of Acceptance Specifications (the "CSR Acceptance Specifications") as described in Annex 1 to this Schedule;
- (iii) a set of Acceptance Tests (the "CSR Acceptance Tests") being Acceptance Trials or Acceptance Reviews as described in Annex 1 to this Schedule;
- (iv) an Acceptance timetable including, inter alia, a CSR Core Observation Period;
- (v) a Final Deadline for CSR Acceptance; and
- (vi) a CSR Operational Trial Review Period (being the three week period immediately following the end of the CSR Core Observation Period).

1.3 For the purposes of paragraph 1.2 above:-

- 1.3.1 all Acceptance Specifications have been agreed and are contained in the CCNs listed in Annex 2 to this Schedule; and
- 1.3.2 the Acceptance timetable for CSR shall be consistent with Schedule B09 and the Final Deadline for CSR Acceptance and the CSR Operational Trial Review Period shall be as set out in Schedule B09.

2. REQUIREMENTS FOR CSR ACCEPTANCE

2.1 Subject to any extension pursuant to paragraph 2.4 of this Schedule CSR Acceptance will occur once:-

- (i) the CSR Acceptance Tests have been carried out successfully;
- (ii) the CSR Core Observation Period and the CSR Operational Trial Review Period have expired;

- (iii) the thresholds referred to in paragraph 2.2 of this Schedule have been met as at the end of the CSR Core Observation Period taking into account all substantive faults raised by POCL beyond those defined in the CSR Acceptance Specifications, as described in paragraph 7.1(d) of this Schedule; and
- (iv) a timetable has been agreed between the parties to resolve all outstanding faults falling within the category described in paragraph 7.1(b) of this Schedule ("category (b) faults").

2.2 The thresholds will not be met if in respect of CSR Acceptance there are:

- (i) one or more high severity deficiencies as categorised in paragraph 7.1(a) of this Schedule ("category (a) faults");
- (ii) more than 20 category (b) faults; or
- (iii) more than 10 category (b) faults in respect of any one CSR Acceptance Specification.

2.3 It is acknowledged that if a CSR Acceptance Test is repeated following corrective work by the Contractor, POCL shall have the right to test for and raise new faults which may be caused by that corrective work or may come to light only as a result of that corrective work.

2.4 It is agreed that, notwithstanding the provisions of paragraph 2.1 of this Schedule, if at the end of the CSR Core Observation Period all CSR Acceptance Tests have been carried out and the thresholds referred to in paragraph 2.2 of this Schedule have not all been met, POCL shall permit the Contractor to repeat the relevant CSR Acceptance Tests in the two week period following the end of the CSR Core Observation Period provided that POCL is given sufficient opportunity to review the results of such CSR Acceptance Tests to its reasonable satisfaction prior to the end of the CSR Operational Trial Review Period.

2.5 Subject to paragraph 2.3 of this Schedule, once all Acceptance Tests have been successfully carried out and the CSR Core Observation Period has expired, no new Acceptance Incidents may be raised. For this purpose, a "new Acceptance Incident" is an Acceptance Incident which had not occurred before the end of the relevant CSR Core Observation Period and does not include Acceptance Incidents which occurred before the end of the CSR Core Observation Period but were not reported until after that date, provided always that POCL shall report to the Contractor an Acceptance Incident within seven days of the relevant POCL test manager identifying or being notified of the same.

2.6 If, at the end of the CSR Operational Trial Review Period the parties do not agree as to whether the Core System Release should be accepted, the provisions of paragraph 6 of this Schedule shall apply.

3. CONSEQUENCES OF FAILURE TO ACHIEVE CSR ACCEPTANCE

- 3.1 If CSR Acceptance is not achieved at the end of the CSR Operational Trial Review Period the Contractor shall be entitled to a period of three months in which to remedy the defaults, which (subject to paragraph 6.9 of this Schedule) it shall do at its own expense. Upon the expiry of that period, or at such earlier date as the parties shall agree, the Core System Release shall be re-submitted in its entirety for Acceptance testing (the "Second CSR Acceptance Test").
- 3.2 If CSR Acceptance is not successfully achieved at the end of the Second CSR Acceptance Test then POCL shall have the right to terminate the Codified Agreement, but without prejudice to all other remedies available to POCL under the Codified Agreement and otherwise and without prejudice to paragraph 3.3 of this Schedule.
- 3.3 Schedule L5 of this Codified Agreement (liquidated damages to a maximum of 13 weeks of delay) shall apply on failure to achieve CSR Acceptance by 30th September, 1999 and on failure to achieve the CS Completion Date by 31st March, 2001 (as such date is adjusted to reflect any delay in CSR Acceptance), in both cases where such delay is due to Default by the Contractor.
- 3.4 If CSR Acceptance has not been achieved by the Final Deadline for CSR Acceptance as listed in Schedule B09 then POCL shall be entitled to serve a notice upon the Contractor under this paragraph, whereupon the Contractor shall be deemed to have failed the Second CSR Acceptance Test in accordance with paragraph 3.2 of this Schedule.

4. CONSEQUENCES OF ACHIEVING CSR ACCEPTANCE

Upon Acceptance of the Core System Release the Release Authorisation Board shall decide whether or not to authorise national rollout of the Core System.

5. APPOINTMENT OF EXPERT

- 5.1 The parties have agreed to appoint an expert (the "Expert") as soon as reasonably practicable to assist in resolving disputes relating to CSR Acceptance.
- 5.2 The Expert shall be Peter Copping of PA Consulting or, if he has a conflict of interest or is unavailable, such other partner of PA Consulting as shall be:
- (i) qualified to resolve such disputes;
 - (ii) independent of both parties; and
 - (iii) approved by both parties, such approval not to be unreasonably withheld.

5.3 In the event that no other partners of PA Consulting shall be available and meet the Criteria in paragraphs 5.2(i) and (ii) above, the Expert shall be appointed at the request of POCL or the Contractor by the President for the time being of the Institute of Electrical Engineers so long as such appointee shall meet the criteria in paragraphs 5.2(i) and (ii) above.

5.4 The Expert shall act as an expert and not an arbitrator and his fees shall be borne by the parties in equal shares.

6. ACCEPTANCE DISPUTES

6.1 If paragraph 2.6 of this Schedule applies and/or POCL and the Contractor do not agree on:

- (i) the CSR Acceptance Specifications;
- (ii) whether an event or occurrence is an Acceptance Incident; or
- (iii) the assigned severity of an Acceptance Incident;

the parties will refer such dispute (the "Dispute") to the Expert to obtain initial guidance. The parties do not expect that the identification and notification of the Dispute, reference of the Dispute to the Expert and obtaining his initial guidance should take longer than seven days.

6.2 Once the Expert has given to the parties his initial guidance on the Dispute, the Managing Director of POCL and the Commercial Director of ICL shall meet and attempt to resolve the Dispute with the advice and guidance of the Expert.

6.3 If the Dispute is not resolved during the meeting pursuant to paragraph 6.2 above, then the Expert shall be required to make a decision (the "Decision") as to how the Dispute should be resolved.

6.4 Once the Decision has been made, the Managing Director of POCL and the Commercial Director of ICL shall meet to review and respond to the Decision.

6.5 The Decision shall be binding unless vetoed by POCL in accordance with paragraph 6.6 below.

6.6 POCL may veto the Decision if:

- (a) POCL disagrees with the Decision and provides to the Contractor written reasons for such disagreement; and
- (b) asserts a Veto Ground (as defined in paragraph 6.8 of this Schedule).

6.7 If POCL vetoes the Decision, the Managing Director of POCL and the Commercial Director of ICL shall meet and attempt to resolve the Dispute. If

they fail to resolve the Dispute within three working days of either party requesting a meeting for that purpose then the Chief Executives of the Post Office and of ICL shall meet and attempt to resolve the Dispute. However, unless and until otherwise agreed, the veto will stand.

6.8 Each of the following shall be a Veto Ground, namely if the issue:-

- (i) materially affects POCL's ability to settle with clients in a timely and accurate way;
- (ii) materially affects POCL's ability to transact with sub-postmasters in a timely and accurate way;
- (iii) is likely to materially and adversely affect POCL customers in areas covered by service level agreements;
- (iv) materially affects critical operational processes necessary for the running of POCL;
- (v) materially compromises the integrity of Post Office accounting systems;
or
- (vi) is likely to lead to the qualification of Post Office accounts or those of its subsidiary companies.

6.9 If POCL vetoes a Decision and that Decision was in favour of the Contractor then sub-paragraph 3.1 of this Schedule shall apply save that the direct costs of and associated with such extra work as shall be required as a consequence of the exercise of the veto shall be dealt with in accordance with paragraph 6.10 of this Schedule. If, but for POCL vetoing a Decision in favour of the Contractor, CSR Acceptance would have been achieved, and the Acceptance Test in question was the Second CSR Acceptance Test, it shall be deemed to have been the first.

6.10 The direct costs of and associated with the extra work referred to in paragraph 6.9 of this Schedule shall initially be borne by POCL. However, POCL shall be entitled to refer the Expert's decision in relation to the Dispute to an arbitrator in accordance with paragraphs 6.11 and 6.12 of this Schedule. If the arbitrator rules in favour of POCL in respect of the Dispute then the Contractor shall, within seven days of the arbitrator's decision, refund to POCL the amount so borne by POCL, together with interest thereon from the date when the Dispute was referred to the arbitrator until the date of payment thereof at a commercial rate determined by the arbitrator.

6.11 Any matter referred to arbitration by POCL pursuant to paragraph 6.9 of this Schedule shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce ("ICC") by one arbitrator appointed in

accordance with the said rules (or under such other arbitration procedure as the parties shall agree).

- 6.12 The place of arbitration shall be London, the governing law of the arbitration shall be English and the language of the arbitration shall be English.

7. ACCEPTANCE DEFICIENCIES

- 7.1 The Contractor shall analyse each Acceptance Incident in accordance with the guidelines defined in the relevant Acceptance Specification, and categorise each Acceptance Incident within the following principles:

- (a) failure to meet an Acceptance Criterion essential to the Deliverable or POCL Service shall be designated a high severity deficiency;
- (b) failure to meet an Acceptance Criterion which is highly desirable for the Deliverable or POCL Service shall be designated a medium severity deficiency;
- (c) failure to meet an Acceptance Criterion which is desirable for the Deliverable or POCL Service shall be designated a low severity deficiency;
- (d) an Acceptance Incident which does not relate to an Acceptance Criterion, but which identifies a failure to meet any other obligation under this Codified Agreement and, in the reasonable opinion of POCL, represents a substantive fault equivalent to, and categorised according to, part (a), (b) or (c) of this paragraph; or
- (e) none of the above.

- 7.2 Other than for category (e) above, the analysis of an Acceptance Incident shall not of itself be sufficient to resolve the Acceptance Incident. Resolution of an Acceptance Incident shall only occur when the deficiency or fault has been corrected by the Contractor and the relevant parts of the Acceptance Test have been repeated without further category (a), (b) or (c) Acceptance Incidents arising.

- 7.3 POCL may, at its sole discretion and in accordance with Clause 612, waive in writing the resolution of an Acceptance Incident and deem it resolved.

Annex 1 to Schedule A11

1. ACCEPTANCE TESTS

An Acceptance Test shall take the form of one or more Acceptance Trials as defined in paragraph 2 of this Annex, one or more Acceptance Reviews as defined in paragraph 3 of this Annex, or combinations thereof.

2. ACCEPTANCE TRIALS

2.1 An Acceptance Trial shall consist of one or more of the following:

- (a) inspection of any system used to provide a POCL Service;
- (b) demonstration of any system used to provide a POCL Service;
- (c) running a real or simulated operational workload on any system used to provide a POCL Service;
- (d) monitoring provision of a POCL Service over a trial period to verify performance to the Service Levels specified in the POCL Service.

2.2 The scope and conduct of any Acceptance Trial proposed shall be documented in the Acceptance Specification and the Acceptance Trial shall not commence until the Acceptance Specification has been approved by POCL.

3. ACCEPTANCE REVIEWS

3.1 An Acceptance Review shall consist of one or more of the following:

- (a) inspection of a Deliverable (e.g. a document) by one or more competent reviewers nominated by POCL;
- (b) inspect by one or more competent reviewers nominated by POCL of documentary evidence that a POCL Service has been provided;
- (c) a meeting between POCL and the Contractor at which one or more of the following occur:
 - i. Deliverables or documentary evidence are inspected;
 - ii. a presentation is given by the Contractor;
 - iii. the results of prior inspections, visits or presentations are reviewed and the outcome agreed

- 3.2 The scope and conduct of any Acceptance Review proposed shall be documented in an Acceptance Specification and the Acceptance Review shall not commence until the Acceptance Specification has been approved by POCL.

Annex 2 to Schedule A11

CCNs Containing Agreed Acceptance Specifications for CSR

0338

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0342

0343

0344

0345

0346

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0362

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0378

0379

0380

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