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DRAFT – IN STRICTEST CONFIDENCE AND SUBJECT TO LEGAL PRIVILEGE

GLO COMMUNICATIONS – HORIZON ISSUES JUDGMENT

COMMERCIAL PARTNERS RETAIL - EMAIL

SUBJECT: POST OFFICE GROUP LITIGATION UPDATE

As you may have seen, the second Judgment in the Post Office Group Litigation has been handed down by the High Court today, as part of the preliminary stages of the complex, long-running legal case to resolve a number of individual claims by mainly former postmasters.

This Judgment, which focuses on our Horizon computer system used across our network, raises some issues [and criticisms] so I wanted to reassure you of the firm measures we [have taken/ are taking] which address these.

But firstly I want to underline why we can have confidence in the overall robustness of the Horizon system and that it compares well with systems used by other retail and financial services companies each day. Both independent experts, for Post Office and the claimants in the case, on opposite sides of the litigation, confirmed this. . It's also important to make clear that the products and services that Post Offices provide every day to millions of customers are not affected by the litigation.

The vast majority of our 11,500 Post Office branches operate without problems and Horizon processes around 47 million transactions a week, more than £60 billion worth a year. These are reconciled with the systems of our many clients, including high street banks, utility companies and Government departments.

Of course no system can ever be said to be perfect and we're working to make continual improvements. Working with our Horizon supplier, Fujitsu, we have taken actions which include strengthening the ways the system is monitored and issues identified and fixed when they do arise. We're also implementing some design changes to further reduce the likelihood of human errors. Overall more than [100?] changes are being made in a comprehensive programme of improvements, closely involving our postmasters.

What the Judgment underlines to us most strongly is the importance of better supporting our postmasters to operate their branches. Actions we're taking on this will both help prevent problems in the first place and improve the support we provide to postmasters when they do have issues.

Over the past 12-18 months we have had a particular focus on making changes at every level of the business to build a better partnership with our postmasters. These include very improvements to recruitment, training and operational support.

I hope I have reassured you about how we are responding to the matters the litigation raises – if you would like any more detail about the considerable improvement work underway then I will be very happy to provide this. I also attach our response to the media about today's Judgment which I hope is helpful.

[As you know from our recent conversations about the litigation itself] we expect the case to take some time to be resolved as there are many legal matters still to be determined and the individual claims themselves span a very lengthy period, with some dating back around two decades. Currently there are Court hearings scheduled through to 2020 and I will keep you updated on relevant developments.

Again, please contact me at any time with any concerns you may have.