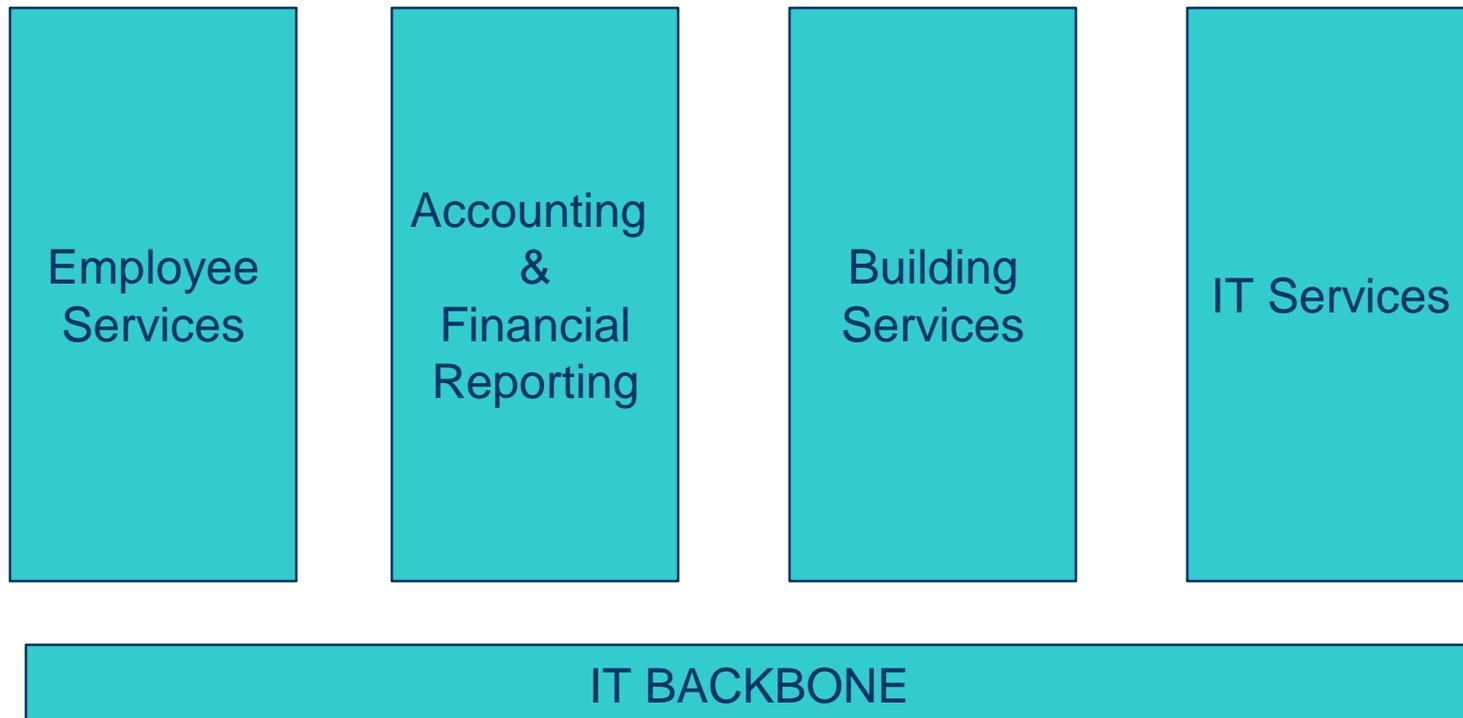


# **GBS (Global Business Services)**

Shared Services Group

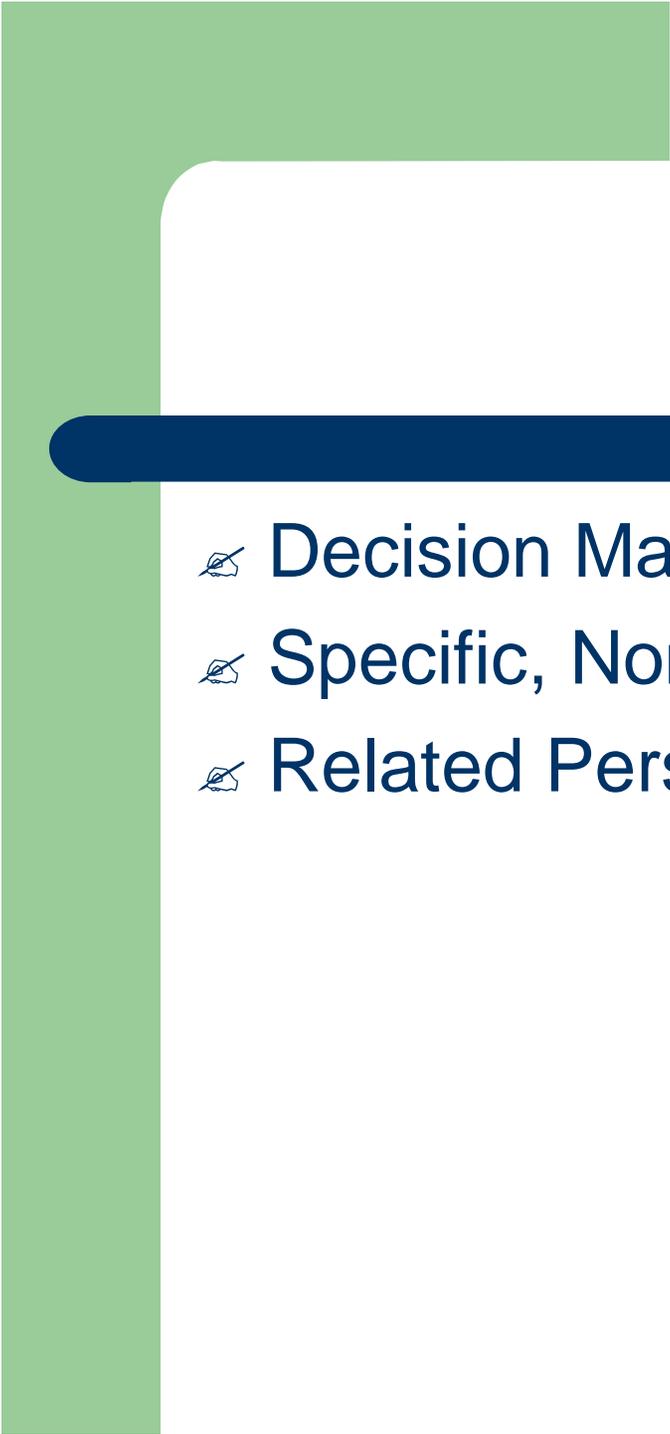


# Four Bundles or Towers



# Three Global Services Centers

- ✍ San Juan, Costa Rica
- ✍ Manila, Philippines
- ✍ New Castle, UK

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- 
- ✍ Decision Made to Outsource
  - ✍ Specific, Non-strategic Tasks/Services
  - ✍ Related Personnel

# Several Reasons to Outsource

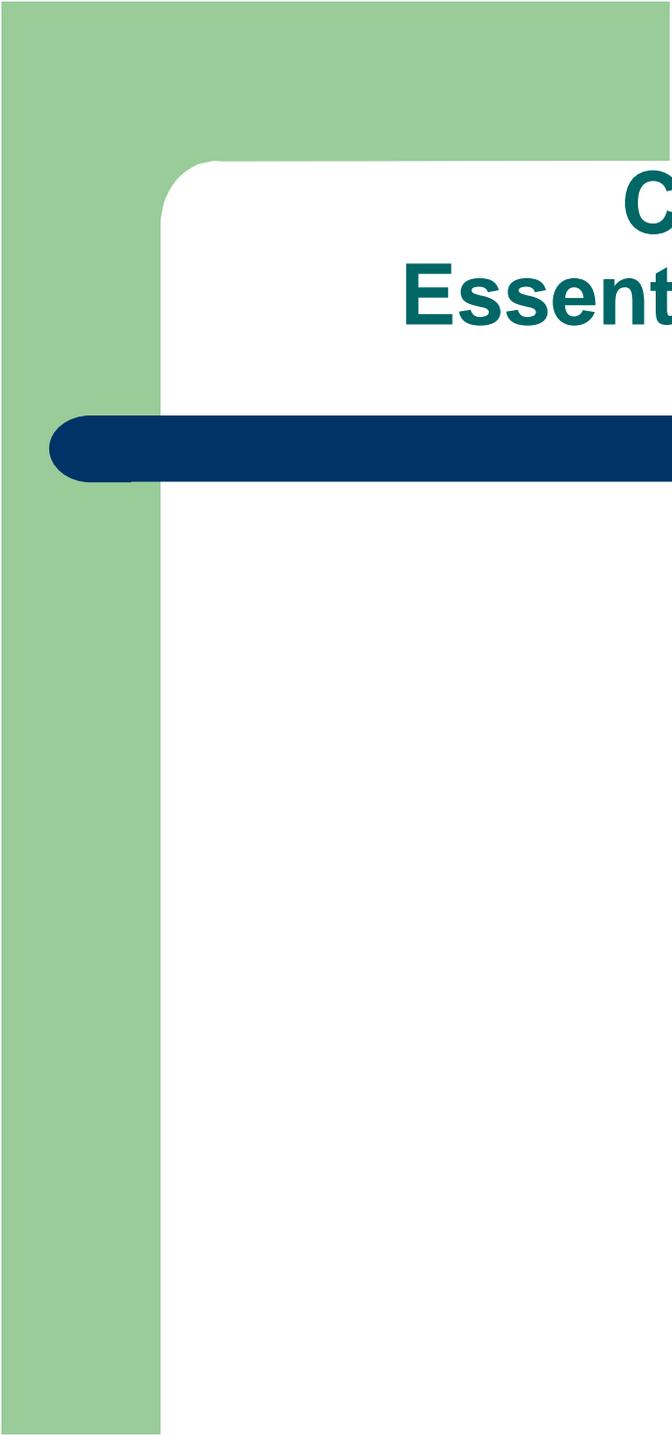
- ✍ Savings
- ✍ Redeploy Capital
- ✍ No competitive advantage
- ✍ Experience

# Went Through Several Iterations

- ✍ One Macro Vendor
- ✍ Several Vendors

## Common Approach Used “Competitive Process”

- ✍ Diligence on Vendors – Diligence on us
- ✍ Can they do the work? – Reliability
- ✍ Deliver Services/Costs
- ✍ People
- ✍ Contract Terms – Up-to-date Technology



**Competitive Interplay**  
**Essential to obtaining best price**  
**and terms**



- 
- 
- ✍ Originally Sought 10 Year Agreement
  - ✍ Market Conditions Tightened -- Ended up with 5-7 year deals

# Generally IT Outsourcing Deals

- ✍ Provide Statements of Work
- ✍ Service Levels
- ✍ Fee For Services (Often built in Savings)
  - Shared Savings formulas
- ✍ ARC/RCC



Time and materials/Cost Plus have been used  
Rare in IT

We did for Facilities Management

# Contract Structure

- ✍ In structuring a commercial outsourcing contract, customers endeavor to:
  - Memorialize the business terms, i.e., the allocation of legal, financial and operational responsibility and risk
  - Address known and foreseeable issues
  - Provide a framework to address future changes and resolve disputes

# Purpose of Contract Terms and Conditions

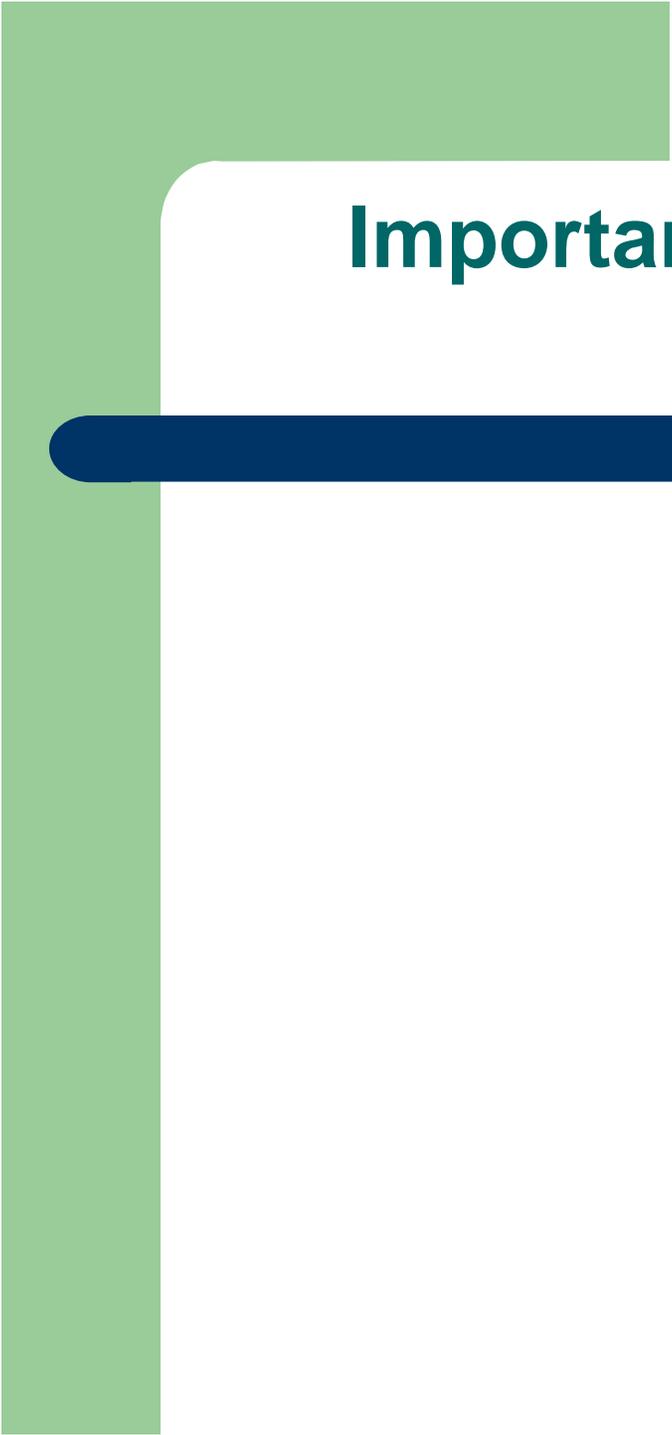
- ✍ Retain leverage and manage change
- ✍ Manage in-scope and new services
- ✍ Manage service quality
- ✍ Provide price protection
- ✍ Deliver promised cost savings

# Common Contract Management Problems

- ✍ Too often, customers fail to manage to the contract that has been so painstakingly negotiated
- ✍ Victims of the vendor-promoted and customer-accepted position that the contract should be put on the shelf and forgotten
- ✍ Or, lack of contract knowledge

# Common Contract Management Problems

- ✍ Too often, departures from the contract terms are not recognized
- ✍ Contract modifications are not documented
- ✍ Proven contract management tools that have been painstakingly inserted in the contract are overlooked



# **Important Provisions/Levers for Service Buyers**



# Benchmarking

- ✍ Beginning 12 months after Effective Date, Vendor has right to engage an independent third party to conduct a market comparison of price and Service Levels of any component of the Services
- ✍ If prices not in most favorable 25%, Supplier must adjust the charges to eliminate the unfavorable variance or provide acceptable alternate resolution

# Architecture, Standards and IT Planning

- ✍ We retain ultimate authority to promulgate architectures, standards and IT plans and grant waivers

# New Technologies

- ✍ Supplier to provide Services using current best technologies to take advantage of technological advancements and maintain our competitiveness

# Right to In-source or Use Third Parties

- ✍ Right to in-source or use third parties for New Services and replacement services

# New Services Proposals

- ✍ Proposed pricing must be reasonable, no less favorable than existing pricing and labor rates for comparable services and take into account existing and future volume of business

# New Technologies

- ✍ Supplier is obligated to identify and propose the implementation of any technology or process that is likely to
  - Improve the efficiency/effectiveness of the Services
  - Result in cost savings or revenue increase
  - Enhance ability to conduct business or serve customers
  - Achieve objectives set out in Agreement more efficiently

# Compliance with Laws

- ✍ Supplier will comply with all applicable Laws and all changes in such Laws
- ✍ Supplier will comply with privacy policy
- ✍ Supplier will be responsible for any fines or penalties imposed resulting from any failure of Supplier to comply with applicable Laws

# Quality Assurance

- ✍ Supplier to maintain an internal audit function to monitor the processes and Systems used to provide the Services
  - Supplier will develop and execute an annual risk assessment process
- ✍ Supplier to obtain an SAS 70 or equivalent audit and an ISO 9001, or similar quality standard, within 18 months after the Commencement Date

# Methods of Termination

## ✍ Termination

- Termination for Cause
- Termination for Convenience
- Termination for Insolvency, Change of Control or Significant Impact

# Termination for Cause

- ✍ The right to terminate in whole or part for cause on following grounds:
  - Supplier's failure to complete Transition Services by period set;
  - Supplier commits material breach of the Agreement and does not cure it within 30 days of notice of breach;
  - Supplier commits a material breach that is not capable of being cured within 30 days of notice of breach;
  - Supplier commits numerous breaches that collectively constitute a material breach;
  - Supplier commits a material Security breach.
- ✍ Termination for cause incurs no Termination Charge.

## Termination for Convenience

- ✍ The right to terminate for convenience, in its sole discretion. Termination Charges may apply
- ✍ Must give Supplier 120 days written notice of effective date of termination of entire Agreement or 30 days written notice of effective date of termination of specific Services

# Other Methods of Termination

- ✍ Can terminate Agreement if Supplier becomes insolvent
- ✍ Can terminate Agreement if Control of Supplier changes
  - Supplier is not entitled to any termination fees in termination occurs on this basis
- ✍ Can terminate Agreement if Supplier commits a material breach that has a significant impact on conduct of business and Supplier is unable to cure within 48 hours

## Rights Upon Expiration or Termination

- ✍ Unless otherwise agreed, broad license to Supplier Owned Materials used to provide the Services (with right to sublicense to third party contractors), subject to exceptions set forth in Agreement

# Dispute Resolution

- ✍ Informal dispute resolution process
  - Contract Manager and Supplier Project Executive will attempt in good faith to resolve all disputes
  - If no resolution can be reached, the dispute may be referred to the senior corporate executives (escalation)
- ✍ Continued performance during pendency of dispute
- ✍ Governing law