SWICH

High Performance Procurement:

Contract Negotiation Service

HPP Contract Negotiation Service Example

Client - Supplier SMSA Project: High Level Charter

- **Objective:** Enhance a strong and growing partnership by implementing a new SMSA and applicable Towers to replace all legacy **Client - Supplier** MSA, prioritizing net new projects and 2023 Expiration contracts, by June 2023.

✓ **Improved terms and conditions** – incorporate MSA uplifts in new SMSA and address remaining gaps.

✓ **Towers / Statements of Work** – update service descriptions / functionality and service levels / performance criteria to ensure consistency, accountability, and clear alignment between services, SLAs and fees.

✓ **Financial Terms** – align new or enhanced scope with the progressive pricing model built into the MSA Uplifts to leverage additional / new volumes and develop other cost efficiencies from an improved, holistic approach.

Project Scope:

i. SMSA and Towers: Negotiate and deploy the main contract infrastructure **by June 2023.**

ii. Priority 1a: Tax Slip Consolidation project **July 2022 tentative "Go Live" target.**

iii. Priority 1b: PostEdge Services project: **multiple "Go Live" targets.**

iv. Priority 2: All Contracts Expiring in 2023: **Early renewal, single sourced opportunity.**

v. Priority 3: All Other 2023 Expiration Contracts: **Early renewal, single sourced opportunity**.

vi. Priority 4: BPO/BPS and other MSA Uplift Contracts: **Recently negotiated and expire after 2023.**

1. Find Negotiation "leverage" points. In this example, leverage was new revenue opportunities; to be rolled in under the new contract framework.

Tax Platform & Services: TCO Analysis and Savings

Supplier TFP Services SOW

	A	B	C	D	E	F	G	H	I	J	K
	CY22	CY23	CY24	CY25	CY26	CY27	CY28	CY29	CY30	CY31 (6 mths)	Total
Annual Growth - File Processing	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	
Annual Shrinkage - Print & Insertion	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	
Current State											
Processing Costs - RRD	280,992	283,797	287,080	290,855	295,135	299,938	305,279	311,177	317,650	162,360	2,834,262
Print Processing Costs - Cover-All	633,023	639,343	646,739	655,242	664,886	675,705	687,737	701,024	715,608	365,768	6,385,077
Print Processing Costs - INTRIA (& BRCC)	199,030	203,010	207,070	211,212	215,436	219,745	224,140	228,622	233,195	118,929	2,060,389
Other (CRs, IMDS feed, FTE Capacity, etc.)	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	100,000	1,900,000
TOTALS-1 (no tax)	1,313,044	1,326,151	1,340,890	1,357,309	1,375,457	1,395,387	1,417,156	1,440,823	1,466,454	747,057	13,179,727
TOTALS-2 (with tax)	1,433,740	1,448,550	1,465,206	1,483,759	1,504,266	1,526,787	1,551,386	1,578,130	1,607,093	794,175	14,893,092
Future State											
	Implementation Period			Full Steady State Period							
Steady State Costs											
TFP Platform Service Fees		90,000	391,824	507,840	612,984	709,860	800,820	880,272	953,460	500,567	5,447,627
TFP Processing Service Fees (ICS)			641,969	1,102,875	1,089,462	1,089,715	1,091,607	1,095,172	1,052,658	529,139	7,692,598
Net Impact											
SUB-TOTAL	$ -	$ 90,000	$ 1,033,793	$ 1,610,715	$ 1,702,446	$ 1,799,575	$ 1,892,427	$ 1,975,444	$ 2,006,118	$ 1,029,706	$ 13,140,225
Tax (13%)		$ 11,700	$ 134,393	$ 209,393	$ 221,318	$ 233,945	$ 246,016	$ 256,808	$ 260,795	$ 133,862	$ 1,708,229
TCV (**Supplier** TFP Services SOW)	$ -	$ 101,700	$ 1,168,186	$ 1,820,108	$ 1,923,764	$ 2,033,520	$ 2,138,443	$ 2,232,252	$ 2,266,914	$ 1,163,568	$ 14,848,454
Increase in steady state costs				$ 336,349	$ 419,498	$ 506,733	$ 587,057	$ 654,121	$ 659,821	$ 369,393	$ 3,532,972

Negotiated Quotes	
TFP Services Cost - Initial Rate	$ 20,120,691
TFP Services Cost - May17 Rate	$ 17,973,812
TFP Services Cost - May31 Rate	$ 16,796,125
TFP Services Cost - June02 Rate (Final)	$ 13,140,225
SUB-TOTAL	$ 13,140,225
Tax (13%)	$ 1,708,229
TCV (**Supplier** TFP Services SOW)	$ 14,848,454

	Annual Avg (6.5 yrs)
Increase in steady state costs	$ 543,534

2. Build a Total Cost of Ownership business case. Work with the line of business to project future volume/contract growth and other factors; then use that detail to negotiate specific pricing (cost) reductions to improve the original offer..

1. Baseline current state and future state pricing assume a projected 5% growth in client accounts and 8% increase in print suppression rates year over year.
2. The Cover-All Agreement expires in 2024 and offers a Termination for Convenience (no penalty) with 30-day notice.
3. The R.R. Donnelley (Moore Canada Corporation) Agreement expires in 2031 and offers a Termination for Convenience (no penalty) with 30 day notice.

Tax Platform & Services: Deal Summary

Sponsors:
EXCO leader: [redacted]
Business Sponsor: [redacted]

Total Contract Value (TCV)
$14.85MM

Contract Duration:
June 30, 2022 - April 30, 2031 (9 years*)

*Fees commence only after Phase 1 implementation scheduled January1, 2023

Steady state costs represent an average annual increase of $.54MM over 6.5 years.

Background/Context

Client Canadian client tax services supports over 11MM clients issuing over 6MM tax slips annually through four small vendors (Cover-All, R.R. Donnelley, IMDS/Intria and BRCC). Cover-All and more specifically R.R. Donnelley, have experienced service level degradation in recent years and a financial review of their business identified a concern over their long-term financial viability. This contract aims to consolidate this critical, highly regulated service to a single, Tier 1 vendor, **Supplier**, who provides a fully integrated industry leading solution that will seamlessly align to other existing services **Client** subscribes to (including multiple Book of Record products).

Additional benefits of service consolidation with **Supplier** include:

- A consistent client experience across all **Client** Canadian lines of business
- Streamlined effort required to support **Client** client online/digital strategy (currently only available for **Client**
- Mutualization provided by **Supplier** across their client base to support industry changes
- Reduced risk in the number of vendors handling sensitive personal client information
- Improved vendor governance process by implementing existing **Supplier** vendor management framework

Key Terms of the Supplier Deal

- The **Supplier** Tax Form Plus (TFP) Print and Platform Service is an Amendment to, and co-terminus with, the **Supplier** GTO Canada Schedule negotiated in 2021
- Contract consistent with previously negotiated Schedules that aligned key terms to current **Client** standards
- Pricing negotiation resulted in a 12.5% reduction to **Supplier**'s standard resourcing rates, resulting in one-time cost reductions of $197K
- Service Level Agreements (SLAs) address key business priorities that lead to credits and termination right for repeated service level failures
- Termination for convenience is available after a minimum term of 5 years, subject to diminishing fees

Digital Platform & Services: TCO and Savings

3. Build a TCO business case. This included historical contract growth and other factors, then compared the baseline to a desired future state (negotiated savings).

		B	C	D	E	F	G	H			
	New Supplier PostEdge Services SOW	FY23	FY24	FY25	FY26	FY27	FY28	FY29			
1	Estimated Annual Growth	Baseline	5%	5%	5%	5%	5%	5%			
2	Current State										
3	#43209 PostEdge Report Mining (Fixed Fee, Conversion & Hosting) - CAN	931,500	931,500	931,500	931,500	931,500	931,500	931,500	931,500	931,500	7,452,000
4	#43209 PostEdge Report Mining (Line Mode Reporting) - CAN	1,432,125	1,522,094	1,620,555	1,723,939	1,832,491	1,946,472	2,066,152	2,191,815	2,323,762	15,227,280
6	#32123 PostEdge Report Mining Line Mode Reporting - US	424,491	344,500	353,147	362,093	371,350	380,936	390,867	401,161	411,837	3,015,892
7	#32123 P&S Workflow Base Fee - US	88,390	89,709	89,709	89,709	89,709	89,709	89,709	89,709	89,709	717,673
8	#97681 Document Archive e-Archive & Web Presentment - CAN	44,457	46,408	47,978	49,627	51,358	53,176	55,085	57,089	59,194	419,914
9	#32123 Document Archive (Conversion & Hosting) - US	423,814	672,427	718,525	760,026	804,528	852,243	903,401	1,305,118	1,405,287	7,421,555
10	#97681 TCOD e-Delivery Notification - CAN	33,576	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	288,000
11	#97681 TCOD Additional Retrieval Indices - CAN	2,493	2,670	2,859	3,062	3,280	3,512	3,762	4,029	4,315	27,488
12	#115022 TCOD e-Mail Notification to Consented End Users - US	37,233	54,549	57,798	61,264	64,965	68,915	73,132	77,635	82,444	540,702
5	#55015 PostEdge Retail Branch Group Platform Fee - CAN	161,460	188,700	188,700	188,700	188,700	188,700	188,700	188,700	188,700	1,509,600
5	#55015 PostEdge Atlantic Trust Statement AFP to PDF Conversion Fee - CAN	12,420	12,420	12,420	12,420	12,420	12,420	12,420	12,420	12,420	99,360
7	#55015 PostEdge Retail PRE/POST Notifications Fee - CAN	27,240	27,240	27,240	27,240	27,240	27,240	27,240	27,240	27,240	217,920
13	Data Pump Reports (~255 reports-TBC @ $200-250 / report, not charged)	-	-	-	-	-	-	-	-	-	-
13	TOTALS-1 (no tax)	3,619,199	3,928,216	4,086,431	4,245,580	4,413,541	4,590,824	4,777,968	5,322,417	5,572,408	36,937,384
14	TOTALS-2 (with 13% HST, Canadian invoices only)	3,963,084	4,243,114	4,414,358	4,587,188	4,769,514	4,961,881	5,164,864	5,725,944	5,993,399	39,860,261
15	Steady State Costs (November-23)										
16	PostEdge Report Mining Fixed Fee (Canada)		918,000	936,360	955,087	974,189	993,673	1,013,546	1,033,817	1,054,493	7,879,166
17	PostEdge Report Mining - Variable Fees (consolidated Canada & US)		1,348,287	1,451,506	1,562,203	1,680,913	1,808,208	1,944,699	2,091,043	2,247,943	14,134,802
18	P&S Workflow (US)		89,709	89,709	89,709	89,709	89,709	89,709	89,709	89,709	717,673
19	Document Archive (Canada)		78,840	79,697	80,571	81,462	82,371	83,299	84,245	85,210	655,694
20	Document Archive (US)		231,017	235,637	240,350	245,157	250,060	255,061	364,190	381,801	2,203,272
21	TCOD e-Delivery Notifications (consolidated Canada & US)		67,246	70,009	72,909	75,954	79,152	82,510	86,035	89,737	623,553
22	PostEdge Retail Branch Group Platform Fee - CAN		-	-	-	-	-	-	-	-	-
23	PostEdge Atlantic Trust Statement AFP to PDF Conversion Fee - CAN		-	-	-	-	-	-	-	-	-
24	Additional Retrieval Indices (Canada)		2,670	2,859	3,062	3,280	3,512	3,762	4,029	4,315	27,488
25	Data Pump Reports (previously not charged, net new reports only)		31,500	33,075	34,729	36,465	38,288	40,203	42,213	44,324	300,797
26	PostEdge Retail PRE/POST Notifications Fee - CAN		-	-	-	-	-	-	-	-	-
27	TOTALS-1 (no tax)		2,767,268	2,898,851	3,038,620	3,187,129	3,344,974	3,512,788	3,795,282	3,997,532	26,542,444
28	TOTALS-2 (with tax)*		3,085,319	3,233,407	3,390,733	3,557,924	3,735,650	3,924,631	4,229,661	4,455,915	29,613,239
29	Net Impact	359,745	3,127,013								
30	Difference - (Increase) / Savings		1,160,948	1,187,579	1,206,960	1,226,412	1,245,850	1,265,180	1,527,135	1,574,876	10,394,940
31	Cost Avoidance - (Increase) / Savings	-	-	$0	$0	$0	$0	$0	$0	$0	$ -
40	SUB-TOTAL		$ 2,767,268	$ 2,898,851	$ 3,038,620	$ 3,187,129	$ 3,344,974	$ 3,512,788	$ 3,795,282	$ 3,997,532	$ 26,542,444
41	Tax (13%)*		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
42	TCV (Supplier PostEdge SOW)		$ 3,085,319	$ 3,233,407	$ 3,390,733	$ 3,557,924	$ 3,735,650	$ 3,924,631	$ 4,229,661	$ 4,455,915	$ 29,613,239

Digital Platform & Services: Deal Summary

Background/Context

The PostEdge Services are an electronic document management system that address **Client** reporting, archival, and distribution requirements. The Services are delivered through an ASP model, with hardware and software hosted, maintained, and supported by **Supplier** PostEdge Service components include:

- Presentment (user interface) and User Security Services;
- Report Mining Services;
- Document Archive Services;
- Trade Confirmation on Demand and e-Delivery Notification Services;
- P&S Workflow Services (purchase & sales, US only).

Benefits from renewal negotiations include:

- ~30% reduction to ongoing service costs, and a one-time credit of ~US$600K for **Client**
  - i. New Report Mining pricing tiers provide over **$10.4MM** in DOE cost savings over term
  - ii. Credit for new Report Mining pricing to be applied retroactively to all costs from July 2022 through June 2023.
  - iii. Report Mining and TCOD e-Delivery Notifications services will consolidate volumes and deploy a consistent pricing model for both U.S. and Canada.
  - iv. No future or retro-active Data Pump Report charges will be applied to existing reports (prior to January 2023).
  - v. Confirmed a future "Cloud Efficiencies" 10% reduction to all Fees for Services that migrate to the Cloud.

Sponsors:
EXCO leader:
Business Sponsor:

Total Contract Value (TCV): US$29.6MM

Contract Duration:
November 1, 2023 – October 31, 2031 (8 years)

Key Terms of the Supplier Deal
The new PostEdge Services renewal is governed by the new SMSA, which incorporates best practices for enterprise contracts, negotiated with **Supplier** in December 2022.

- New Service Level Agreement address key business priorities that provide credits and termination rights for repeated service level failures.
- **Supplier** commitment to provide formal plans to achieve:
  - i. **Client** Accessibility Standards;
  - ii. Certify the PostEdge platform as a formal **Client** Records Repository; and
  - iii. Address all **Supplier** data center deficiencies to meet **Client** standards.
- Project team identified 3 (of 4) actively billed but "unused" reports that can be discontinued for a saving of ~$14K per month.
- tified various manual invoice management processes that can be transitioned to **Supplier** and automated to improve efficiency.

FHSA Program SOW: Negotiation & Deal Summary

SCOPE: This contract is to provide a new Tax-Free Home Savings Account (THSA) Plan Account Module to the BPS 066 environment. Background: On April 7/22, the Canadian government announced a new registered plan will be made available in 2023 called, "First Home Savings Account" ("FHSA") that will help Canadian residents to save a down-payment for their first home purchase. This is an enterprise level program which will impact all LOBs across the bank. The **Supplier** platform is used to originate and open investment accounts, such as the new FHSA, that will now be available through the platform, alongside existing investment accounts offered by **Client**. This SOW is for the provision of the ongoing, steady state services for the FHSA Module.

PRICING: Total contract value of the Amendment 2 is CAD$1.7M over an 8.5-year term to June 30, 2031 (co-terminus with the GTO Canada Schedule). Savings negotiated of CAD$270,000. Go Live date of the Tax-Free Home Savings Account (FHSA) Plan initiative is November 1, 2023.

Cost Per FHSA Account - 066:			$ 26.78	$ 18.46	$ 16.65	$ 15.74	$ 15.08	$ 14.75	$ 14.41	$ 9.26	
Total Contract Value (TCV) Analysis - 066 (Revised Proposal, 23-JAN-23)											
Annual Growth	Threshold	2023 (2 Months)	2024	2025	2026	2027	2028	2029	2030	2031 (6mths)	8.5-yr Totals
Total Volume	25,000	1,291	7,748	11,466	12,963	13,991	14,888	15,530	16,209	12,865	106,951
Y-o-Y Volume Growth %					13%	8%	20%	15%	10%	5%	
Volume Tier	Unit Price										
FHSA Service Base Fee - Monthly	$15,000	$ 30,000	$ 183,600	$ 187,272	$ 191,017	$ 194,838	$ 198,735	$ 202,709	$ 206,763	$ 105,449	$ 1,500,384
Per FHSA Account - Monthly Fees											$ -
First 50,000 (Included in Fixed Fee)		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Over 50,000	$0.10	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Sub-Total (no tax)		**$ 30,000**	**$ 183,600**	**$ 187,272**	**$ 191,017**	**$ 194,838**	**$ 198,735**	**$ 202,709**	**$ 206,763**	**$ 105,449**	**$ 1,500,384**
TCV (w/tax)		**$ 33,900**	**$ 207,468**	**$ 211,617**	**$ 215,850**	**$ 220,167**	**$ 224,570**	**$ 229,061**	**$ 233,643**	**$ 119,158**	**$ 1,695,434**
Savings Over Initial Proposal:		**$ 2,626**	**$ 15,759**	**$ 28,827**	**$ 31,263**	**$ 42,702**	**$ 43,918**	**$ 44,789**	**$ 45,709**	**$ 15,552**	**$ 271,146**