ANTICIPATED ACQUISITION BY IRON MOUNTAIN INCORPORATED OF RECALL HOLDINGS LIMITED

Summary of hearing with KPMG on 16 March 2016

1. KPMG said that it handled data on behalf of and in connection with clients, this, together with its own data, may require storage for regulatory and statutory reasons. These requirements were large given KPMG's scale, hence it used an external specialist for storage. Because KPMG was part of an international network, it sought a global storage solution which was available to KPMG member firms on an opt-in basis. It also required widespread coverage within the UK so that records were rapidly accessible for its 26 locations.

2. As well as considering total cost, KPMG followed a formal 7 step procurement process covering aspects such as: supplier capability; financial due diligence; meeting KPMG's sustainable procurement objectives (including whether it paid the 'living wage'); health and safety; environmental aspects; and the physical security of storage. Suppliers would be required to have ISO27001 as KPMG's clients would require it.

3. KPMG last undertook a formal UK only storage tender in [✂], when its contract was awarded to Iron Mountain. Before then in the UK there were a variety of suppliers serving different sites. Since originally awarded, the contract had been benchmarked and extended globally several times. Benchmarking would involve comparing Iron Mountain's proposed offering against [✂]. The exercise was handled by KPMG International and the UK firm was not aware whether any other potential suppliers were also approached.

4. The UK firm would be responsible for agreeing UK national schedules off the back of the global framework agreement. The global agreement would set pricing. Entry into the global deal was not mandatory and KPMG member firms may choose to negotiate national deals outside the global deal if they had different requirements or felt they could negotiate a better deal locally. In the UK, [✂] store some back-up tapes for KPMG as a result of a separate contract managed by KPMG's IT Services department. KPMG UK said that it had not looked for suppliers outside the global contract for general storage, as it had not perceived costs were increasing substantially. [✂].

5. KPMG said that a lot of its new work was generated electronically and so the volumes of new material produced for physical storage had declined substantially. Most of the business with Iron Mountain was legacy storage. Normally under professional and regulatory rules much of the stored material could be destroyed after seven years (exceptions would be areas like insolvency and pensions). Therefore paper storage requirements were decreasing as destruction considerably exceeded new storage.

6. KPMG saw some barriers to switching, in finding a suitable supplier that met its procurement requirements with sufficient geographical spread in the UK, and with sufficient capacity. Perm-out fees were a factor to evaluate in the total cost of different suppliers.