

Execution Version

Apr 21, 2022

_____ **2022**

**THE SECRETARY OF STATE FOR BUSINESS, ENERGY AND INDUSTRIAL
STRATEGY**

AND

POST OFFICE LIMITED

FUNDING AGREEMENT

Execution Version

Apr 21, 2022

THIS AGREEMENT is made on _____ 2022.

BETWEEN:

- (1) **THE SECRETARY OF STATE FOR BUSINESS, ENERGY AND INDUSTRIAL STRATEGY** of 1 Victoria Street, London SW1H 0ET, (the *Secretary of State*); and
- (2) **POST OFFICE LIMITED**, a company incorporated in England and Wales (registered number 2154540), and whose registered address is 20 Finsbury Street, London EC2Y 9AQ (*POL*).

WHEREAS:

(A) The Parties entered into the 2021 Funding Agreement (as defined below) in respect of funding for certain post office services during the 2021-22 Funding Period.

(B) The Secretary of State has requested that POL continues to provide a national network of post offices across the United Kingdom and Services of Public Economic Interest (as defined below) across that network.

(C) The Secretary of State has agreed to enter into this Agreement in order to provide funding to POL to enable it to continue to provide the Services of Public Economic Interest across that national network in respect of the Financial Years 2022/23, 2023/24 and 2024/25. The Secretary of State makes this funding available to POL under the Post Office Network Subsidy Scheme Order 2007 (SI 2007/962).

NOW THIS AGREEMENT WITNESSES as follows:

1. INTERPRETATION

1.1 In this Agreement, including the recitals, Schedules and Appendices, unless the context requires otherwise:

2021 Funding Agreement means the funding agreement entered between the Parties dated 18 March 2021.

2021-22 Funding Period means the period commencing on or around 1 April 2021 and ending 31 March 2022.

Actual SPEI Cost is defined in Schedule 3 (*Calculation of Actual SPEI Cost*).

Annual Plan has the meaning given to it in Schedule 4 (*Milestones*).

Articles of Association means the Articles of Association of POL adopted by a written resolution passed on 19 March 2020.

Board means the board of directors of POL.

Branch means any Outlet of POL that makes it possible for customers to access the Services of Public Economic Interest set out in row 1 of Schedule 6 (*SPEI Services*).

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Business Day means a day (not being a Saturday or a Sunday) on which banks are open for general non-automated banking business in the City of London.

Civil Claims means the claims arising out of historic prosecutions as summarised in the document titled Annual Report Insert – Civil Claims Arising Out of Historic Prosecutions dated 1 February 2021.

Cumulative SPEI Cost has the meaning given to it in clause 5.9 (*SPEI Government Funding for the SPEI Purpose*).

Cumulative SPEI Network Subsidy Payment means the total aggregate amount of all SPEI Network Subsidy Payments made by the Secretary of State under clause 5.5 (*SPEI Government Funding for the SPEI Purpose*).

Cumulative SPEI Subsidy Statement has the meaning given to it in clause 5.9 (*SPEI Government Funding for the SPEI Purpose*).

Deprived Urban Areas means:

- (a) the most deprived fifteen per cent. (15%) of super output areas in England;
- (b) the most deprived fifteen per cent. (15%) of data zones in Scotland; and
- (c) the most deprived thirty per cent. (30%) of super output areas in Wales and Northern Ireland,

based upon each country's then current index of multiple deprivation.

Effective Date means 1 April 2022.

Financial Counterparties means National Westminster Bank plc, Santander UK plc, Barclays Bank plc, Lloyds Bank plc, The Bank of England or any other financial counterparty as notified by POL to BEIS from time to time.

Financial Quarter means the period commencing on one Quarter Date and ending on the day before the next Quarter Date.

Financial Year means an accounting period of POL commencing on or around 1 April in any calendar year and ending on or around 31 March in the following calendar year.

Framework Document means the document entitled 'Post Office Limited: Shareholder Relationship Framework Document' between the Secretary of State, UK Government Investments Limited and POL dated March 2020 (as amended from time to time).

Fundamental Change means the occurrence of any of the events listed in Part A of Schedule 2 (*Fundamental Change*).

Funding Period means the period commencing on or around 1 April 2022 and ending on 31 March 2025.

Government means Her Majesty's Government.

Group Litigation Protocol means the information sharing protocol in respect of the Postmaster Complaints (as defined therein) between POL and UK Government Investments Limited (on

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behalf of the Secretary of State) dated 20 May 2020 (as the same may be amended from time to time by written agreement between the parties to it).

Letter of Support is any letter provided by the Secretary of State to POL from time to time confirming that the Secretary of State places a high priority on POL's ability to continue delivering the vital public services and has committed to provide funding to POL.

Milestone means, in respect of each Financial Year in the Funding Period, the requirements set out in Schedule 4 (*Milestones*).

Milestone Test Date means, in respect of each Financial Year in the Funding Period, the date specified in Schedule 4 (*Milestones*) for the achievement of that Milestone.

Network Access Criteria means the criteria set out in Schedule 5 (*Network Access Criteria*).

Network Investment means a payment by the Secretary of State made pursuant to clause 5.6 (*Government Funding for SPEI Funding Purpose*).

Network Investment Payment Date means each 1 April and 1 October during the Funding Period.

Outlet means any post office counter or any means of transacting one, some or all of the Services of Public Economic Interest (or such equivalent products or services as agreed between POL and the Secretary of State from time to time) at a third party premises and any other facility designated for the transaction of business with members of the public by or on behalf of POL.

Parties means the parties to this Agreement.

PO Group means POL and its subsidiaries from time to time.

Potential Fundamental Change has the meaning given to it in Part B of Schedule 2 (*Potential Fundamental Change*).

Principles of Community Engagement means the Principles of Community Engagement on changes to the Post Office Network published in June 2018 and agreed with Citizens Advice, Citizens Advice Scotland and the General Consumer Council for Northern Ireland as amended, varied, supplemented or changed from time to time.

PSA2000 means the Postal Services Act 2000.

PSA2011 means the Postal Services Act 2011.

Quarter Date means each of 1 April, 1 July, 1 October and 1 January.

Relevant Payment has the meaning given to it in clause 4 (*Delayed payment*).

Remedy Period has the meaning given to it in clause 4 (*Delayed payment*).

Required Payment Date has the meaning given to it in clause 4 (*Delayed payment*).

Rural Areas means those areas which are not Urban Areas.

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Services of Public Economic Interest means the provision of access to the services listed in Schedule 6 (*SPEI Services*) across the network of Outlets in accordance with the Network Access Criteria as set out in Schedule 5.

Shareholder Approved Budget means POL's annual budget that has been approved by the Secretary of State in accordance with the Framework Document.

SPEI Funding Purpose means: (i) maintaining a network of Outlets in accordance with the Network Access Criteria; and (ii) ensuring the provision of SPEI Services over that network, in each case during the Funding Period.

SPEI Network Subsidy Payment means a payment by the Secretary of State of an amount calculated to provide compensation to POL in respect of costs associated with maintaining a network of Outlets beyond its optimal size. That network must meet the minimum access requirements as set out in Schedule 5 (*Network Access Criteria*).

SPEI Services means some or all of the Services of Public Economic Interest.

SPEI Subsidy Statement has the meaning given to it in clause 5.9 (*SPEI Government Funding for the SPEI Purpose*).

Starling Litigation Protocol means the information sharing protocol in respect of the Starling Litigation (as defined therein) between POL and UK Government Investments Limited (on behalf of the Secretary of State) dated 8 July 2019 (as the same may be amended from time to time by written agreement between the parties to it).

Strategic Plan means POL's strategic plan agreed between the Parties covering the period from 1 April 2022 to 31 March 2025 in a form and substance satisfactory to the Secretary of State (acting reasonably), including any variation of such document as agreed between the Parties from time to time, which:

- (a) for the period from 1 April 2022 to 31 March 2023 will align with the Annual Plan (which has been approved by POL's board subject to Secretary of State approval); and
- (b) for the period from 1 April 2023 to 31 March 2025 will be agreed between the Parties prior to 1 April 2023 and subsequently amended and approved prior to 1 April 2024.

Urban Areas means communities with ten thousand (10,000) or more inhabitants in a continuous built up area.

VAT Amount has the meaning given to it in clause 5.13 (*SPEI Government Funding for the SPEI Purpose*).

1.2 In this Agreement, except where the context otherwise requires:

- (a) a reference to a person (which shall include any individual, firm, company, corporation or other body corporate, government, state or agency or any association, trust, fund or partnership (whether or not having separate legal personality)) shall include, as appropriate, its successors, permitted assignees or transferees and, in the case of the Secretary of State, persons appointed to act on his behalf;
- (b) a reference to an enactment or statutory provision shall include a reference to any subordinate legislation made under that enactment or statutory provision and is

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a reference to that enactment, statutory provision or subordinate legislation as from time to time amended, consolidated, modified, or re-enacted;

- (c) words in the singular shall include the plural and vice versa;
- (d) references to one gender include other genders;
- (e) a reference to any agreement or other instrument (other than an enactment or statutory provision) shall be deemed to be a reference to that agreement or instrument as from time to time amended, varied, supplemented, substituted, novated, assigned or restated;
- (f) a reference to a clause, Schedule or Appendix shall be a reference to a clause of, or Schedule or Appendix to, this Agreement;
- (g) a reference to “includes” or “including” shall be construed without limitation to any events, circumstances, conditions, acts or matters specified after those words;
- (h) references to dates which do not fall on a Business Day shall be construed as references to the immediately subsequent Business Day;
- (i) the headings are for convenience only and shall not affect its interpretation; and
- (j) references to this Agreement include this Agreement as amended or supplemented.

1.3 The Schedules and Appendices form part of this Agreement and shall have the same force and effect as if expressly set out in this Agreement, and any reference to this Agreement shall include the Schedules and Appendices.

2. EFFECTIVE DATE

2.1 This Agreement takes effect from the Effective Date.

3. CONDITIONS

3.1 The obligation of the Secretary of State under this Agreement to make any SPEI Network Subsidy Payment or provide the Network Investment is conditional on the relevant Milestone having been achieved.

3.2 The obligations of POL under clauses 5 (*SPEI Government Funding for the SPEI Purpose*), 7 (*Strategic Plan*), 9 (*Employee Incentive Arrangements*) and 11 (*Public Consultation, Communication and Equality*) during the Funding Period are conditional on:

- (a) the relevant Milestone having been achieved by the relevant Milestone Test Date; and
- (b) the relevant SPEI Network Subsidy Payments or Network Investment having been received.

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3.3 On execution of this Agreement, POL shall deliver (or ensure that there is delivered) all those documents listed in Schedule 1 (*Deliverables*) in a form and substance satisfactory to the Secretary of State (acting reasonably).

Fundamental Change

3.4 Without prejudice to the accrued rights and remedies of the Parties, the obligations of the Secretary of State to make or facilitate any payments in accordance with this Agreement and the obligations of POL under clauses 5 (*SPEI Government Funding for the SPEI Purpose*), 7 (*Strategic Plan*), 9 (*Employee Incentive Arrangements*) and 11 (*Public Consultation, Communication and Equality*), may be terminated with immediate effect by written notice of the Secretary of State upon the occurrence of a Fundamental Change.

3.5 If on the date on which any payment is due to be made by the Secretary of State to POL under this Agreement a Potential Fundamental Change exists, the Secretary of State shall be entitled to withhold such payment until such time as:

- (a) a Fundamental Change occurs, whereupon clause 3.4 shall apply and the Secretary of State shall have no obligation to make that payment; or
- (b) the Potential Fundamental Change ceases to exist, whereupon the payment shall become immediately due and payable.

3.6 Until the date on which the last SPEI Network Subsidy Payment or Network Investment is due to be made by the Secretary of State to POL under this Agreement, POL shall promptly disclose to the Secretary of State any matter or thing of which its board of directors becomes aware after entering into this Agreement which constitutes, or which in the reasonable opinion of its board of directors is reasonably likely to give rise to, a Fundamental Change or a Potential Fundamental Change.

4. DELAYED PAYMENT

If any SPEI Network Subsidy Payment or Network Investment to be made by the Secretary of State to POL under this Agreement (a **Relevant Payment**) is not made on, or by the date on which it is required by clauses 5.5 and 5.6 (*SPEI Government Funding for the SPEI Purpose*) to be made (the **Required Payment Date**), then during the period between the Required Payment Date and the end of the tenth (10th) Business Day thereafter (such period being the **Remedy Period**), the Parties shall continue to comply with their respective obligations under this Agreement and the Secretary of State shall make the Relevant Payment within the Remedy Period.

5. SPEI GOVERNMENT FUNDING FOR THE SPEI PURPOSE

5.1 Subject to clauses 3.2 and 5.2, POL undertakes to the Secretary of State that it will for the duration of the Funding Period: (i) maintain a network of Outlets in accordance with the Network Access Criteria; and (ii) provide across that network the SPEI Services.

5.2 The Parties acknowledge and agree that:

- (a) the Secretary of State requires, during the period 1 March – 31 March (the **March Test Period**) in each Financial Year, POL will have a network of at least eleven thousand five hundred (11,500) operational and trading Branches (the **Branch**

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Target) which are operational and trading for a minimum of one day during the March Test Period. Should the Branch Target not be achieved during a March Test Period, POL, working with the Secretary of State (each acting reasonably and co-operatively), shall within twenty (20) Business Days of 31 March in the relevant Financial Year develop a plan to achieve the Branch Target as soon as reasonably possible (the **Branch Target Remedy Plan**). The Branch Target Remedy Plan shall be a plan which a competent business person (being a person with the level of skill and knowledge which would reasonably be expected of the executive management of a business of the size and complexity of POL) would consider commercially reasonable for POL, and the Branch Target Remedy Plan shall be subject to the Secretary of State's approval (acting reasonably);

- (b) the Secretary of State requires, during each of (i) the March Test Period and (ii) the period 1 September – 30 September (the **September Test Period**) in each Financial Year, for a minimum of one day during the March Test Period and September Test Period respectively, POL: (i) to make available for purchase through its network of Outlets the SPEI Service set out in row 1 of Schedule 6 (*SPEI Services*); and (ii) to make available for transacting the SPEI Services set out in rows 2 and 3 of Schedule 6 (*SPEI Services*), in accordance with the Network Access Criteria (Schedule 5 (*Network Access Criteria*)) (together, the **Access Target**). Should the Access Target not be achieved during a March Test Period or a September Test Period, POL, working with the Secretary of State (each acting reasonably and co-operatively), shall within twenty (20) Business Days of 31 March or 30 September (as appropriate) in the relevant Financial Year develop a plan to achieve the Access Target as soon as reasonably possible (the **Access Target Remedy Plan**). The Access Target Remedy Plan shall be a plan which a competent business person (being a person with the level of skill and knowledge which would reasonably be expected of the executive management of a business of the size and complexity of POL) would consider commercially reasonable for POL, and the Access Target Remedy Plan shall be subject to the Secretary of State's approval (acting reasonably);
- (c) the delivery of the SPEI Services by POL across its network will be governed in accordance with contracts or other agreements under which the terms of the provision of the individual SPEI Services are specified. The delivery of the SPEI Services does not replace or change in any way any contracts or other agreements under which the terms of the provision of the individual SPEI Services are specified; and
- (d) to the extent the SPEI Network Subsidy Payments are, or the Network Investment is, used for material project delivery spend related to strategic platform modernisation, such amounts shall be used in the manner approved by the Secretary of State (acting reasonably).

5.3 Subject to clause 3 (*Conditions*) and clause 6 (*Withholding, Suspending or Repayment of Government Funding*), the Secretary of State agrees to make SPEI Network Subsidy Payments and provide the Network Investment to POL during the Funding Period of the amounts specified in clauses 5.5 and 5.6, to enable POL to meet its obligations in clause 5.1.

5.4 The SPEI Network Subsidy Payments for the Funding Period shall be made in a manner or manners to be determined by the Secretary of State in his absolute discretion (but having consulted with POL as to the impact thereof (if any) on their profit and loss accounts and the tax treatment of such payments).

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5.5 The SPEI Network Subsidy Payment payable in:

- (a) the Financial Year 2022/23 shall be up to fifty million pounds (£50,000,000);
- (b) the Financial Year 2023/24 shall be up to fifty million pounds (£50,000,000);
and
- (c) the Financial Year 2024/25 shall be up to fifty million pounds (£50,000,000),

in each case made by way of payment to POL in equal instalments on: (i) in respect of the Financial Year 2022/23, 2 May 2022, 1 July 2022, 3 October 2022 and 3 January 2023 and (ii) in respect of the Financial Years 2023/24 and 2024/25, each Quarter Date during the relevant Financial Year, or as otherwise agreed between the Parties.

5.6 The Network Investment to be provided in:

- (a) the Financial Year 2022/23 shall be seventy-five million pounds (£75,000,000);
- (b) the Financial Year 2023/24 shall be up to ninety million pounds (£90,000,000);
and
- (c) the Financial Year 2024/25 shall be up to twenty million pounds (£20,000,000),

in each case made in two equal instalments on: (i) in respect of the Financial Year 2022/23, 1 June 2022 and 3 October 2022; and (ii) in respect of the Financial Years 2023/24 and 2024/25, on each Network Investment Payment Date during the relevant Financial Year, or as otherwise agreed between the Parties.

5.7 In ascertaining for any purpose of this clause 5 the amount or maximum amount of any SPEI Network Subsidy Payment no account shall be taken of: (i) any VAT Amount which may be payable under clause 5.13; or (ii) the benefit of any interest receivable on any amount held by POL prior to its expenditure.

5.8 It is acknowledged by the Parties that any part of the SPEI Network Subsidy Payments received by POL under a network subsidy scheme pursuant to section 103 of the PSA2000 (currently expected to be the amounts specified in clause 5.5 above) would be treated as revenue in POL's accounts, which has an impact on POL's operating profit. Should any SPEI Network Subsidy Payment (or part thereof) be made in any Financial Year in any manner which would result in it not being treated as revenue in POL's accounts then any target operating profit applicable for any purpose to POL, or the PO Group as a whole, in such Financial Year shall be reduced by the amount of any SPEI Network Subsidy Payment (or part thereof) received in any such manner in that Financial Year.

5.9 Within three months following the signature of POL's accounts in respect of each of the Financial Years 2022/23, 2023/24 and 2024/25, POL shall provide to the Secretary of State a statement (the ***SPEI Subsidy Statement***) setting out in writing the Actual SPEI Cost for the relevant Financial Year and a cumulative statement (the ***Cumulative SPEI Subsidy Statement***) setting out the cumulative amount of all Actual SPEI Cost for the Funding Period up to and including the relevant Financial Year (the ***Cumulative SPEI Cost***), together with supporting calculations properly prepared in accordance with the requirements in Schedule 3 (*Calculation of Actual SPEI Cost*) and a clear explanation of how the amounts have been calculated. The

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SPEI Subsidy Statement shall be accompanied by confirmation from POL that POL used the SPEI Network Subsidy Payment in accordance with the terms of this Agreement.

5.10 If following the end of the Funding Period:

- (a) the Cumulative SPEI Subsidy Statement (for the entire Funding Period) shows that the Cumulative SPEI Cost is less than the amount of the Cumulative SPEI Network Subsidy Payment set out in clause 5.5; or
- (b) the amount of the total investment spend as set out in the Strategic Plan for the Funding Period (excluding amounts used to pay external legal fees in connection with any proceedings in relation to Postmaster Complaints (as defined in the Group Litigation Protocol), the Starling Litigation (as defined in the Starling Litigation Protocol) and the Civil Claims as disclosed (in written form) to the Secretary of State) is lower than the Network Investment (in accordance with clause 5.6),

POL shall, within ten (10) Business Days of a request by the Secretary of State, reimburse to the Secretary of State, without deduction, an amount equal to the difference.

5.11 POL shall use each SPEI Network Subsidy Payment and the Network Investment only to meet the direct and indirect costs associated with: (i) maintaining a network of Outlets in accordance with the Network Access Criteria; and (ii) ensuring the provision of SPEI Services over that network, calculated in accordance with Schedule 3 (*Calculation of Actual SPEI Cost*) (or to make any reimbursement required to be made by POL pursuant to clause 5.10).

5.12 POL shall not use the SPEI Network Subsidy Payment or the Network Investment for the purposes set out in paragraphs (a) to (i) below. In so far as POL have additional resources, from current or retained profits, then POL may undertake these activities (where permitted under the Articles of Association):

- (a) to fund lobbying (via an external firm or in-house staff) in order to undertake activities intended to influence or attempt to influence Government or political activity or attempting to influence legislative or regulatory action;
- (b) to directly enable one part of Government to challenge another on topics unrelated to the SPEI Funding Purpose or SPEI Services;
- (c) to petition for additional funding;
- (d) for entertaining, in particular any entertainment aimed at exerting undue influence to change Government policy;
- (e) payments for activities of a party political or exclusively religious nature;
- (f) for the giving of gifts;
- (g) to pay external legal fees in connection with any proceedings in relation to Postmaster Complaints (as defined in the Group Litigation Protocol), the Starling Litigation (as defined in the Starling Litigation Protocol) and the Civil Claims as disclosed (in written form) to the Secretary of State;
- (h) to pay statutory fines, criminal fines or penalties; or

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- (i) for payments for unfair dismissal.

5.13 It is the mutual opinion of the Parties that any payment of an instalment of the SPEI Network Subsidy Payment received by POL will not (and POL agrees not to take any steps with the intention of procuring that they will) constitute, for VAT purposes, the consideration for any taxable supply and that, accordingly, the receipt by POL of such instalment of the SPEI Network Subsidy Payment should not give rise to any liability of POL (or any other member of the PO Group) to account for VAT in respect of any such receipt. Notwithstanding the foregoing opinion, if it should, at any time (whether or not a time falling within the duration of this Agreement), be determined by Her Majesty's Revenue and Customs that such instalment of the SPEI Network Subsidy Payment must be treated as the consideration for taxable supplies made by POL (or, as the case may be, by any other member of the PO Group) and that in consequence POL (or such other member of the PO Group) is liable to account for VAT in respect of the receipt of any of such instalment of the SPEI Network Subsidy Payment (the **VAT Amount**), POL shall notify the Secretary of State of that determination within five (5) Business Days of being so advised by Her Majesty's Revenue and Customs and the Secretary of State shall, as soon as reasonably practicable following notification of such determination, make a payment to POL, in addition to all amounts otherwise payable by the Secretary of State to POL under this Agreement, of a sum equal to the VAT Amount, against production of a valid VAT invoice.

5.14 If Her Majesty's Revenue and Customs issues a determination as referred to in clause 5.13 the Parties shall (acting reasonably) consult as to what action to take regarding such determination. If the Secretary of State disagrees with the determination he may, within ten (10) Business Days of being notified by POL of such determination, give written notice to POL that he requires POL (or any other member of the PO Group) to obtain a review by Her Majesty's Revenue and Customs of that determination; and POL (or such other member of the PO Group, as the case may be) shall promptly request (the form of that request being subject to reasonable review by the Secretary of State) Her Majesty's Revenue and Customs to undertake such review. In the event that the review results in POL obtaining a refund of any VAT Amount, or not being required to pay a VAT Amount, in each case in respect of which the Secretary of State shall have made a corresponding payment under clause 5.13, POL shall promptly refund to the Secretary of State the amount of such corresponding payment.

6. WITHHOLDING, SUSPENDING OR REPAYMENT OF GOVERNMENT FUNDING

6.1 Without prejudice to the Secretary of State's other rights and remedies, the Secretary of State may at his discretion (exercised acting reasonably) reduce, withhold or suspend payment of any instalment of the SPEI Network Subsidy Payments or the Network Investment due to POL and / or require POL to repay all or part of the SPEI Network Subsidy Payment or the Network Investment if:

- (a) subject to clause 5.12, POL uses the SPEI Network Subsidy Payment or the Network Investment for a purpose other than the SPEI Funding Purpose or fails to comply with any of its obligations under clauses 5 (*SPEI Government Funding for the SPEI Purpose*), 7 (*Strategic Plan*), 9 (*Employee Incentive Arrangements*) and 11 (*Public Consultation, Communication and Equality*) during the Funding Period;
- (b) POL receives funding from a third party for part or all of the same purposes as the SPEI Funding Purpose (in which case, the Secretary of State's recovery will be limited to an amount equal to the third party funding for the relevant SPEI Funding Purpose);

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- (c) the Secretary of State has incorrectly paid money to POL as a result of an administrative error or other reason;
- (d) POL fails to achieve any Milestone referred to in Schedule 4 (*Milestones*) by the relevant Milestone Test Date, until such Milestone is achieved;
- (e) POL fails during the Funding Period or has failed prior to the Funding Period to meet any requirement in relation to consent or approval pursuant to article 8 of the Articles of Association; or
- (f) any of the following events arise:
 - (i) POL is, in the reasonable opinion of the Secretary of State, delivering the SPEI Funding Purpose in a negligent manner, provided that the Secretary of State has given POL written notice that he believes that the SPEI Funding Purpose has been provided negligently and POL has failed to remedy the provision of the SPEI Funding Purpose within twenty (20) Business Days of such notice;
 - (ii) POL obtains debt funding from a third party which, in the reasonable opinion of the Secretary of State, undertakes activities that are likely to bring the reputation of the SPEI Funding Purpose or the SPEI Services or the Secretary of State into disrepute, provided that the Secretary of State shall have no right to reduce, withhold or suspend payment where POL has obtained such debt funding from a third party which is regulated by any arm of the Government or which has the right to do business in the United Kingdom by reason of the European Union passporting system or other equivalent system enabling such third party to trade freely in the United Kingdom. The Parties acknowledge that any equity funding is likely to constitute a variation of rights attaching to the special share in POL held by the Secretary of State and therefore will require prior written consent in accordance with the Articles of Association;
 - (iii) POL knowingly provides the Secretary of State with any material information relating to the provision of the SPEI Funding Purpose that is materially misleading or inaccurate;
 - (iv) POL is involved in any illegal activity in the provision of the SPEI Funding Purpose; or
 - (v) the Secretary of State is required to exercise its rights under this clause by an order of a court.

6.2 If any of the events in clause 6.1 occur and the Secretary of State reduces the SPEI Network Subsidy Payment or the Network Investment for the Funding Period then POL shall perform such of its obligations under this Agreement as shall be correspondingly adjusted as agreed by POL and the Secretary of State (acting reasonably).

6.3 The Secretary of State also has the right to impose reasonable additional terms and conditions to the SPEI Network Subsidy Payments or the Network Investment if any of the events set out in clause 6.1 occur, or if the Secretary of State has reasonable grounds to believe that it is necessary to protect public money.

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7.1 Unless otherwise agreed by the Secretary of State, POL shall not apply the SPEI Network Subsidy Payment or Network Investment for a purpose inconsistent with the Strategic Plan or make any material deviation from the Annual Plan.

7.2 In order for the Secretary of State to monitor POL's progress in delivering the Strategic Plan:

- (a) POL shall provide, in a form and substance satisfactory to the Secretary of State (acting reasonably), a report or reports:
 - (i) no more than thirty (30) Business Days after each Quarter Date in the Funding Period, setting out an overall assessment of POL's activities during the previous Financial Quarter (or the applicable period in relation to a report provided to the board of directors during the Financial Year). Such report(s) shall include:
 - (A) a summary of POL's financial and change spend performance over the Financial Quarter as compared to the Annual Plan;
 - (B) a summary of POL's expected future financial and change spend performance as compared to the Annual Plan; and
 - (C) information on expected drawings by POL on the cash provided to POL pursuant to the Network Investment for the remaining duration of the Annual Plan;
 - (ii) no more than thirty (30) Business Days following the end of each Financial Year in the Funding Period, setting out a summary of POL's expected future financial and change spend performance over the Funding Period as compared to the Strategic Plan; and
- (b) the Secretary of State may request information on a routine and an ad hoc basis. The Secretary of State will ensure that information requests are not overly onerous and POL will use its reasonable endeavours to satisfy all information requests.

8. FINAL CONTRIBUTION

POL acknowledges that the SPEI Network Subsidy Payment and Network Investment to be provided by the Secretary of State pursuant to this Agreement represents the Secretary of State's final funding contribution in respect of POL's obligations over the Funding Period to (subject to any Branch Target Remedy Plan or Access Target Remedy Plan delivered under clause 5.2): (i) maintain a network of Outlets in accordance with the Network Access Criteria; and (ii) ensure the provision of SPEI Services over that network in accordance with the Strategic Plan.

9. EMPLOYEE INCENTIVE ARRANGEMENTS

9.1 POL may maintain an incentive scheme, approved by the Secretary of State, for its senior executive team in a manner which is designed to ensure, and is consistent with ensuring, the delivery of the Annual Plan.

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9.2 POL confirms that accordingly, no such bonus arrangements will pay out in respect of a Funding Period in which POL seeks and obtains funding in addition to the SPEI Network Subsidy Payment or the Network Investment from the Secretary of State over and above that anticipated in this Agreement, as a result of a failure by POL to perform in accordance with the requirements of the Annual Plan (other than as a result of a change in Government policy or other reasons beyond POL's control including funding related to historical litigation matters).

10. JOINT VENTURES

10.1 Unless otherwise agreed with the Secretary of State, POL agrees that it shall only enter into joint ventures with third parties for purposes consistent with the delivery of the Strategic Plan and provided that the joint venture is structured on the basis that it would not (according to Government advice) be classified as part of the public sector in accordance with a guidance note for public sector bodies forming joint ventures with the private sector by Her Majesty's Treasury dated March 2010 or any subsequent replacements for this guidance note.

11. PUBLIC CONSULTATION, COMMUNICATION AND EQUALITY

11.1 POL shall at all times comply with the Principles of Community Engagement.

11.2 POL shall comply with all obligations it may have under section 149 of the Equality Act 2010 and acknowledges that appropriate steps shall be taken to inform all people making decisions or exercising functions on POL's behalf of these equality duties. This is reflected in POL's Equality, Diversity and Inclusion Policy and POL shall ensure that this commitment is maintained in the performance of its obligations under this Agreement.

12. CONSENTS

The Secretary of State hereby consents, for the purposes of the Articles of Association and any other document or arrangement under which its consent or approval is required, to the execution and performance by POL of this Agreement and the documents and arrangements to be entered into pursuant to, or otherwise contemplated by, this Agreement (other than any agreement contemplated in clause 10 (*Joint Ventures*)). The Secretary of State agrees that such consents will take effect notwithstanding any failure to comply with any procedural requirements of such articles or other documents in connection with the obtaining of such consents.

13. CONFIDENTIALITY

13.1 Each Party undertakes to the other Party that, subject to clause 13.2, it shall treat as strictly confidential all confidential information. For the purposes of this clause 13, ***confidential information*** shall mean:

- (a) the provisions of this Agreement, the Strategic Plan and the Annual Plan; and
- (b) the negotiations relating to this Agreement, the Strategic Plan and the Annual Plan.

13.2 Clause 13.1 shall not prevent the disclosure by a Party of any confidential information:

- (a) to those of its officers (including auditors), employees and agents as it considers have a need for such information in the performance of their respective functions and who shall in each case be made aware by such Party of its obligations under this Agreement and shall be required by such Party to observe the same

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restrictions on the use of the confidential information as are contained in this clause 13;

- (b) to its professional advisers who are bound to such Party by a duty of confidence which applies to the confidential information disclosed;
- (c) to the extent required by applicable law, legal contractual obligations with Financial Counterparties or by the regulations of any regulatory or supervisory authority to which such Party is subject or pursuant to any order of court or other competent authority or tribunal;
- (d) which shall have entered the public domain or ceased to be confidential other than as a result of a breach by such Party of its obligations under this clause 13;
- (e) where a Letter of Support is provided to third parties in which POL has a contractual relationship having received consent to provide such third party with that Letter of Support from the Secretary of State in writing (whether by way of an email or letter);
- (f) which was already known to such Party prior to its disclosure to such Party other than as a result of a breach by such Party of an obligation of confidentiality;
- (g) as such Party, acting reasonably, considers necessary in connection with any investigations, inquiries, or actual or threatened proceedings in connection with POL or any of its directors;
- (h) in the case of POL, to the extent that its board of directors acting reasonably, considers disclosure necessary from time to time in its statutory accounts;
- (i) to the extent that the Secretary of State, acting reasonably, considers disclosure necessary from time to time in the published accounts of the Department of Business, Energy and Industrial Strategy or Her Majesty's Treasury;
- (j) to the extent required by any Parliamentary obligation;
- (k) to the extent required for the purposes of any examination pursuant to section 6(1) of the National Audit Act 1983 of the economy, efficiency and effectiveness with which the Secretary of State has used his resources; or
- (l) with the prior written consent of the other Party.

13.3 If a Party becomes required, in circumstances contemplated by clause 13.2(c), (g), (h) or (i) to disclose any confidential information, such Party shall, to the extent permitted by law, give to the other Party such notice of such disclosure as is practicable in the circumstances and shall, to the extent permitted by law and practicable in the circumstances, consult with the other Party as to the extent of such disclosure.

14. NOTICES

14.1 A notice to be served pursuant to or in connection with this Agreement shall be in writing and, unless otherwise stated, served in person or sent by pre-paid first class post, e-mail or any other electronic method of communication as agreed by the Parties to the relevant Party at its address or e-mail address set out below, or such other address in England or Wales or e-

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mail address notified by it to the other Party and marked for the attention of the person or department therein specified.

14.2 The address and addressee of each Party at the date of this Agreement are:

Name of Party	Attention	Address	E-mail Address
Secretary of State	Department for Business, Energy and Industrial Strategy	1 Victoria Street, London SW1H 0ET	Carl.Creswell@beis.gov.uk
POL	Company Secretary	20 Finsbury Street, London EC2Y 9AQ	LegalNotices@postoffice.co.uk

14.3 Notice shall be deemed to be received on the date and time specified below (save that where such notice would otherwise be deemed to be received after 17:00 London time on a particular day, it shall be deemed to have been received at 9:00 London time on the next Business Day):

- (a) in the case of a notice served in person, upon delivery at the address of the addressee;
- (b) in the case of a posted letter, on the second (2nd) Business Day after posting; and
- (c) in the case of e-mail or any other electronic method of communication agreed by the Parties, when actually received in readable form.

14.4 Each Party undertakes to notify the other Party by notice served in accordance with this clause 14 if the address specified by that Party herein is no longer an appropriate address for the service of notice or if it is desired to substitute any individual addressee of that Party named in clause 14.2.

14.5 In proving service of any notice under or in connection with this Agreement it will be sufficient to prove:

- (a) in the case of a letter, that such letter was properly stamped or franked, addressed and placed in the post or in the case of personal delivery, was left at the correct address; and
- (b) in the case of an e-mail, that e-mail was duly transmitted to the e-mail address of the addressee referred to in clause 14.2.

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15. ENTIRE AGREEMENT

15.1 This Agreement and any documents referred to in it or annexed to it constitute the whole and only agreement between the Parties relating to its subject matter and, for the avoidance of doubt, supersedes any other prior arrangement, understanding or agreement between the Parties relating to the subject matter of this Agreement.

15.2 Each Party acknowledges that in entering into this Agreement, it is not relying on any pre-contractual statement, which is not set out in this Agreement.

15.3 Except in the case of fraud, neither Party shall have any right of action against the other Party arising out of or in connection with any pre-contractual statement except to the extent that it is expressly provided for in this Agreement.

15.4 For the purposes of this clause 15, *pre-contractual statement* means any draft, agreement, undertaking, representation, warranty, promise, assurance, forecast, estimate or arrangement of any nature whatsoever, whether or not in writing, relating to the subject matter of this Agreement made or given by any person at any time prior to the date of this Agreement.

16. GENERAL

Secretary of State

16.1 Nothing in this Agreement fetters the powers conferred on the Secretary of State by the PSA2000 and the PSA2011.

Costs

16.2 Save as expressly provided for elsewhere in this Agreement, each of the Parties shall at its own expense do all such things as shall be necessary to give full effect to the obligations imposed on it under this Agreement.

Third parties

16.3 For the purposes of the Contracts (Rights of Third Parties) Act 1999, no person other than a Party shall have any rights in respect of this Agreement.

Counterparts

16.4 This Agreement may be executed in any number of counterparts and by the Parties on separate counterparts, each of which when so executed and delivered shall be an original, but all the counterparts shall together constitute one and the same instrument.

Partial invalidity

16.5 If any term or provision in this Agreement is held to be illegal or unenforceable in whole or in part under any enactment or rule of law, such term or provision or part shall to that extent be deemed not to form part of this Agreement but the enforceability of the remainder of this Agreement shall not be affected.

Rights, variations and waivers

16.6 The rights and remedies of the Parties shall not be affected by any failure to exercise or delay in exercising any right or remedy or by the giving of any indulgence by the other Party

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or by anything whatsoever except a specific waiver or release in writing and any such waiver or release shall not prejudice or affect any other rights or remedies of the Parties. No single or partial exercise of any right or remedy prevents any further or other exercise thereof or the exercise of any other right or remedy.

16.7 No variation of this Agreement shall be of any effect unless it is agreed in writing by or on behalf of each Party.

16.8 Any waiver of any right, power or remedy under this Agreement must be in writing and may be given subject to any conditions thought fit by the grantor. The person seeking the waiver shall disclose to the grantor all material facts then in that person's knowledge relevant to the subject matter of the waiver. Unless otherwise expressly stated, any waiver shall be effective only in the instance and only for the purpose for which it is given.

Remedies

16.9 Without prejudice to any other rights or remedies that either Party may have, each Party acknowledges and agrees that damages alone would not be an adequate remedy for any breach by a Party of the provisions of this Agreement, and that the remedies of injunction and specific performance as well as any other equitable relief for any threatened or actual breach of the provisions of this Agreement by a Party may be more appropriate remedies and that no proof of special damages shall be necessary for the enforcement of this Agreement.

Governing law and jurisdiction

16.10 This Agreement and any non-contractual obligations arising out of or in relation to this Agreement shall be governed by and construed in accordance with the law of England and Wales.

16.11 Each Party hereby submits to the exclusive jurisdiction of the courts of England.

EXECUTED by the Parties on the date first written above.

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SIGNED by
for and on behalf of
**THE SECRETARY OF STATE FOR BUSINESS, ENERGY AND INDUSTRIAL
STRATEGY**

Signature: *C. Creswell*
C. Creswell (Apr 21, 2022 14:21 GMT+1)
Name: Carl Creswell
Title: Director, Department for Business, Energy and Industrial Strategy

SIGNED by
for and on behalf of
POST OFFICE LIMITED

Signature: *Nick Read*
Nick Read (Apr 21, 2022 15:56 GMT+1)
Name: Nick Read
Title: Chief Executive Officer

Signature: *Al Cameron*
Al Cameron (Apr 21, 2022 15:30 GMT+1)
Name: Alisdair Cameron
Title: Chief Financial Officer

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SCHEDULE 1

DELIVERABLES

A certified copy of a resolution of the board of POL:

- (a) approving the terms of, and the transactions contemplated by this Agreement and resolving that it execute and perform this Agreement;
- (b) authorising a specific person or persons to execute this Agreement on its behalf; and
- (c) authorising a specified person or persons, on its behalf, to sign and / or dispatch all documents and notices to be signed and / or dispatched by it under or in connection with this Agreement.

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SCHEDULE 2

**Part A
Fundamental Change**

A Fundamental Change will have occurred if:

1. an order has been made or resolution has been passed for the winding-up of, or a provisional liquidator to be appointed in respect of, POL;
2. an administrator has been appointed in respect of POL;
3. a receiver (which expression shall include an administrative receiver) has been appointed in respect of POL;
4. POL is unable to pay its debts as they fall due within the meaning of section 123 of the Insolvency Act 1986;
5. a moratorium is declared in respect of the indebtedness of POL or POL enters into a moratorium or a composition, assignment or similar arrangement with its creditors generally;
6. a scheme of arrangement is approved, or proposed by POL, under Part 26 of the Companies Act 2006 or under the Corporate Insolvency and Governance Act 2020 with a view to rescheduling or restructuring POL's indebtedness;
7. a voluntary arrangement has been proposed by POL under section 1 of the Insolvency Act 1986 in respect of POL; or
8. an event analogous to the foregoing has occurred in relation to POL in any jurisdiction outside England.

**Part B
Potential Fundamental Change**

A Potential Fundamental Change exists at any time if at that time a Fundamental Change shall not have occurred but:

1. a petition has been presented or a meeting has been convened for the purpose of winding-up POL or appointing a provisional liquidator in respect of POL and such petition has not been discharged or such meeting has not been held; or
2. POL is currently taking steps with a view to appointing an administrator or agreeing a moratorium, composition, assignment or similar arrangement with its creditors generally.

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SCHEDULE 3

CALCULATION OF ACTUAL SPEI COST

1. The amount of the Actual SPEI Cost shall be the actual costs incurred by POL in connection with the provision of the loss-making network of Outlets in accordance with the terms of this Agreement.
2. Only Outlets that made a loss during the Funding Period are to be included in the calculation of the Actual SPEI Cost. Subject to Schedule 3 paragraph 4, the Actual SPEI Cost is to be calculated by the following equation:

Actual SPEI Cost = (B+C) – A (if positive) where:

A = Total revenue from loss-making Outlets;

B = Direct costs attributable to loss-making Outlets; and

C = Indirect costs attributable to loss-making Outlets.
3. For the purposes of calculating the Actual SPEI Cost, the costs shall include, without limitation, all variable and fixed costs associated with the provision of the loss-making network of Outlets including contributions to pension funds, interest costs, central costs, depreciation and amortisation costs of any employee incentivisation arrangements and the costs of transforming the network, in each case whether such costs are recurring or exceptional and will be calculated on an annual basis.
4. The Secretary of State reserves the right to change the basis of the calculation of Actual SPEI Cost in the event of a relevant change in the applicable subsidy rules.

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For the Financial Year 2022/23, the Milestone Test Date is: (a) each of 30 September 2022 and 31 March 2023 for the Milestone listed in Part 1 (Network Size) below and (b) 1 June 2022 (or such earlier date as the Parties agree) for the Milestone listed in Part 2 (Annual Plan) below.

For the Financial Year 2023/24, the Milestone Test Date is: (a) each of 30 September 2023 and 31 March 2024 for the Milestone listed in Part 1 (Network Size) below and (b) 1 April 2023 for the Milestone listed in Part 2 (Annual Plan) below.

For the Financial Year 2024/25, the Milestone Test Date is: (a) each of 30 September 2024 and 31 March 2025 for the Milestone listed in Part 1 (Network Size) below and (b) 1 April 2024 for the Milestone listed in Part 2 (Annual Plan) below.

MILESTONES***Part 1 - Network Size***

Subject to clause 5.2 (*SPEI Government Funding for the SPEI Purpose*), POL's network meets the Network Access Criteria as reported by POL in each report delivered in accordance with clause 7.2(a).

Part 2 - Annual Plan

POL has provided a POL board-approved annual report to the Secretary of State prior to the start of the relevant Financial Year, including the Shareholder Approved Budget, setting out the steps that it will take in respect of the Strategic Plan (or any variation to it, agreed by the Parties where material) during that forthcoming Funding Period (the ***Annual Plan***).

Each year the Secretary of State (acting reasonably) will agree with POL a timetable for POL to provide a draft and final version of the Annual Plan. This timetable will, among other things, allow sufficient time for the Secretary of State to review the draft Annual Plan and to agree its final form prior to the start of the relevant Financial Year.

This Annual Plan should include:

- (a) the Shareholder Approved Budget;
- (b) a reconciliation of any differences between POL's annual budget and the projected income statement, statement of cash flows and balance sheet in the Strategic Plan;
- (c) information on the network of Outlets, including its planned size and confirmation of POL's intention to continue to comply with the Network Access Criteria and an impact assessment of the network change plan with respect to POL's public sector equality duty responsibilities, as per clause 11.2;
- (d) the proposed drawings by POL on the cash provided to POL pursuant to the Network Investment;
- (e) information on the investment activities that POL plans to undertake;

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- (f) an update on POL's forecast financial performance for the current Financial Year; and
- (g) information on any other outcomes set out in POL's Strategic Plan that do not form part of (a) to (f) above.

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SCHEDULE 5

NETWORK ACCESS CRITERIA

1. POL's network of Outlets must enable the following criteria to be met:
 - a. nationally, ninety per cent. (90%) of the UK population are within one (1) mile of the nearest Outlet;
 - b. nationally, ninety-nine per cent. (99%) of the UK population are within three (3) miles of the nearest Outlet;
 - c. in Urban Areas, ninety-five per cent. (95%) of the total population are within one (1) mile of the nearest Outlet;
 - d. in Deprived Urban Areas, ninety-nine per cent. (99%) of the total population are within one (1) mile of the nearest Outlet; and
 - e. in Rural Areas, ninety-five per cent. (95%) of the total population are within three (3) miles of the nearest Outlet.

In addition, the following criterion will apply at the level of each and every individual postcode district, establishing a minimum level of coverage at a very local level:

- f. in each postcode district, ninety-five per cent. (95%) of the population to be within 6 miles of their nearest Outlet.
2. In applying the above criteria POL shall in addition take account of geographical constraints such as rivers, mountains and valleys, motorways and sea crossings to islands, and public transport infrastructure, so as not to impose undue hardship when considering the appropriate Outlet network.

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Post Office are required to provide some or all of each of the below SPEI Services in accordance with clause 5.2:

	SPEI Service	SPEI Service Details
1.	Access to postal services.	Provision of access to some or all of the postal services which the universal service provider (Royal Mail Group Limited) is required to provide under regulatory conditions and directions issued by Ofcom in accordance with section 36 of the Postal Services Act 2011 and the Designated Universal Service Provider Conditions issued by Ofcom on 27 March 2012, or alternative postal services agreed with the Secretary of State.
2.	Universal access to basic cash and banking facilities.	Provision of basic cash and banking, principally for the benefit of financially or socially excluded customers and businesses local to post office branches, e.g. cash withdrawals, cash deposits, cash transmission facilities (e.g. including postal orders) and cashing of cheques.
3.	Universal payment facilities for public utility services.	Provision of facilities for payment of electricity, gas, telecommunications and water bills. Payment options include pre-payment and other budgeting schemes (e.g. including savings stamps).
4.	Provision of services on behalf of Central and Local Government	Provision of access to Government services as per separate contractual agreements with Central and Local Government and public sector agencies.