

## DEED OF UNDERTAKING

This DEED is dated 16 December 2024. This DEED is executed in accordance with the laws of England and Wales by

**EP UK BIDCO LIMITED**, a company incorporated in England and Wales with registered number 15542876 and whose registered office is at Byron House, 7-9 St. James' Street London SW1A 1EE ("**Bidco**"); AND

**EP GROUP, A.S.** a company incorporated under the laws of the Czech Republic with identification number 086 49 197 with its seat at Pařížská 130/26, Josefov, 110 00 Prague 1, Czech Republic, registered in the commercial register by the Municipal Court in Prague, Section B, Insert 24846 ("**Bidco Guarantor**")

IN FAVOUR OF

**THE SECRETARY OF STATE FOR BUSINESS AND TRADE OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND** (the "**SoS**").

### RECITALS

- A. International Distribution Services plc ("**IDS**") is a holding company of a group which includes two separate operations: its UK-based operations under Royal Mail Group Limited ("**Royal Mail**") (together with subsidiaries, "**Royal Mail Group**"); and its international operations under General Logistics Systems B.V. ("**GLS**"). The Royal Mail Group collects, sorts and delivers letters and parcels in the UK. GLS is a ground-based provider of small package delivery services internationally. IDS is a public limited company, headquartered in the UK and listed on the London Stock Exchange (LON:IDS).
- B. Royal Mail is designated as a Universal Service Provider and regulated as such by Ofcom.
- C. On 29 May 2024, the boards of directors of Bidco and IDS confirmed that they had reached agreement on the terms and conditions of a recommended cash offer by Bidco for the entire issued, and to be issued, ordinary share capital of IDS, other than the IDS Shares owned or controlled by VESA Equity Investment S.à r.l. ("**VESA**") intended to be implemented by way of a takeover offer for the purposes of Part 28 of the UK Companies Act 2006 (the "**Transaction**"). In accordance with the terms of the offer document dated 26 June 2024 (the "**Offer**"), the shareholders of IDS will receive a price of 370 pence for each of their IDS Shares, comprised of cash consideration of 360 pence per IDS Share and the 2024 Final Dividend of 2 pence per IDS Share and the Special Dividend of 8 pence per IDS Share, valuing IDS' existing issued and to be issued ordinary share capital at approximately £3,587 million on a fully diluted basis, and implying an enterprise value of £5,303 million.
- D. In recognition of the role played by IDS in the UK economy and in recognition of Bidco and Bidco Guarantor's appreciation of the importance of this role, and following discussions with representatives of HM Government, Bidco and Bidco Guarantor have freely and voluntarily agreed to enter into this deed.
- E. The commitments and undertakings in this deed are provided by Bidco and Bidco Guarantor in favour of the SoS directly and none of them constitute 'post-offer undertakings' for the purposes of Rule 19.5 of the City Code on Takeovers and Mergers (the "**City Code**") (a "**Post-Offer Undertaking**"). The commitments and

undertakings in this deed will therefore not be enforceable by the Panel on Takeovers and Mergers (the "**Panel**") as Post-Offer Undertakings.

- F. Furthermore, the commitments and undertakings in this deed are without prejudice to any separate discussions with the SoS or other representatives of HM Government and do not intend to or otherwise operate in any way to preclude, limit or restrict the exercise of any powers or requirements by the SoS, any other representatives of HM Government, or Ofcom pursuant to all applicable laws, rules and regulations (including, without limitation, the PSA). If and to the extent that any of the commitments and undertakings in this deed duplicate or conflict with, or with the exercise of any powers or requirements by the SoS, any other representatives of HM Government, or Ofcom pursuant to, any applicable laws, rules or regulations (including, without limitation, the PSA), the commitments and undertakings in this deed are subordinate to such laws, rules or regulations or any exercise of any powers or requirements under such laws, rules or regulations.

## 1. **DEFINITIONS AND INTERPRETATION**

- 1.1 In this deed capitalised words and expressions have the meaning given to them herein or in schedule 1 to this deed (*Definitions*).
- 1.2 The recitals set forth in the preamble of this deed are hereby incorporated into this deed as if fully set forth herein.
- 1.3 In this deed:
- (a) "**includes**" and "**including**" shall mean including without limitation;
  - (b) references to "**clauses**" or "**schedules**" are to clauses of and schedules to this deed. The schedules form part of the operative provisions of this deed and references to this deed shall, unless the context otherwise requires, include references to the recitals and the schedules;
  - (c) "**procure**" or "**ensure**" means, to the extent permitted by applicable law and regulations, to exercise the voting and contractual rights and other legal rights of Control to procure or ensure (as applicable); and
  - (d) "**writing**" means typed text or legible manuscript text and other modes of representing words in a legible form (other than writing on an electronic or visual display screen) or other writing in non-transitory form.

## 2. **OBLIGATIONS AND UNDERTAKINGS**

- 2.1 Bidco and Bidco Guarantor hereby undertake with effect from the date on which the Offer becomes or is declared unconditional in accordance with its terms, or, if the Offer is implemented by way of a scheme of arrangement, the date on which that scheme becomes effective in accordance with its terms (the "**Effective Date**") that they shall comply and, following the Effective Date, shall, where relevant, procure that IDS or its subsidiaries comply (where applicable), with the obligations and undertakings contained in this deed including those in schedule 2 to this deed (*Undertakings*) in accordance with their terms.
- 2.2 Bidco and Bidco Guarantor hereby acknowledge and agree that the obligations and undertakings in this deed are owed to the SoS and that the SoS shall be entitled to enforce such obligations and undertakings against Bidco and Bidco Guarantor.

### 3. ACCESS TO INFORMATION AND COMPLIANCE MONITORING

- 3.1 As soon as reasonably practicable following receipt of a written request by DBT to do so, Bidco and Bidco Guarantor agree to appoint a person, or persons, to monitor Bidco's and Bidco Guarantor's compliance, during the Undertaking Period, with this deed (the "**Monitor**") and agree that, following any such appointment, the SoS's rights, actions and remedies under this clause 3 can be exercised by the Monitor. Prior to the appointment of any Monitor in accordance with the foregoing, Bidco's and Bidco Guarantor's recommended Monitor must be discussed and approved (such approval not to be unreasonably withheld) in advance with DBT and, in any event, the Monitor must be a partner/senior employee (or partners/senior employees) from one of the major international accountancy firms stipulated from time to time in the HMG Management Consultancy Framework Three (MCF3) or any other applicable Civil Service/HMG procurement framework. Furthermore, the terms of appointment of the Monitor must make it clear that the Monitor is under an obligation and duty of care to the SoS to carry out its functions to the best of its abilities. Without prejudice to the foregoing, the costs of any Monitor so appointed shall be borne by Bidco and Bidco Guarantor.
- 3.2 Bidco and Bidco Guarantor undertake to the SoS that they shall use their reasonable endeavours to cooperate, and following the Effective Date, shall, where relevant, procure that IDS shall use its reasonable endeavours to cooperate with any Monitor for the duration of this deed, including by promptly providing all such information and/or access for the SoS and/or its advisers and/or any Monitor to Bidco's and its Affiliates' personnel, books, records, documents, facilities, to Bidco Guarantor's directors, and to information as the SoS and/or its advisers and/or any Monitor may, from time to time, reasonably request to ascertain Bidco's and Bidco Guarantor's compliance (and likelihood of their continued and ongoing compliance) with their obligations and undertakings under this deed, it being acknowledged that all such information shared with the SoS and/or its advisers shall be subject to the terms of the confidentiality agreement entered into between the Department of Business and Trade ("**DBT**"), Bidco and Bidco Guarantor on or around the date hereof.
- 3.3 Bidco and Bidco Guarantor undertake to the SoS that for the duration of the Undertaking Period they shall submit an annual written notice to the SoS, signed by a Bidco Representative, (the "**Compliance Notice**") within one month of the publication of the Royal Mail Group's consolidated annual results, notifying:
- (a) whether any actions or courses of action which they have committed to undertake under the terms of this deed have been implemented or completed and/or the progress made in relation to such actions or courses of action;
  - (b) whether any actions or courses of action which they committed not to undertake under the terms of this deed have been taken or not; and
  - (c) whether there has been any breach or non-compliance with any of their obligations or undertakings pursuant to this deed and the steps taken, or intended to be taken, to remedy any such breach or non-compliance.

Each Compliance Notice shall be substantially in the form agreed between the SoS, Bidco and Bidco Guarantor prior to the date of this deed.

Bidco and Bidco Guarantor further undertake to provide:

- (i) reasonable details of any proposed IDS Return of Value (other than where permitted by paragraph (d) of clause 1.2 of Schedule 2) or Royal Mail Return of Value (other than where permitted by paragraph (b) of clause 1.2 of Schedule 2) (a "**Proposed Return of Value**" and a "**Proposed Return of Value Notice**") (including, for the avoidance of doubt, a detailed breakdown (in the form agreed between the SoS, Bidco and Bidco Guarantor prior to the date of this deed) of the supporting numbers which demonstrate the achievement of part (a) of the Leverage Condition test; and confirmation that the board of Royal Mail expects that part (b) of the Leverage Condition test and the USO Conditions will be met at the Relevant Date) no later than one calendar month prior to the date on which such Proposed Return of Value is expected to be made; and
- (ii) such other documents or information as the SoS may reasonably request following, and in connection with, the submission of each such Compliance Notice and/or Proposed Return of Value Notice. Compliance Notices, Proposed Return of Value Notices and any other communication from Bidco or Bidco Guarantor to the SoS relating to the obligations under this deed shall be submitted to the SoS by email to such email addresses as the SoS may direct from time to time.

3.4 Bidco and Bidco Guarantor undertake to the SoS that they shall procure that appropriate members of the Bidco Management Team attend and, following the Effective Date, Bidco and Bidco Guarantor shall procure that appropriate members of the IDS Management Team attend, a meeting with the SoS or the SoS's delegates:

- (a) if so requested by the SoS, on reasonable notice, following the delivery of a Compliance Notice or a Proposed Return of Value Notice:
  - (i) to answer any reasonable questions in relation to the Compliance Notice or the Proposed Return of Value Notice;
  - (ii) to discuss their contents (including those matters set out in clause 3.3); and/or
  - (iii) to discuss any other matters as the SoS may reasonably request to ascertain whether Bidco and Bidco Guarantor are in full compliance with, and are reasonably likely to continue to be in full compliance with, their obligations and undertakings under this deed;
- (b) without prejudice to clause 3.4(a) at any other time, on reasonable notice, if so requested by the SoS:
  - (i) where the SoS, acting reasonably, considers that Bidco or Bidco Guarantor may not be in full compliance with their obligations and undertakings under this deed (including any procurement obligations in respect of IDS); and/or
  - (ii) to discuss any matters the SoS may reasonably request to ascertain whether Bidco and Bidco Guarantor are in full compliance with their obligations and undertakings under this deed (including any procurement obligations in respect of IDS).

3.5 If Bidco or Bidco Guarantor are, or reasonably consider that they are likely to become, unable to comply in full with any of the obligations or undertakings under this deed, or become aware of any breach or non-compliance (or potential breach or non-compliance), to the maximum extent permitted by applicable laws and regulations, Bidco and Bidco Guarantor undertake to the SoS that they shall notify the SoS as soon as reasonably practicable providing full reasons for the breach or non-compliance (or potential breach or non-compliance). This clause 3.5 is without prejudice to any rights, powers and remedies of the SoS under this deed or otherwise.

#### 4. **GENERAL**

4.1 Bidco and Bidco Guarantor acknowledge that this deed (and any discussions or negotiations or actions by or on behalf of the SoS relating to this deed) does not operate in any way to preclude, limit or otherwise restrict the exercise of any powers that may otherwise be available to the SoS, Ofcom or HM Government.

4.2 Without prejudice to clauses 4.4 to 4.11 (inclusive) and any other subsisting commitments, obligations or rights accrued or arising prior thereto, the obligations under this deed shall, unless stated otherwise, cease to apply on a Change of Control.

4.3 Bidco and Bidco Guarantor acknowledge and agree that:

- (a) the SoS shall be free to publish a copy of this deed at any time once it has been executed;
- (b) they shall, at the written request of the SoS, publish a copy of this deed once it has been executed; and
- (c) they will not publish this deed or any part thereof or any information directly relating to this deed without the prior written approval of the SoS (save for where the deed or any such information has been previously published by the SoS), and that any such publication will be in accordance with the terms of any such approval.

Nothing in this clause 4.3 shall prevent the publication or disclosure of this deed or its contents by Bidco or Bidco Guarantor where required to be disclosed by applicable law, regulation, rule, requirement or request of any regulatory or governmental authority or stock exchange to which Bidco or Bidco Guarantor are subject (including, for the avoidance of doubt, under the City Code and/or at the request of the Panel). Furthermore, nothing in this clause 4.3 shall prevent Bidco or Bidco Guarantor making announcements on subject areas covered by this deed without the SoS's permission where any such announcement makes no reference to this deed or its provisions.

4.4 Bidco and Bidco Guarantor shall procure that each of Bidco's Affiliates and, following the Effective Date, each member of the IDS Group shall promptly execute and deliver such documents and perform such acts as may be required for the purpose of giving full effect to this deed.

4.5 Without prejudice to any other rights or remedies that the SoS may have, Bidco and Bidco Guarantor acknowledge and agree that the SoS may be irreparably harmed by any breach of this deed, and that damages alone would not be an adequate remedy for the SoS. Accordingly, Bidco and Bidco Guarantor agree and acknowledge that the SoS shall be entitled to seek the remedies of injunction, specific performance or any other equitable relief for any threatened or actual

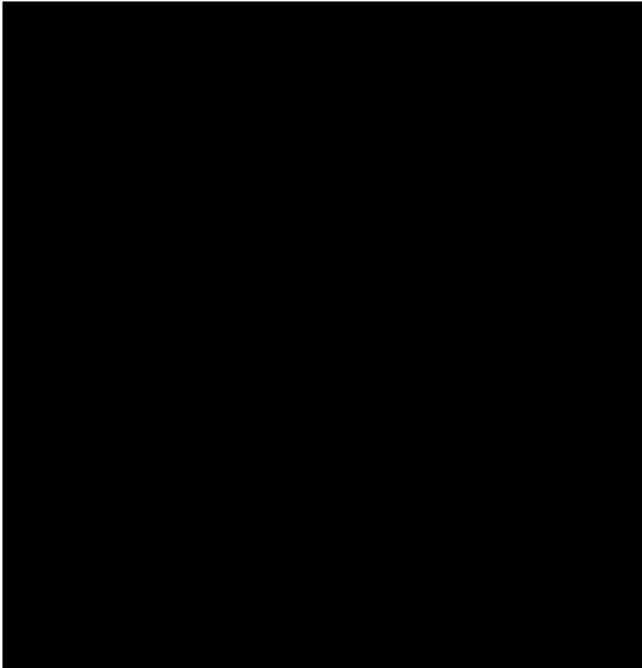
breach of the terms of this deed. If any such remedies are sought in relation to any threatened or actual breach of the terms of this deed, Bidco and Bidco Guarantor irrevocably waive any rights they may have to oppose the granting of such remedies on the grounds that damages would be an adequate alternative. No proof of special damages shall be necessary for the enforcement by the SoS of this deed.

- 4.6 Bidco and Bidco Guarantor acknowledge and agree that no failure on the part of the SoS to exercise, and no delay in exercising, any right, power or remedy shall affect that right, power or remedy, or operate as a waiver of any right, power or remedy pursuant to this deed, nor shall any single or partial exercise of such right, power or remedy by the SoS preclude any other or further exercise of it or the exercise of any other right, power or remedy.
- 4.7 This deed is given in favour of and for the benefit of the SoS. This deed does not confer any rights on any person other than the SoS, whether under the Contracts (Rights of Third Parties) Act 1999 or otherwise.
- 4.8 If Bidco or Bidco Guarantor intends to offer any obligation (including measures, undertakings and/or commitments) affecting the IDS Group in the UK to a Governmental Entity which could reasonably be expected to become a Regulatory Requirement to which clause 4.9 applies, they shall, provided DBT has previously entered into a binding confidentiality agreement with Bidco and Bidco Guarantor (acting reasonably) to treat such information as confidential in accordance with the terms of such confidentiality agreement, at the same time as (i) offering such obligation to the relevant Governmental Entity, or (ii) submitting a draft of any such proposed obligation to the relevant Governmental Entity, whichever is earlier, notify the SoS of the same and provide the SoS with the same information in respect of any obligation so offered or submitted in draft as is provided to the relevant Governmental Entity.
- 4.9 In the event that a Regulatory Requirement prevents or impedes (or is reasonably likely to prevent or impede) directly or indirectly Bidco's or Bidco Guarantor's ability to comply (or procure compliance by IDS) with any obligation or undertaking in this deed:
- (a) Bidco and Bidco Guarantor shall not, to the extent that compliance is prevented or impeded (or reasonably likely to be prevented or impeded) directly or indirectly by such Regulatory Requirement, be required to comply with the affected obligation or undertaking in this deed; and
  - (b) Bidco and Bidco Guarantor shall (acting reasonably) consult in good faith with, and take into account the reasonable requirements of, the SoS to amend or replace (as applicable) such obligation or undertaking with a mutually acceptable alternative which has an equivalent and proportionate commercial effect to the affected obligation or undertaking.
- 4.10 This deed, and any dispute, controversy, proceedings or claim of whatever nature arising out of or in any way relating to this deed or its formation (including any non-contractual disputes or claims), shall be governed by and construed in accordance with the laws of England and Wales.
- 4.11 Bidco and Bidco Guarantor irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to hear, settle and/or determine any dispute, controversy or claim (including any non-contractual dispute, controversy or claim) arising out of or in connection with this deed, including any question regarding its existence, validity, formation or termination. For these purposes, Bidco and Bidco Guarantor irrevocably submit to the jurisdiction of the courts of England and Wales.

- 4.12 Bidco Guarantor shall at all times maintain an agent for service of process and any other documents in proceedings in England or any other proceedings in connection with this deed. That agent shall be EP UK Bidco Limited, Byron House, 7-9 St. James' Street London SW1A 1EE (marked for the attention of Marek Spurný and Jan Bílek ). Without prejudice to any other permitted mode of service, Bidco Guarantors confirm that service of any claim form, notice or other document for the purpose of any proceedings begun in England shall be duly served upon Bidco Guarantor if delivered personally or sent by recorded or special delivery post (or any substantially similar form of mail) to the Agent at its address for the time being. Bidco Guarantor waive any objection to such service and nothing in this deed shall affect the SoS's right to serve process in any other manner permitted by applicable law or regulation.
- 4.13 Bidco Guarantor irrevocably undertake not to revoke the authority of the Agent, unless they have given the SoS no less than ten Business Days prior notice in writing of a replacement for the Agent, in which case the provisions of this deed relating to the Agent will apply to such replacement. If, notwithstanding the previous sentence, the appointment of the Agent ceases to be effective or such person ceases for any reason to act as process agent for Bidco Guarantor, Bidco Guarantor will promptly appoint a replacement process agent for the purposes of this deed and forthwith will notify the SoS in writing of the change. If, within two Business Days of the appointment of the Agent ceasing to be effective or of such person ceasing to act as process agent for Bidco Guarantor, Bidco Guarantor has not appointed a replacement process agent for the purposes of this deed, the SoS shall be entitled to treat Bidco as a replacement process agent to act as agent for service of process on behalf of Bidco Guarantor in connection with this deed.
- 4.14 If any provision of this deed is held to be invalid or unenforceable by any judicial or other competent authority, all other provisions of this deed will remain in full force and effect and will not in any way be impaired. If any provision of this deed is held to be invalid or unenforceable but would be valid or enforceable if some part of the provision were deleted, the provision in question will apply with the minimum modifications necessary to make it valid and enforceable.

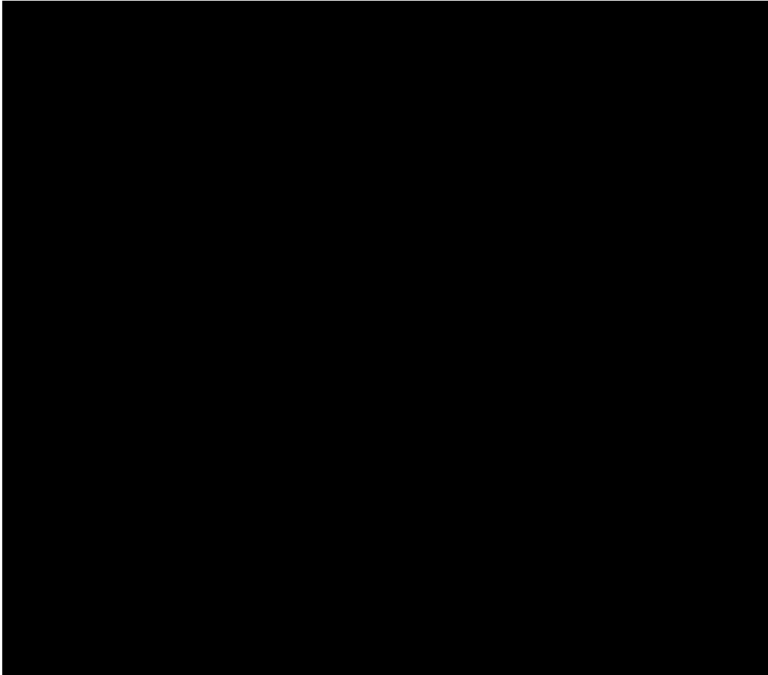
**THIS DEED** is entered into by the Parties as a deed, and is delivered and takes effect on the date written at the beginning of this deed.

**EXECUTED** as a **DEED** by **EP UK** )  
**BIDCO LIMITED** and signed on )  
its behalf by )





**EXECUTED** as a **DEED** by **EP**  
**GROUP, A.S.** and signed on its )  
behalf by )  
)



## **SCHEDULE 1 DEFINITIONS**

**"Acquisition Financing"** means the indebtedness incurred by Bidco for the purposes of funding the acquisition of IDS Shares (the **"Initial Acquisition Financing"**) (and any amounts incurred by Bidco or any of its subsidiaries that refinance the Initial Acquisition Financing);

**"Affiliate"** means, with respect to a person, any other person that, directly or indirectly, Controls, or is Controlled by, or is under common control with, such person;

**"Assume Liability"** means, in respect of indebtedness, becoming a borrower or guarantor or obligor or providing third party credit support in connection with such indebtedness, and **"Assumed Liability"** and **"Assumption of Liability"** shall be construed accordingly;

**"Baseline QoS Scores"** means the First Class Mail and Second Class Mail quality of service performance scores for Royal Mail Group for the period 1 April 2023 to 31 March 2024 as announced by Royal Mail on 24 May 2024;

**"Bidco Guarantor Group"** means Bidco Guarantor and its subsidiaries from time to time;

**"Bidco Management Team"** means the executive or senior management team of Bidco from time to time or any Bidco employee of sufficient seniority as the executive or senior management deems fit to carry out the relevant obligations on their behalf;

**"Bidco Representative"** means a representative of Bidco duly authorised by the board of directors of Bidco in accordance with its constitutional documents with full authority to sign a Compliance Notice on Behalf of Bidco;

**"Change of Control"** means where Royal Mail is no longer directly or indirectly Controlled by either (i) Bidco Guarantor, (ii) DK or (iii) any person who or which is Controlled by, or is under common Control, with DK. For the avoidance of doubt, the insertion of any new holding company ultimately Controlled by either (i) Bidco Guarantor, (ii) DK or (iii) any person who or which is Controlled by, or is under common Control, with DK, will not constitute a Change of Control;

**"Compliance Notice"** has the meaning given to it in clause 3.3;

**"Control"** means, in respect of a person, the power, directly or indirectly, either to:

- a) vote a majority of the securities having ordinary voting power for the election of managers or directors of such person; or
- b) direct or cause the direction of the management and policies of such person, whether by contract or otherwise,

and the expressions "Controlled" and "Controlling" shall be construed accordingly;

**"Consolidated Net Debt"** shall be the consolidated net indebtedness of the relevant person calculated on the same basis as "Net debt" (or equivalent replacement measure) is calculated as an alternative performance measure in the most recent audited report of IDS (or any entity which replaces IDS as the entity

preparing the consolidated accounts which reflect the financial position of the IDS Group) provided that in calculating the Consolidated Net Debt of the Royal Mail Group:

- a) where the IDS board reasonably expects to redeem, refinance and/or defease (or any similar term) an IDS Bond within 18 months following the Relevant Test Date, the calculation will include the cash and cash equivalents held (and thereby limited to the cash and cash equivalents needed) by the IDS Group (excluding the GLS Group) to effect that redemption ("**IDS Bond Repayment Cash**"). For the avoidance of doubt, cash and cash equivalents held by the IDS Group (excluding the Royal Mail Group) for any other purpose (including for working capital and to redeem IDS Bonds with a maturity date beyond that 18 month period) cannot be included in the calculation;
- b) the amount of indebtedness owed to Affiliates who are not members of the Royal Mail Group (other than trading balances) shall be included in the total amount of indebtedness of the Royal Mail Group; and
- c) the amount of indebtedness of any member of the IDS Group in respect of which a member of the Royal Mail Group has Assumed Liability shall be included in the total amount of indebtedness of the Royal Mail Group;

"**Designated Operators**" means the national postal operators tasked by their government to fulfil the government's obligations under the Universal Postal Unions treaties;

"**Disposal**" means a direct or indirect sale, transfer or other disposition;

"**DK**" means Daniel Křetínský, his estate, any beneficiary or nominee of all or part of his assets upon the death or other incapacity of Daniel Křetínský pursuant to any will, operation of law or otherwise (including, any person to whom execution or decision making authority is granted in the event of death or incapacity of Daniel Křetínský);

"**EBITDA**" shall be the consolidated earnings before interest, taxation, depreciation and amortisation calculated on the same basis as "*Adjusted EBITDA*" (or equivalent replacement measure) is calculated as an alternative performance measure for the purposes of the most recent audited report of IDS (or any entity which replaces IDS as the entity preparing the consolidated accounts which reflect the financial position of the IDS Group), including adjustments agreed with IDS' auditors but excluding any adjustments in respect of unrealised cost saves and/or synergies;

"**Effective Date**" has the meaning given to it in clause 2.1;

"**GLS Group**" means General Logistics Systems B.V. and its subsidiaries from time to time;

"**Governmental Entity**" means any supra national, national, state, municipal or local government (including any subdivision, court, administrative agency or commission or other authority thereof) or any quasi-governmental or private body exercising any regulatory, importing or other governmental or quasi-governmental authority, including the European Union;

"**HM Government**" means the Government of the United Kingdom, acting through the SoS for the Department for Business and Trade (or its successor department) or the representative nominated by the relevant organ, agency, department or instrumentality of the Government of the United Kingdom;

**"Holding Company"** has the meaning given to that term in accordance with s. 1159 of the Companies Act 2006;

**"IDS Bond Repayment Cash"** has the meaning given to that term in the definition of Consolidated Net Debt;

**"IDS Bonds"** means each of the following series of bonds issued by IDS and guaranteed by Royal Mail:

- a) €550 million 1.25% Guaranteed Notes due 2026 (ISIN: XS2063268754);
- b) €500 million 5.25% Guaranteed Notes due 2028 (ISIN: XS2673969650); and
- c) £250 million 7.375% Guaranteed Notes due 2030 (ISIN: XS2677642717),

and any indebtedness that refinances such bonds;

**"IDS Group"** means IDS and its subsidiaries, and an **"IDS Group Company"** means any of them;

**"IDS Management Team"** means the executive or senior management team of IDS from time to time or any IDS employee of sufficient seniority as the executive or senior management deems fit to carry out the relevant obligations on their behalf;

**"IDS Return of Value"** means a flow of monies or transfer of assets from an IDS Group Company to, or for the benefit of, any of IDS' direct or indirect shareholders or their Affiliates by any means (including by way of upstream loan, repayment of the principal on any downstream loan, distribution on share capital, dividend or other return of capital or Disposal) but excluding any monies or assets payable or transferable under any arm's length services contract or similar arrangement provided that, for the avoidance of doubt, to the extent the transaction constituting such IDS Return of Value also comprises a Royal Mail Return of Value, the provisions of Clause 1.2(a) shall also be required to be satisfied in respect of such portion of such transaction;

**"IDS Shares"** means the ordinary shares of 1 pence each in the capital of IDS from time to time;

**"Leverage Condition"** means that:

- a) as at the Relevant Test Date immediately preceding the Relevant Date, the ratio of (x) the Consolidated Net Debt of the Royal Mail Group to (y) the EBITDA of the Royal Mail Group for the relevant financial year (or, for the purposes of a Relevant Test Date falling at the end of the first half of a financial year, the last 12 months preceding that Relevant Test Date), is no greater than 2.00:1.00, in each case pro forma for the relevant IDS Return of Value, Royal Mail Return of Value or Assumption of Liability, and any other IDS Return of Value, Royal Mail Return of Value or Assumption of Liability (or any release of any liability in respect of which the relevant member of the Royal Mail Group had previously Assumed Liability or any other prepayment of indebtedness of the Royal Mail Group) in each case in the period between the Relevant Test Date and the Relevant Date; and
- b) the board of directors of Royal Mail have determined (acting reasonably and based on the current business plan or budget (or equivalent) approved by the

board (or such other document as the directors deem reasonable)) that the condition set out in I above shall continue to be met for the 12-month period beginning on the Relevant Date.

**"Monitor"** has the meaning given to it in clause 3.1;

**"NCSC"** means the National Cyber Security Centre of the United Kingdom;

**"NPSA"** means the National Protective Security Authority of the United Kingdom;

**"Ofcom"** means the Office of Communications of the United Kingdom;

**"PSA"** means the Postal Services Act 2011 and secondary legislation and regulations in effect thereunder, and successor legislation in force from time to time;

**"QoS Improvement"** means that, with respect to the most recent Reporting Period, Royal Mail Group's First Class Mail and Second Class Mail quality of service performance scores were equal to or greater than the Baseline QoS Scores;

**"Regulatory Requirement"** means any obligation (including measures, undertakings and/or commitments) affecting the IDS Group in the UK entered into with or imposed by a Governmental Entity in order to obtain approval or clearance for the Transaction in connection with any of the Conditions set out in Part 3 of the Offer published by IDS dated 26 June 2024;

**"Relevant Date"** means the date on which: (a) an IDS Return of Value or Royal Mail Return of Value occurs; or (b) the date on which a Royal Mail Group Company intends to Assume Liability, as applicable;

**"Relevant Test Date"** means, when testing the Leverage Condition, the last date of the most recent financial half-year of Royal Mail preceding that transaction or assumption in respect of which financial statements have been prepared;

**"Relevant Unions"** means the Communications Workers Union and CMA Unite;

**"Reporting Period"** means, the period from 1 April in any year to 31 March in the following year (inclusive) during which Ofcom is assessing satisfaction by Royal Mail Group of its First Class Mail and Second Class Mail quality of service performance targets, or such other period as notified in writing by Ofcom to the Royal Mail Group from time to time;

**"RMG Mandate Agreement"** refers to the mandate described in the letter from DBT to Royal Mail dated 20 February 2024, as amended from time to time;

**"RMPP"** means the pension arrangement known as the Royal Mail Pension Plan, currently governed by a Definitive Deed and Rules dated 21 December 2009, as amended from time to time;

**"Royal Mail"** means Royal Mail Group Limited;

**"Royal Mail Beneficial Payment"** means the application of monies towards:

- a) any amounts due: (i) in connection with interest or principal or other amounts contractually due in respect of the IDS Bonds (including the holding of IDS Bond Repayment Cash); or (ii) any other third party indebtedness in respect of which a member of the Royal Mail Group has Assumed Liability (other than the

Acquisition Financing), but to the extent that the net proceeds from that indebtedness were advanced to the Royal Mail Group; or

- b) interest or principal on any financial support provided to the Royal Mail Group on or after the Effective Date by any member of the IDS Group **provided that** any such interest shall be on market terms (as determined by the board of directors of both IDS and Royal Mail acting reasonably); or
- c) interest or principal on any financial support provided to the IDS Group on or after the Effective Date by any member of the Bidco Guarantor Group to the extent that financial support has refinanced (or is intended to refinance) any indebtedness described in limb (a) on arm's length commercial terms;
- d) payments to the IDS Group in an aggregate amount not to exceed £15,000,000 per financial year (plus any applicable VAT on the underlying amounts) in respect of the payment by the IDS Group of bona fide holding company costs including audit costs and expenses, maintenance and running costs and expenses, advisor costs expenses and disbursements and pension related costs and expenses.

**"Royal Mail Group"** means Royal Mail Group Limited and its subsidiaries, and a **"Royal Mail Group Company"** means any of them;

**"Royal Mail Return of Value"** means a flow of monies or transfer of assets from a Royal Mail Group Company to, or for the benefit of, any of its direct or indirect shareholders or their Affiliates by any means (including by way of upstream loan, repayment of the principal on any downstream loan, distribution on share capital, dividend or other return of capital, or Disposal) but excluding any monies or assets payable or transferable under any arm's length services contract or similar arrangement;

**"Subsidiaries"** means a person's subsidiaries and subsidiary undertakings (as such terms are understood in accordance with s. 1159 of the Companies Act 2006);

**"Structural Intragroup Loan"** means the intragroup loan made between IDS Holdco Limited (as lender) and Royal Mail (as borrower) dated 1 August 2024 and any such other instrument which refinances the amounts due under such instrument;

**"UK Crown Dependencies and Overseas Territories"** means the Isle of Man, Guernsey, Jersey, and Gibraltar;

**"Undertaking Period"** means the period from the Effective Date until the fifth anniversary of the Effective Date;

**"Universal Postal Union"** means the United Nations specialised agency of the same name;

**"UPU Postal Operations Council"** means the constituent body of the Universal Postal Union of the same name;

**"Universal Service Provider"** has the meaning given to that term in the PSA;

**"USO Conditions"** means that, in respect of a transaction:

- a) that transaction would not have a material adverse effect on Royal Mail's ability to discharge its obligations as Universal Service Provider pursuant to the PSA; and
- b) as at the Relevant Date, the Royal Mail Group has achieved a QoS Improvement.

## **SCHEDULE 2 UNDERTAKINGS**

Bidco and (unless otherwise specified) Bidco Guarantor irrevocably and unconditionally undertake (and where relevant, shall following the Effective Date procure that the IDS Group undertakes), in the case of paragraphs 1.2(a), 1.2(c)(ii) and (iii), 1.2(d), 1.2(h), 1.2(i), 1.2(j), 1.4(a), 1.4(c), 1.4(e), 1.4(f), 1.4 (h) and 1.4(m) below for the duration of the Undertaking Period only, as follows.

### **1.1 The protection of Royal Mail and its universal service obligation**

Each of Bidco Guarantor and Bidco agrees that it will ensure that Royal Mail (and, where applicable, each of Royal Mail's subsidiaries):

- (a) continues as a Universal Service Provider for the purposes of the PSA; and
- (b) complies with the core regulatory conditions applicable to Royal Mail in its capacity as Universal Service Provider imposed by Ofcom from time to time (including continuing to provide the "one price goes anywhere" service in the United Kingdom and that first class letters are delivered 6 days a week).

### **1.2 Safeguarding Royal Mail**

Each of Bidco Guarantor (except in respect of (k) below) and Bidco agrees that it will:

- (a) subject to paragraph (b) below, ensure that no Royal Mail Group Company undertakes a Royal Mail Return of Value (other than to another member of the Royal Mail Group) unless: (i) the Leverage Condition would be met; and (ii) the USO Conditions would reasonably be expected to be met following such Royal Mail Return of Value;
- (b) paragraph (a) shall not apply to:
  - (i) any Royal Mail Return of Value which is applied directly or indirectly to finance or refinance a Royal Mail Beneficial Payment; or
  - (ii) (subject always to paragraph (f) below) any Disposal on arm's length commercial terms for market value;
- (c) ensure that Royal Mail (and each Royal Mail Group Company) does not Assume Liability:
  - (i) in respect of the Initial Acquisition Financing;
  - (ii) in respect of any financing which refinances (or which is incurred with the purpose of refinancing but is to be held by the IDS Group prior to application against the IDS Bonds) the IDS Bonds, unless such financing is incurred in an aggregate principal amount (or, if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or, if issued with original issue discount, the aggregate accreted value) (whether drawn or undrawn) of the IDS Bonds being refinanced (plus, without duplication, any additional indebtedness incurred to pay interest or premiums required by the instruments governing such existing IDS Bonds and all fees, underwriting discounts, original issue discounts, premiums, costs and expenses and any prepayment premia and discounts incurred in connection with the IDS Bonds being refinanced, and any related stamp or other taxes, notarial or registration fees incurred in connection therewith); or



- (iii) in respect of any other financing, the net proceeds of which are not contributed to (or, for the avoidance of doubt, incurred or drawn directly by) the RMG Group (but excluding for these purposes the IDS Bonds which shall be governed by paragraph (ii) above), unless the Leverage Condition would be met and the USO Conditions would reasonably be expected to be met following such assumption;
- (d) subject to paragraph (e) below, ensure that no IDS Group Company undertakes an IDS Return of Value (other than to another IDS Group Company) from the consideration received in respect of any Disposal of all or part of the GLS Group unless: (i) the Leverage Condition would be met; and (ii) the USO Conditions would reasonably be expected to be met following such IDS Return of Value;
- (e) provided that paragraph (d) shall not apply:
  - (i) to any IDS Return of Value which is applied directly or indirectly to finance or refinance a Royal Mail Beneficial Payment;
  - (ii) to any IDS Return of Value which is applied directly or indirectly to finance or refinance any amounts due in connection with the Acquisition Financing or any other indebtedness incurred on arm's length commercial terms in respect of which any other member of the IDS Group has Assumed Liability; or
  - (iii) to any IDS Return of Value to the extent that, pro forma for that IDS Return of Value, the IDS Group (but excluding the GLS Group) has sufficient cash or cash equivalents on its balance sheet (but excluding any restricted cash and cash reserved or otherwise earmarked to be applied to discharge current liabilities of the IDS Group (but excluding the GLS Group)) to pay all amounts that are due, and may become due, under the outstanding IDS Bonds and Acquisition Financing.
- (f) not undertake any corporate restructuring, transfer or other disposal of assets, merger, consolidation, reconstitution, business combination or similar transaction which would, in the reasonable determination of the board of directors of Royal Mail, result in any assets, that were previously held by the Royal Mail Group and are necessary for the Royal Mail Group to discharge its obligations as Universal Service Provider and strive to achieve the associated quality of service targets (both as applicable from time to time), to no longer be within either the ownership or control of the Royal Mail Group (unless the Royal Mail Group retains access to such assets on arm's length market terms).
- (g) procure that the Structural Intragroup Loan (together with all accrued and unpaid interest) is capitalised and/or otherwise converted into, or contributed to, the ordinary equity capital of Royal Mail (in such form as determined by IDS) within six months from the Effective Date and ensure that, pending such capitalisation or conversion, any interest which would otherwise fall due for payment under the loan is added to the principal amount of the loan;
- (h) so long as a member of the Royal Mail Group is the Universal Service Provider, continue to participate in, and contribute to, the Universal Postal Union (in keeping with Royal Mail Group's historic practice), including:
  - (i) complying with the RMG Mandate Agreement, including bearing 50% of membership and interpretation costs; and

- (ii) participating in the UPU Postal Operations Council, including representing the interests of the UK Crown Dependencies and Overseas Territories on key operational proposals affecting their Designated Operators.
- (i) so long as a member of the Royal Mail Group is the Universal Service Provider, ensure that Royal Mail Group will consult with the UK Crown Dependencies and Overseas Territories to which it provides postal and related operational service arrangements on any proposed changes to the applicable terms of service in force at the time;
- (j) support IDS' existing commitments to reduce its environmental impact, namely the continued modernisation and electrification of the IDS fleet and the reduction of estate and value chain emissions, with the aim for the Royal Mail Group to reach Net Zero by 2040 and the GLS Group to reduce CO2 emissions to zero by 2045; and
- (k) ensure that Royal Mail Group has sufficient financial means, for a period of at least three years from the Effective Date, to implement those capex initiatives which are needed to implement its transformation agenda over the same period provided that, where the Royal Mail Group's financial performance is materially impacted by an event, or a series of linked or similar events, during this three year period which: (i) is/are exceptional, (ii) materially impacts its service provision, and (iii) which has/have not impacted other persons operating similar businesses to the Royal Mail Group to the same extent, then Bidco shall not be required to underwrite any capex funding shortfall for the fiscal year in which the event or events took place to the extent that such shortfall is a direct consequence of such event or events.

### **1.3 The Group**

Each of Bidco Guarantor and Bidco agrees that it will, with respect to the period commencing on the Effective Date and ending on the date falling three years after the Effective Date, ensure that GLS (and the principal business of the GLS Group as at the Effective Date) and Royal Mail (and the principal business of the Royal Mail Group as at the Effective Date) are directly or indirectly Controlled by either (i) Bidco Guarantor, (ii) DK or (iii) any person who or which is Controlled by, or is under common Control with, DK. For the avoidance of doubt, the insertion of any new holding company ultimately Controlled by either (i) Bidco Guarantor, (ii) DK or (iii) any person who or which is Controlled by, or is under common Control with, DK, will not result in GLS or Royal Mail ceasing to be Controlled for the purposes of this paragraph 1.3.

### **1.4 Other factors**

Each of Bidco Guarantor and Bidco agrees that it will:

#### *Pensions surplus*

- (a) ensure that Royal Mail does not utilise any amount of surplus refunded from RMPP to the scheme employer under Clause 20(5) of the Definitive Deed and Rules dated 21 December 2009 for the purposes of financing, funding or declaring any Royal Mail Return of Value;

#### *Brand identity and commitment to the UK*

- (b) for so long as a member for the Royal Mail Group is the Universal Service Provider, ensure that: (i) Royal Mail retains as its legal name Royal Mail

Group Limited; (ii) the Royal Mail Group carries on business under the trading name "Royal Mail"; and (iii) the Royal Mail Group continues to use the Royal Cypher in accordance with existing arrangements and takes steps necessary to continue such use;

- (c) notwithstanding paragraph (d) below, ensure that IDS and Royal Mail maintain their headquarters in the UK and that IDS and Royal Mail and each of their respective subsidiaries (but excluding GLS and its subsidiaries) which is tax resident in the UK as at 29 May 2024 remains tax resident in the UK;
- (d) procure that, as soon as reasonably practicable after the Effective Date and, in any event, within three months of the Effective Date, the articles of association of Royal Mail are amended to include those provisions described in Schedule 3 and, in conjunction with the adoption of those amendments, arrange for a new single share (the "**HMG Share**") to be issued to the SoS with the rights set out in Schedule 3;
- (e) ensure that if the equity securities of: (i) any member of the Royal Mail Group; or (ii) any Holding Company of the Royal Mail Group which holds no interest in the equity securities of GLS, are listed on a stock exchange, the primary listing of those securities shall be on the Main Market or the Alternative Investment Market of the London Stock Exchange (or such other stock exchange as HM Government may approve);

#### Unions

- (f) ensure that Royal Mail (and each of its relevant subsidiaries which employs staff) continues to recognise each Relevant Union under the Trade Union & Labour Relations (Consolidation) Act 1992 (if applicable) or any similar legislation in any other jurisdiction and in accordance with the relevant agreements in place between Royal Mail and the Relevant Union (as amended from time to time);
- (g) negotiate in good faith with the Relevant Unions and use all commercially reasonable endeavours to conclude agreements with each of them as soon as practicable after the date hereof and thereafter comply on an ongoing basis with the terms of any legally binding agreement concluded between Bidco, or any other member of the IDS Group, and the Relevant Unions after the date hereof (including as such agreement may be amended or replaced from time to time);

#### Governance and transparency

- (h) within three months of the Effective Date, ensure that Royal Mail appoints and maintains a board of directors:
  - (i) comprising at least five directors, of whom: (i) at least two individuals shall be non-executive directors elected or proposed by Royal Mail, Bidco or the shareholder(s) of Royal Mail who would be treated as "independent" for the purposes of the UK Corporate Governance Code (as in force as at the date of this deed); and (ii) at least two directors shall be UK or British nationals; and
  - (ii) who shall meet on a regular basis in each financial year;
- (i) comply with all legally applicable information requirements that mandate the provision of relevant information to: (i) HM Government; (ii) law enforcement; (iii) or national technical authorities (namely, NCSC or NPSA) as is required to ensure the resilience of critical national infrastructure;

- (j) ensure that Royal Mail complies with its financial reporting and accountability obligations under any regulatory conditions imposed by Ofcom from time to time under the PSA;
- (k) use all commercially reasonable endeavours to encourage any buyer of a Controlling stake in the Royal Mail Group to engage with the SoS or any successor in relation to continuation of a version of these commitments, and emphasise to each such person the importance of HMG's role in relation to Royal Mail Group;
- (l) notify the SoS or any successor, expeditiously, prior to signing a binding agreement for the sale of a Controlling stake in the Royal Mail Group;
- (m) ensure that, if there is a Change of Control of the Royal Mail Group during the Undertaking Period, the new ultimate corporate Controller of the Royal Mail Group from time to time adheres to this deed as a primary obligor, it being understood that (i) the obligations of this deed shall only bind such new Controller with effect from the Change of Control until the end of the remainder of the Undertaking Period (or such earlier date as may be specified), and (ii) the provisions of clause 4.2 above shall operate such that, without prejudice to any subsisting commitments, obligations or rights accrued or arising prior to the Change of Control, the obligations of Bidco and Bidco Guarantor under this deed shall cease to apply on the Change of Control; and
- (n) procure that, from the Effective Date, and to the extent required by HM Government, IDS and Royal Mail will accede to this deed as primary obligors (and will provide the undertakings contained herein on the same binding basis).

## **SCHEDULE 3 HMG SHARE**

The terms of the HMG Share in Royal Mail's articles of association will be as follows:

### **1. Change of HQ and Tax Residence - Consent Requirement**

Unless there has been a Material Adverse Tax Change, Royal Mail shall take no action, and nor shall its shareholders vote in favour of any resolution, in respect of the following matters, without the prior written consent of the holder of the HMG Share:

- i. making any change to the location of the headquarters or centre of operations of Royal Mail, or any of its subsidiary undertakings which are involved in meeting the Royal Mail Group's obligations as Universal Service Provider, (each a "**Relevant RMG Group Member**"), away from the United Kingdom; or
- ii. making any change to the corporate structure or business activities of any Relevant RMG Group Member with the intention or contemplated consequence of changing the jurisdiction of tax residence or place of business for tax purposes of such member away from the United Kingdom; or
- iii. any change to these articles, the memorandum of association or any other governing or constitutional documents of Royal Mail to the extent any such change would amend the terms of the HMG Share or the rights of the holder in connection therewith.

A "**Material Adverse Tax Change**" will be deemed to have occurred where the board of Royal Mail determines, acting reasonably and having taken independent advice, that one or more Relevant RMG Group Members have become subject to new, unfair and inequitable tax measures, applicable in the UK, which: (i) are not applicable to, or apply in a manner which is materially differential to, Relevant RMG Group Members' competitors in the UK, and (ii) have a material direct adverse impact on the financial position of Relevant RMG Group Members, taken as a whole.

### **2. HMG Share Structure**

The HMG Share will be structured as follows:

- a) Single, non-participating, redeemable, preferred share with a nominal value of £1.
- b) Preferred entitlement to repayment of £1 of capital on a liquidation or return of capital of Royal Mail, but no entitlement to dividends or any other economic participation beyond such repayment of £1 of capital.
- c) No entitlement to attend or vote at general meetings of Royal Mail.
- d) No pre-emption or participation rights on fresh issuance of shares by Royal Mail.
- e) No information rights beyond the statutory rights of a shareholder.
- f) Non-transferrable, beyond transfers to successor governmental authorities.
- g) Redeemable at the option of the holder at any time on written notice to the Company.
- h) Redeemable at the option of Royal Mail at any time after a Material Adverse Tax Change.
- i) In accordance with s.39 of the Companies Act 2006, the entrenched veto rights in relation to HQ and Tax set out above shall in no way restrict the capacity of the Company vis-à-vis third parties, who shall not be required to enquire as to the Company's compliance with the requirements of the HMG Share.
- j) The HMG Share will not be capable of "squeeze out" under the provisions of sections 979 and following of the Companies Act 2006.