

International  
Distributions  
Services

**INTERNATIONAL DISTRIBUTIONS SERVICES PLC**

*(Incorporated in England with limited liability, registered number 08680755)*

€500,000,000

5.250 per cent. Guaranteed Notes due 2028

guaranteed by

**ROYAL MAIL GROUP LIMITED**

*(Incorporated in England with limited liability, registered number 4138203)*

Issue Price: 99.575 per cent.

The €500,000,000 5.250 per cent. Guaranteed Notes due 2028 (the “**Notes**”) will be issued by International Distributions Services plc (the “**Issuer**”) and guaranteed by Royal Mail Group Limited (the “**Guarantee**” and the “**Guarantor**”, respectively).

This Prospectus has been approved by the United Kingdom (“**UK**”) Financial Conduct Authority (the “**FCA**”), as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”) (the “**UK Prospectus Regulation**”). The FCA has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer, the Guarantor or the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

Application has been made to the FCA for the Notes to be admitted to listing on the Official List of the FCA (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for the Notes to be admitted to trading on the London Stock Exchange's main market (the “**Market**”). References in this Prospectus to the Notes being “listed” (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a UK regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the EUWA (“**UK MiFIR**”).

The Notes bear interest from (and including) 14 September 2023 (the “**Issue Date**”) at the rate of 5.250 per cent. per annum, payable annually in arrear on 14 September in each year, as described in Condition 5 (*Interest*) of the Terms and Conditions of the Notes (the “**Conditions**”). Such rate will be subject to change in the case of a Step Up Rating Change or Step Down Rating Change (both as defined below) as further described in Condition 5 (*Interest*). Payments of principal of, and interest on, the Notes will be made without withholding or deduction on account of UK taxes, to the extent described in Condition 8 (*Taxation*).

Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes at their principal amount on 14 September 2028 (the “**Maturity Date**”). The Notes are subject to early redemption at the option of the Issuer (i) in whole or in part from (and including) the Issue Date up to (but excluding) 14 June 2028 (the “**Par Call Date**”), at the relevant make-whole redemption amount described in Condition 7 (*Redemption and Purchase*), (ii) in whole but not in part at any time from (and including) the Par Call Date to (but excluding) the Maturity Date, at their principal amount together with accrued interest, (iii) in whole but not in part at any time in the event of certain changes affecting taxes of the UK, at their principal amount together with accrued interest or (iv) in whole but not in part if, at any time, the principal amount of the Notes then outstanding is 20 per cent. or less of the aggregate principal amount of the Notes originally issued, at their principal amount together with accrued interest. In addition, if a Put Event (as defined in Condition 7 (*Redemption and Purchase*)) shall occur, the holder of any Note will have the option to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) such Note at its principal amount together with accrued interest. See Condition 7 (*Redemption and Purchase*).

The Notes are expected on issue to be rated BBB by S&P Global Ratings UK Limited (“**S&P**”). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the

assigning rating organisation. S&P is established in the UK and is registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the “**UK CRA Regulation**”).

**An investment in the Notes involves certain risks. Prospective investors should have regard to the factors described under the section headed “*Risk Factors*” in this Prospectus.**

**Global Coordinators**

**BNP Paribas**

**NatWest Markets**

**Active Joint Lead Managers**

**BNP Paribas**

**Commerzbank**

**NatWest Markets**

**SEB**

**UniCredit**

**Passive Joint Lead Manager**

**CaixaBank**

This Prospectus comprises a prospectus for the purposes of Article 6 of the UK Prospectus Regulation. This Prospectus has been prepared for the purpose of giving information with regard to (i) the Issuer, (ii) the Issuer and its subsidiaries and affiliates taken as a whole (the “Group”), (iii) the Guarantor and (iv) the Notes, which according to the particular nature of the Issuer, the Guarantor, the Group and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the Guarantor, of the rights attaching to the Notes, and of the reasons for the issuance and its impact on the Issuer and the Guarantor. The Issuer and the Guarantor accept responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Issuer and the Guarantor, the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”). This Prospectus should be read and construed on the basis that such documents are incorporated in, and form part of, this Prospectus. Other than in relation to the documents which are deemed to be incorporated by reference, the information on the websites to which this Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the FCA.

Neither the Joint Lead Managers (as described under “*Subscription and Sale*”, below) nor the Trustee (as defined below) have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer or the Guarantor in connection with the offering of the Notes. No Joint Lead Manager or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer or the Guarantor in connection with the offering of the Notes or their distribution.

No person has been authorised to give any information or to make any representation, other than those contained in this Prospectus, in connection with the offering of the Notes and any such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantor, the Joint Lead Managers or the Trustee. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, constitute a representation or create any implication that there has been no change since the date hereof in the affairs of the Issuer, the Group or the Guarantor or that information contained herein has remained accurate and complete.

This Prospectus does not constitute an offer to sell or an invitation by or on behalf of the Issuer, the Guarantor or the Joint Lead Managers to subscribe for, or purchase, any of the Notes. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantor and the Joint Lead Managers to inform themselves about and to observe any such restrictions.

The Notes and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) or under any relevant securities laws of any state or other jurisdiction of the United States, and are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit, of U.S. persons (as defined in Regulation S under the Securities Act (“Regulation S”)) except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable U.S. state securities laws. For a description of certain restrictions on the offer, sale and delivery of the Notes and on the distribution of this Prospectus, see “*Subscription and Sale*”.

The Notes will be represented initially by a temporary global note (the “Temporary Global Note”) which will be issued in new global note (“NGN”) form and will be deposited on or about 14 September 2023 with a common safekeeper for Clearstream Banking S.A. (“Clearstream, Luxembourg”) and Euroclear Bank SA/NV (“Euroclear”). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the “Permanent Global Note”) and, together with the Temporary Global Note, the “Global Notes”), without interest coupons attached, on or after 24 October 2023, upon certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable for

Notes in definitive form only in certain limited circumstances. See “*Summary of Provisions relating to the Notes while in Global Form*”.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a “retail investor” means a person who is one (or both) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended (“MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014, as amended (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a “retail investor” means a person who is one (or both) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended) (“FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No. 1286/2014, as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET** – Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for the distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

**UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET** – Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in UK MiFIR; and (ii) all channels for the distribution of the Notes to eligible counterparties and professional clients are appropriate. A distributor (as defined above) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it: has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement; has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall

investment portfolio; has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency; understand thoroughly the terms of the Notes and is familiar with the financial markets; and is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks. Prospective investors whose investment activities are subject to investment laws and regulations or to review or regulation by certain authorities may be subject to restrictions on investments in certain types of debt securities. Prospective investors should review and consider such restrictions prior to investing in the Notes. Prospective investors should consider the tax consequences of investing in the Notes and consult their own tax advisers with respect to the acquisition, sale and redemption of the Notes in light of their personal situations.

All references herein to “sterling” and “£” are to the currency of the UK and all references herein to “euro” and “€” are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

In this Prospectus, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

**IN CONNECTION WITH THE ISSUE OF THE NOTES, NATWEST MARKETS PLC AS STABILISATION MANAGER (THE “STABILISATION MANAGER”) (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE AND 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES. ANY STABILISING ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

## TABLE OF CONTENTS

	Page
Documents Incorporated by Reference.....	8
Presentation of Financial Information .....	10
Risk Factors .....	11
Terms and Conditions of The Notes .....	21
Summary of Provisions Relating to The Notes.....	43
Use and Estimated Net Amount of Proceeds .....	47
Description of the Group .....	48
United Kingdom Taxation .....	60
Subscription and Sale .....	62
General Information.....	64

## DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following documents, which have been previously published or are published simultaneously with this Prospectus. The following documents shall be incorporated in, and form part of, this Prospectus:

- (a) the following sections of the Annual Report and Financial Statements 2022-23:

Who We Are	pages 2 to 3 (inclusive)
Sixth, seventh and eighth paragraphs of section entitled “Chair’s Statement – Overview”	page 5
Royal Mail Operating Review	pages 6 to 7 (inclusive)
GLS Operating Review	pages 8 to 9 (inclusive)
Our Business Model	page 13
Our Strategy and Progress	pages 14 to 19 (inclusive)
Measuring Our Performance	pages 20 to 21 (inclusive)
ESG Review (excluding the Group’s ratings by international benchmarks for sustainability on page 36)	pages 26 to 37 (inclusive)
Financial Review (excluding eighth paragraph of section entitled “Royal Mail” on page 70 and section entitled “GLS” on page 70)	pages 59 – 70 (inclusive)
Section entitled “Wider Employee Context”	page 105
All Employee Remuneration (unaudited)	page 119 to 122 (inclusive)
Financial Statements (comprising audited consolidated financial statements of the Issuer for the 52-week period ended 26 March 2023 and the audit report thereon)	pages 142 to 233 (inclusive)
Additional Information - Glossary of Alternative Performance Measures	pages 238 to 242 (inclusive)

- (b) the following sections of the Annual Report and Financial Statements 2021-22:

Financial Review (excluding section entitled “Outlook” on page 74 and section entitled “Royal Mail” on page 74)	pages 64 to 74 (inclusive)
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Financial Statements (comprising audited consolidated financial statements of the Issuer for the 52-week period ended 27 March 2022 and the audit report thereon)	pages 148 to 223 (inclusive)
Additional Information - Glossary of Alternative Performance Measures	pages 228 to 232 (inclusive)

- (c) the audited consolidated financial statements of the Issuer for the 52-week period ended 29 March 2020, the audit report thereon and the section “*Presentation of results and alternative performance measures (APMs)*” (pages 159 to 246 (inclusive) and pages 54 to 61 (inclusive) of the Annual Report and Financial Statements 2019-20);
- (d) the audited unconsolidated financial statements of the Guarantor for the 52-week period ended 26 March 2023 and the audit report thereon (pages 34 to 83 (inclusive) of the Annual Report and Financial Statements for the 52-week period ended 26 March 2023);
- (e) the audited unconsolidated financial statements of the Guarantor for the 52-week period ended 27 March 2022 and the audit report thereon (pages 31 to 75 (inclusive) of the Annual Report and Financial Statements for the 52-week period ended 27 March 2022); and
- (f) the trading update published by the Issuer on 20 July 2023 for the first quarter April to June 2023 regarding the Group’s trading in the first quarter of Financial Year 2023-24 (excluding fifth bullet point of header entitled “Key points”).

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the website of the Issuer (<https://www.internationaldistributionsservices.com/en/investors/debt-investors/>).

Any documents or information that are incorporated by reference into the documents listed above do not form part of this Prospectus. Any information contained in any of the documents specified above which is not expressly incorporated by reference in this Prospectus does not form part of this Prospectus and is either not relevant to investors or is covered elsewhere in this Prospectus. Any information contained in any website referred to in any of the documents specified above does not form part of this Prospectus.



## **PRESENTATION OF FINANCIAL INFORMATION**

### **Financial Information Relating to the Issuer and the Guarantor**

The Issuer prepares its consolidated financial statements in accordance with (in respect of its Financial Statements 2021-22 and 2022-23) UK-adopted international accounting standards (“**UK-IAS**”) and (in respect of its Financial Statements 2019-20) International Financial Reporting Standards as adopted by the European Union (“**IFRS**”), and the Guarantor prepares its unconsolidated financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework and in accordance with applicable accounting standards.

All financial information relating to the Issuer and the Guarantor contained in this Prospectus, unless otherwise stated, has been extracted from either the audited consolidated financial statements of the Issuer as of and for the 52-week period ended 29 March 2020, the 52-week period ended 27 March 2022 and the 52-week period ended 26 March 2023 which are incorporated by reference into this Prospectus, or from the audited unconsolidated financial statements of the Guarantor for the 52-week period ended 27 March 2022 and the 52-week period ended 26 March 2023 which are incorporated by reference into this Prospectus.

Percentages have been rounded and accordingly may not add up to 100.0 per cent. Certain financial data have been rounded. As a result of this rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetic totals of such data.

### **Alternative Performance Measures**

The Group also publishes adjusted financial information which makes adjustments to results reported under UK-IAS or IFRS (as applicable) to exclude specific items, for example in relation to the IAS 19 pension charge to cash difference adjustment. The Group believes this is a more meaningful basis upon which to analyse the business performance (in particular given the volatile nature of the IAS 19 charge). In addition, adjustments are made for non-recurring or distorting items, which by their nature may be unpredictable, such as the first year impact of acquisitions.

The Group uses these and a variety of other alternative performance measures (“**APMs**”) to assess the performance of its business. These APMs are not calculated in accordance with UK-IAS or IFRS (as applicable). The Group does not regard these APMs as a substitute for, or superior to, any UK-IAS or IFRS (as applicable) measures of performance.

An explanation of each such metric’s components and calculation method can be found at pages 238 to 242 (incorporated by reference herein) of the Issuer’s Annual Report and Financial Statements 2022-23, pages 228 to 232 (incorporated by reference herein) of the Issuer’s Annual Report and Financial Statements 2021-22 and pages 54 to 61 (incorporated by reference herein) of the Issuer’s Annual Report and Financial Statements 2019-20.

## RISK FACTORS

*In purchasing the Notes, investors assume the risk that the Issuer and the Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the Notes or under the Guarantee. There is a wide range of factors which individually or together could result in the Issuer and the Guarantor becoming unable to make all payments due. It is not possible to identify all such factors as the Issuer and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantor's control. The Issuer and the Guarantor have identified in this Prospectus a number of factors which could materially adversely affect their businesses and ability to make payments due.*

*In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.*

*Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

### **FACTORS THAT MAY AFFECT THE ISSUER'S AND THE GUARANTOR'S ABILITY TO FULFIL THEIR OBLIGATIONS UNDER OR IN CONNECTION WITH THE NOTES AND THE GUARANTEE**

#### ***I. Industry Related Risks***

***The Group is dependent on effective industrial relations with its employees, employee representatives and trade unions and is subject to the risk of widespread localised, national industrial action or other disputes***

There is extensive trade union representation across the Group's UK workforce, with strong and active trade unions. Therefore, the UK business may face challenges in implementing desired changes or reforms due to the extent that gives rise to material disagreements or disputes with the relevant trade unions. One or more material disagreements or disputes between the Group and its trade unions could result in widespread localised or national industrial action. In the UK, the Guarantor (which employs the majority of the Group's employees in the UK) recognises the Communications Workers Union (the "CWU") in respect of operational and administrative grade employees (who comprise almost all of its UK workforce) and the Communication and Managers Association section of Unite (the "CMA" and together with the CWU, the "Trade Unions") in respect of most managers across Royal Mail Group Limited ("RMGL"). The Group estimates that approximately 89 per cent. of RMGL's operational and administrative grade employees are members of the CWU and a substantially high proportion of all RMGL's employees are covered by agreements with the Trade Unions. RMGL is therefore required to seek agreement with the CWU and the CMA prior to implementing changes to pay and terms and conditions of employment (for which the Trade Unions have been recognised to conduct collective bargaining) in respect of relevant employees. Changes to some non-contractual matters, including certain working arrangements and various processes for the introduction of new ways of working aimed at improving efficiency, are also subject to prior consultation and, in some circumstances, negotiation with the Trade Unions in accordance with the applicable industrial relations framework. An improvement in industrial relations with the Trade Unions and workforce are critical to the transformation of Royal Mail (as defined below) and the absence of major industrial action is a key assumption underpinning Royal Mail's business plan. The plan requires a high level of operational change in an increasingly competitive market, including a focus on rightsizing the Royal Mail

business and implementing new resourcing models, which may put additional strain on the stability of the Group's industrial relations.

Between August and December 2022, there were 18 days of industrial action, which had an adverse direct net impact on adjusted operating profit of the Group. In July 2023, CWU members voted in favour of the “Business Recovery, Transformation and Growth Agreement” (please see *“Description of the Group – Recent Developments”* for more information), which provides a three-year deal on pay, change, and job security. Widespread localised or national industrial action, which may arise in future, would cause material disruption to the Group's business in the UK and would be likely to result in an immediate and potentially ongoing significant loss of revenue for the Group. It may also cause Royal Mail to fail to meet the Quality of Service (“QoS”) targets prescribed by Ofcom which may lead to enforcement action, fines and loss of customers (please see *“Failure to comply with material laws and / or regulations applicable to the Group”* below for more information).

Failure to adequately recover from the industrial action which took place in the Financial Year 2022-23 (as defined below), such as recovery of lost customer revenues, further industrial action or deterioration of industrial relations could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

***The economic and political environment may have a material adverse effect on the Group***

Macro-economic conditions and/or the political environment across the markets in which the Group operates may adversely affect the Group's ability to control costs and maintain and grow revenue due to reducing volumes or by driving customers to adopt cheaper products or formats for sending letters and parcels.

The Group's performance is closely aligned to economic growth in the markets in which it operates and, historically, there has been a correlation between economic conditions and the level of letters and parcel volumes. Low rates of economic growth in the relevant markets could impact the Group's ability to maintain and grow revenue, for example due to reducing letter and parcel volumes as a result of customers adopting cheaper products or formats for sending letters and parcels. Recovery of the global economy following the COVID pandemic has been slowed by high inflation and upward pressure on commodity prices caused by the Russia-Ukraine war and further lockdowns in China. Economic growth is expected to remain low until 2024 in most of the markets in which the Group operates. Weakening consumer confidence and demand due to a squeeze on household incomes and discretionary spending has adversely impacted the Group's revenue growth. Prolonged fiscal tightening in the markets in which the Group operates, including national minimum wage and tax policy revisions (for example, the tax treatment of subcontractors), could increase the Group's costs or further impact consumer confidence, which could affect parcel and letter volumes and adversely impact the Group's revenue.

National export controls and sanctions regimes can also have a significant impact on local or regional operations and services of the Group, either due to disruptions in the international logistics network or new restrictions on transactions or activities in connection with certain goods, countries or persons – new export controls introduced in conjunction with Brexit and sanctions regimes established in connection with the war in Ukraine are prominent recent examples. The stability and security of international transport routes is crucial to the Group's business, and they could be critically disrupted by a range of events, including significant geopolitical developments and military conflicts such as the war in Ukraine. The Group is exposed to the risk of adverse political developments in the markets in which it operates, in particular the Royal Mail business as the sole designated universal postal service provider in the UK. Future UK political developments, including but not limited to a general

election being held resulting in a change of government and potentially an increased risk of nationalisation of the Guarantor, and any changes in government structure and policies, which could affect the fiscal, monetary and regulatory landscape to which the Group is subject. These factors could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

### ***Failure to meet customer expectations and respond to changes in the Group's markets***

Societal expectations continue to change rapidly and demand is continuing to grow for high quality, convenient and sustainable deliveries that are competitively priced. Failure to deliver against existing and changing customer needs and expectations (including QoS) could impact the demand for the Group's products and services. The Group's success at growing new areas of business is dependent on identifying profitable and sustainable areas of growth and having in place appropriate structures to support transformation. The decline in the economic environments in which the Group operates (please see "*The economic and political environment may have a material adverse effect on the Group*" above for more information) and the related cost-of-living crisis, together with the impact of industrial action in Royal Mail (please see "*The Group is dependent on effective industrial relations with its employees, employee representatives and trade unions and is subject to the risk of widespread localised, national industrial action or other disputes*" above for more information) have impacted consumer confidence and spending, which has adversely affected parcels and letters revenue in Royal Mail.

It is vital that the Group remains competitive in the UK and overseas parcels market, and effectively adapts to meet changing customer expectations. Should it fail to do so this could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

## ***II. Operational Risks***

### ***The Group may not be successful in reducing its operational cost base***

The Group must become more efficient and agile to compete effectively in the parcel and letter markets. The success of the Group's strategy relies on the reduction of the operational cost base whilst managing wider economic pressures and the industrial relations environment in Royal Mail to deliver productivity benefits across all areas of the business.

Royal Mail has a significant fixed cost base, with high operational gearing. Continued declines in parcel and letter revenue and volumes during the Financial Year 2022-23, due to macro-economic pressures, high inflation, a squeeze on consumer spending and a prolonged dispute with the CWU, has placed further pressure on its cost base.

While the Royal Mail delivery network provides a strong competitive position, particularly in the combined delivery of letters and small parcels, it is not currently optimised for the increased demand for flexible acceptance times and larger parcels. In addition, the high fixed labour cost structure makes it difficult to flex Royal Mail's cost base when sales volumes are down. Effective working relationships with the Trade Unions are key to addressing these cost pressures through the delivery of the Business Recovery, Transformation and Growth Agreement and Royal Mail's five-point plan (see "*Description of the Group – Group strategy*" for further information).

Whilst GLS' cost structure is more flexible, it needs to ensure that the business' networks and processes continue to be optimised to withstand inflationary cost pressures and support sustainable growth.

Any failure of the Group to reduce operational costs while at the same time delivering high-quality services could result in a loss of the Group's customers, market share and revenue, and therefore, have a material adverse effect on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

***A major breach of information security, data protection regulation or a cyber-attack could trigger material service and/or operational interruption***

Due to the nature of the Group's business, the Group collects, processes, and stores confidential business, operational and personal information. As a result, the Group is subject to a range of laws, regulations and contractual obligations around the governance and protection of various classes of data to protect its customers, employees, shareholders, and suppliers. In common with other major organisations, the Group is a potential target of cyber-attacks that could threaten the confidentiality, integrity and availability of data and systems and trigger material service and/or operational interruption. Royal Mail's international business experienced a cyber incident in January 2023 that impacted export mail items (please see "*Description of the Group – Recent developments*" for further information).

A major breach of information security, data protection laws and regulation or a cyber-attack could have a material adverse effect on the reputation, business, financial condition, results of operations and prospects of the Group and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

***The Group could be adversely affected by the loss of, or an inability to recruit and retain, talent with the appropriate skills and expertise across the Group***

The Group's performance, operating results and future growth depend on the ability of the Group to attract and retain talent with the appropriate skills and expertise across the Group.

In Royal Mail, workforce planning could be adversely impacted by an ageing workforce and a reduction in available workforce due to socio-economic factors and demographic change. Longer term strategic workforce planning and next generation talent continues to be a key area of risk. During the financial year ending in 2023, Royal Mail experienced elevated levels of attrition and recruitment challenges in head office roles resulting from the decline in business performance, industrial action and sustained pressure on personnel. This pressure has eased following the reduction in industrial action and the Business Recovery, Transformation and Growth Agreement. A high level of employee engagement is essential if the Group is to deliver Royal Mail's transformation and growth strategy.

To deliver GLS' longer-term strategy, it is necessary to attract talent with new skills and retain high-quality talent across the GLS business.

Any failure by the Group to attract and retain highly skilled personnel could have a material adverse effect on its competitive position. This could in turn result in a material adverse effect on the business, financial condition, results of operations and prospects of the Group and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

### ***Failure to respond to disruptive incidents that may adversely affect the business' operations***

The Group's business and operations may be affected by significant events outside of its control, such as disease, pandemics or nature or man-made disasters. The Group may fail to successfully respond to, recover from, or reduce the impact of a major threat or disruptive incident potentially resulting in widespread operational disruption and financial loss to the Group, its customers, and its supply chain, and adversely impact the ability of Royal Mail to meet its regulatory obligations, including the "Universal Service Obligation" (the "USO"), which could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee.

### ***III. Regulatory, Legal and Tax Risks***

#### ***Failure to secure USO reform may have an adverse impact on the financial sustainability of the USO and Royal Mail***

The USO requires Royal Mail to deliver letters to every address in the UK, six days a week, at a uniform price, and parcels five days a week.

According to Ofcom, a financially sustainable universal postal service provider should be able to achieve an EBIT margin of 5-10 per cent. Since Royal Mail's privatisation in 2013, the universal service network has only achieved this twice. Letter volumes have declined by more than 60 per cent. since their peak in 2004-05. Without reform of the USO, the continuing structural decline in addressed letter volumes and broader changes in the parcels market pose significant risks to the financial sustainability of the USO and consequently Royal Mail as the universal postal service provider. Royal Mail has made a request to Government to make a permanent change to the USO to move to a five-day letter service (Monday to Friday) and is engaging with Ofcom, Government and a range of stakeholders to make the case for reform. Failure by the Group to secure the requested reform of the USO could result in a sustained decline in the financial sustainability of the USO which could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

#### ***Failure to manage climate change and / or environmental legislation and regulation may have adverse operational, financial and reputational consequences on the Group***

Climate change is a global threat and, in common with other major organisations, poses a number of physical and transition risks that could impact the Group's businesses. As the Group's customers and stakeholders seek to adapt to climate change, demand is increasing for more sustainable products and services. The cost of operations could increase as the Group adapts to government and regulatory changes, including potential carbon taxes, to progress towards net zero emissions and air quality targets for towns and cities. In addition, an increase in the frequency of extreme weather events may result in disruption to the Group's operations and impact its ability to meet customer expectations, the USO or other contractual requirements. The Group may also see cost inflation as a result of resource scarcity, increased operational costs and required investment to protect the Group's businesses and people from extreme weather events. Moreover, the Group must also ensure that it continues to meet all existing environmental legislation and regulation and prepare for emerging requirements. Failure to do so may result in reputational damage, increased costs and potential fines.

Failure to effectively address these risks could result in a material adverse effect on the business, financial condition, results of operations and prospects of the Group and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

### ***Failure to comply with material laws and / or regulations applicable to the Group***

As the universal postal service provider in the UK designated by Ofcom under the Postal Services Act 2011 (the “Act”), the Guarantor is required, among other things, to perform the USO. In particular, to provide postal services to the UK population, including delivery six days per week for letters and five days per week for parcels, throughout the UK, to high quality standards and at a uniform, affordable tariff. Moreover, the Guarantor is also mandated to grant access to its network at its Inward Mail Centres for bulk letter and large letter services to other operators.

Ofcom can take enforcement action and/or impose fines on the Guarantor (and the Issuer as its ultimate parent company) if it considers that the Guarantor has breached any of its regulatory obligations regarding provision of the universal postal service or in providing access to its network or in its reporting obligations.

For example, as the universal service provider, Royal Mail’s performance is measured against a number of QoS targets that it is required to report to Ofcom, and failure to meet those targets may result in Ofcom imposing a fine on Royal Mail. Ofcom carried out an investigation into Royal Mail’s performance during the Financial Year 2021-22 (as defined below) regulatory period after Royal Mail missed targets in that period. In December 2022, Ofcom concluded that under the specific circumstances prevailing during the Financial Year 2021-22 regulatory period that it would not be appropriate to find Royal Mail in breach of its USO QoS targets. Royal Mail’s USO performance during the Financial Year 2022-23 regulatory period also fell below Ofcom’s QoS targets. Following publication of Royal Mail’s USO QoS results for that period, Ofcom has opened an investigation which Ofcom aims to conclude by December 2023. Any adverse outcome to this or any other Ofcom investigation or other enforcement action in the future could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group and therefore impact the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

In addition, the Group is responsible for ensuring compliance with a range of other applicable laws and regulations in the UK and internationally. Failure to comply with relevant material laws and regulations that apply to the Group’s business, including competition, anti-bribery, trade sanctions and corporate governance could result in financial loss, fines, regulatory enforcement action, criminal charges, civil claims, debarment and/or reputational damage impacting the Group’s ability to operate and grow and therefore impact the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee, respectively.

### ***Failure to manage health, safety and wellbeing risks***

The Group has a large number of employees, including seasonal staff and agency workers, operates a very large fleet of vehicles, has a significant real estate footprint and employs a large number of contractors and interacts extensively with members of the public. A large proportion of the Group’s people spend most of their time working outdoors on foot or driving, where the environment is unpredictable and can be more difficult to control. Whilst health, safety and wellbeing risks can be assessed and controlled, the risk of harm to people cannot be eradicated. A health and safety incident or global health crisis could result in the serious injury, ill health or death of the Group’s employees, third parties (including contractors) or members of the public. An incident, near miss or health and safety breach may lead to criminal prosecution or fines by the enforcing authority or civil action by the injured party potentially resulting in the Group incurring large financial losses and/or reputational damage. Failure to manage the health, safety and wellbeing of the Group’s employees could lead to reputational damage, loss of employee goodwill and financial losses through increased sickness absence, lower productivity, and failure to deliver the USO, civil action or criminal prosecution,

which could have a material adverse effect on the business' operations, financial condition and prospects of the Group and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee.

#### ***IV. Financial Risks***

***Failure to manage liquidity and any downgrade in the Issuer's credit rating may have an adverse impact on the Notes and a negative impact on the Group's business, results of operations and overall financial condition***

The Group's ability to fund its business and operations depends, in part, on the macro-economic environment and developments in the financial markets. Access to liquidity and capital markets is substantial to balance investment needs and risks from fluctuating cash flows from cyclical businesses. The Group's access to liquid funds may be adversely impacted by significant macro-economic events, such as a financial crisis. Whilst the Issuer's credit rating has recently been maintained at BBB (negative outlook) by S&P, any change to its rating could mean that the Issuer's access to the capital markets may be limited and refinancing on the capital markets may be more expensive, increasing the Group's funding costs. Any actual or anticipated downgrading of the Issuer's ratings could have a direct effect on the market value of the Notes and the Group's cost of borrowing, which could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group and therefore on the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes and the Guarantee. The decline in the macro-economic environment, high inflation and impact of industrial action has adversely affected Royal Mail's sales volumes and revenue. This has driven operating losses and trading cash outflows for the Guarantor. As a result, there is a risk that Royal Mail fails to secure ongoing access to finance from third parties and/or access to finance or investment from other members of the Group, and/or is unable to manage working capital and cash to support the ongoing running of the Royal Mail business. If that risk manifests that could have a material adverse effect on the business, financial condition, results of operations and prospects of the Guarantor and therefore on its ability to fulfil its obligations under the Guarantee.

#### **FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE NOTES**

##### ***Notes subject to Optional Redemption by the Issuer***

The optional redemption features of the Notes may limit their market value. During any period where the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

##### ***Modification, Waivers and Substitution***

The Conditions and the Trust Deed contain provisions for calling meetings of Noteholders (including by way of conference call or by use of a videoconference platform) to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written



resolution or give their consent electronically, and including those Noteholders who voted in a manner contrary to the majority.

The Conditions and the Trust Deed also provide that the Trustee may, without the consent of Noteholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Potential Event of Default (as defined in the Trust Deed) or Event of Default shall not be treated as such or (iii) agree to the substitution of (a) any Holding Company (as defined in the Trust Deed) of the Issuer, any other company being a Subsidiary (as defined in the Conditions) of the Issuer, or any Successor in Business (as defined in the Trust Deed) of the Issuer as principal debtor under the Notes in place of the Issuer and/or (b) any Successor in Business of the Guarantor as guarantor of the Notes in place of the Guarantor, in the circumstances described in the Trust Deed and the Conditions, provided that in the case of (i), (ii) and (iii), that the Trustee is of the opinion that to do so is not materially prejudicial to the interests of Noteholders.

The Conditions and the Trust Deed also provide that the Trustee shall, without the consent of the Noteholders, agree to the substitution in place of the Guarantor as the guarantor under the Trust Deed of the Issuer so that the Issuer shall thereby become the sole obligor in respect of the Notes subject to certain conditions being complied with as further described in Condition 14 (*Substitution*) and in the Trust Deed. Noteholders should note that, in this particular circumstance, the substitution right is mandatory and thus such a substitution (i) will not be subject to any material prejudice determination by the Trustee in terms of the interests of the Noteholders and (ii) may therefore be materially prejudicial to the interests of Noteholders.

***A Restructuring Plan implemented pursuant to the Corporate Insolvency and Governance Act 2020 may modify the conditions of the Notes or the Guarantee without the consent of the Noteholders***

Where the Issuer or the Guarantor encounters, or is likely to encounter, financial difficulties that are affecting, or will or may affect, its ability to carry on business as a going concern, it may propose a Restructuring Plan (a “**Plan**”) with its creditors under Part 26A of the Companies Act 2006, as amended (introduced by the Corporate Insolvency and Governance Act 2020) to eliminate, reduce, prevent or mitigate the effect of any of those financial difficulties. Should this happen, creditors whose rights are affected are organised into creditor classes and can vote on any such Plan (subject to being excluded from the vote by the English courts for having no genuine economic interest in the Issuer or the Guarantor). Providing that one class of creditors (who would receive a payment, or have a genuine economic interest in the Issuer or the Guarantor) has approved the Plan, and in the view of the English courts any dissenting class(es) who did not approve the Plan are no worse off under the Plan than they would be in the event of the “relevant alternative” (such as, broadly, liquidation or administration), then the English court can sanction the Plan where it would be a proper exercise of its discretion. A sanctioned Plan is binding on all creditors and members, regardless of whether they approved it. Any such sanctioned Plan in relation to the Issuer or the Guarantor may, therefore, adversely affect the rights of Noteholders and the price or value of their investment in the Notes, as it may have the effect of modifying or disapplying certain terms of the Notes (by, for example, writing down the principal amount of the Notes, modifying the interest payable on the Notes, the maturity date or dates on which any payments are due or substituting the Issuer) or modifying or disapplying certain terms of the Guarantee or substituting the Guarantor.

***Denominations involve integral multiples: definitive Notes***

The Notes have denominations consisting of a minimum of €100,000 plus one or more higher integral multiples of €1,000 (up to a maximum of €199,000). It is possible that the Notes may be traded in the clearing systems in amounts that are not integral multiples of €100,000. In such a case, should definitive Notes be required to be issued, holders of the Notes who, as a result of trading such amounts, hold less than €100,000 in their account in the relevant clearing system may need to

purchase or sell, on or before the date of exchange of the Permanent Global Note for definitive Notes, a principal amount of Notes such that their holding is at least equal to €100,000, otherwise such Noteholders may not receive all of their entitlements in definitive Notes.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of €100,000 may be illiquid and difficult to trade.

### ***Interest Rate Risks***

Investment in the Notes (being fixed rate instruments) involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes. It also involves inflation risk, which is the risk relating to the future value of money. In this respect, the actuarial yield on the Notes would be reduced due to the effect of inflation. The higher the inflation, the lower the actuarial return of the Notes.

Noteholders should be aware that movements of the market interest rate and inflation can adversely affect the price of the Notes and can lead to losses for the Noteholders if they sell the Notes before their maturity.

### **RISKS RELATED TO THE MARKET GENERALLY**

Set out below is a brief description of the material market risks, including illiquidity risk, credit rating risk and exchange rate risk, relating to the Notes generally:

#### ***Liquidity risks***

The Notes may not have an established trading market when issued. There can be no assurance of a secondary market for the Notes or the continued liquidity of such market if one develops.

The development or continued liquidity of any secondary market for the Notes will be affected by a number of factors such as the creditworthiness of the Issuer, as well as other factors such as the time remaining to the maturity of the Notes, the outstanding amount of the Notes and the redemption features of the Notes. Such factors will also affect the market value of the Notes.

Investors may not be able to sell Notes readily or at prices that will enable investors to realise their anticipated yield. No investor should purchase Notes unless the investor understands and is able to bear the risk that the Notes may not be readily sellable, that the value of Notes will fluctuate over time and that such fluctuations might be significant.

#### ***Credit rating***

S&P is expected to assign a credit rating to the Notes. The market value of the Notes from time to time is likely to be dependent upon the level of credit rating ascribed to the long-term debt of the Issuer. A credit rating reflects an assessment by a rating agency of the credit risk associated with a particular borrower or particular securities. Credit ratings are not recommendations to buy, sell or hold securities and are subject to revision, suspension or withdrawal at any time by the assigning rating agency. The rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed herein, and other factors that may affect the value of the Notes. Each rating agency may have different criteria for evaluating company risk and, therefore, ratings should be evaluated independently for each rating agency. Lower credit ratings generally result in higher borrowing costs and reduced access to capital markets.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”) from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third-country rating agency is certified in accordance with the CRA Regulation (and

such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority (“ESMA”) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances.

If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

#### ***Exchange rate risk and exchange controls***

The Issuer will pay principal and interest on the Notes in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the “**Investor's Currency**”) other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to euro would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer or the Guarantor to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the Terms and Conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form (if issued):*

The €500,000,000 5.250 per cent. Guaranteed Notes due 2028 (the “**Notes**”, which expression shall in these Terms and Conditions (the “**Conditions**”), unless the context otherwise requires, include any further notes issued pursuant to Condition 17 and forming a single series with the Notes) of International Distributions Services plc (the “**Issuer**”) are constituted by a Trust Deed dated 14 September 2023 (the “**Trust Deed**”) made between (i) the Issuer, (ii) Royal Mail Group Limited (the “**Guarantor**”) as guarantor and (iii) BNP Paribas Trust Corporation UK Limited (the “**Trustee**”, which expression shall include its successor(s)) as trustee for the holders of the Notes (the “**Noteholders**”) and the holders of the interest coupons appertaining to the Notes (the “**Couponholders**” and the “**Coupons**” respectively).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 14 September 2023 (the “**Agency Agreement**”) made between (i) the Issuer, (ii) the Guarantor, (iii) BNP PARIBAS, Luxembourg Branch as principal paying agent (the “**Principal Paying Agent**”, which expression shall include any successor principal paying agent and together with any other paying agents appointed from time to time, the “**Paying Agents**”, which expression shall include any additional or successor paying agents) and (iv) the Trustee (A) are available for inspection during normal business hours by the Noteholders and the Couponholders at the registered office for the time being of the Trustee, being at the date of issue of the Notes at 10 Harewood Avenue, London, NW1 6AA and at the specified office of each of the Paying Agents; or (B) may be provided by email to a Noteholder or Couponholder following their prior written request to the Trustee or any Paying Agents and provision of proof of holding and identity (in a form satisfactory to the Trustee or the relevant Paying Agent, as the case may be). The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

### 1. FORM, DENOMINATION AND TITLE

#### 1.1 Form and Denomination

The Notes are in bearer form, serially numbered, in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000, each with Coupons attached on issue. Notes of one denomination may not be exchanged for Notes of any other denomination.

#### 1.2 Title

Title to the Notes and to the Coupons will pass by delivery.

#### 1.3 Holder Absolute Owner

The Issuer, the Guarantor, any Paying Agent and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon or of any trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

## **2. STATUS OF THE NOTES**

The Notes and the Coupons are direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

## **3. GUARANTEE**

### **3.1 Guarantee**

The payment of the principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor (the “**Guarantee**”) in the Trust Deed.

### **3.2 Status of the Guarantee**

The obligations of the Guarantor under the Guarantee constitute direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and (subject as provided above) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

## **4. NEGATIVE PLEDGES**

### **4.1 Negative Pledges**

So long as any of the Notes remains outstanding (as defined in the Trust Deed):

- (a) the Issuer will not, and the Issuer will procure that none of its Material Subsidiaries (as defined below) will, create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a “**Security Interest**”) upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer and/or any of its Material Subsidiaries to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:
  - (i) all amounts payable by it under the Notes, the Coupons and the Trust Deed are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or
  - (ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders; and
- (b) the Guarantor will not create or have outstanding any Security Interest upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness unless the

Guarantor, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (i) all amounts payable by it under the Guarantee are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or
- (ii) such other Security Interest or guarantee or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution of the Noteholders.

## 4.2 Interpretation

For the purposes of these Conditions:

**“Group”** means the Issuer and its Subsidiaries from time to time;

**“Material Subsidiary”** means at any time a Subsidiary of the Issuer:

- (a) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Group relate, are equal to) not less than 7.5 per cent. of the consolidated total assets of the Group, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Group, provided that, in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated accounts of the Group relate, the reference to the then latest audited consolidated accounts of the Group for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer;
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Material Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (b) on the date on which the consolidated accounts of the Group for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or
- (c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the

transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Group relate, represent (or, in the case aforesaid, are equal to) not less than 7.5 per cent. of the consolidated total assets of the Group, all as calculated as referred to in subparagraph (a) above, provided that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer its assets represent (or, in the case aforesaid, are equal to) not less than 7.5 per cent. of the consolidated total assets of the Group, all as calculated as referred to in subparagraph (a) above, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (c) on the date on which the consolidated accounts of the Group for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition,

all as more particularly defined in the Trust Deed;

**“Relevant Indebtedness”** means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being, or which are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, and (ii) any guarantee or indemnity in respect of any such indebtedness; and

**“Subsidiary”** means a subsidiary within the meaning of section 1159 of the Companies Act 2006, as amended.

## **5. INTEREST**

### **5.1 Interest Rate and Interest Payment Dates**

Subject as provided in Condition 5.4, the Notes bear interest from (and including) 14 September 2023 (the **“Interest Commencement Date”**) at the rate of 5.250 per cent. per annum (the **“Rate of Interest”**), payable annually in arrear on 14 September in each year (each an **“Interest Payment Date”**, and each period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date, an **“Interest Period”**). The amount of interest payable on the Notes on each Interest Payment Date will be €52.50 per €1,000 in principal amount of the Notes (the **“Calculation Amount”**) (subject to adjustment in accordance with Condition 5.4). In relation to a Note, the amount of interest payable in respect of such Note on each Interest Payment Date shall be the product of €52.50 (subject to adjustment in accordance with Condition 5.4) and the amount by which the Calculation Amount is multiplied to reach the denomination of such Note.

### **5.2 Interest Accrual**

Each Note will cease to bear interest from (and including) its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Trust Deed.

### 5.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period other than as described in Condition 5.1, it shall be calculated by (i) applying the Rate of Interest (subject to adjustment in accordance with Condition 5.4) to the Calculation Amount, (ii) multiplying such product by (a) the actual number of days in the period from (and including) the date from which interest begins to accrue (the “**Accrual Date**”) to (but excluding) the date on which it falls due divided by (b) the actual number of days from (and including) the Accrual Date to (but excluding) the next following Interest Payment Date and (iii) rounding the resultant figure to the nearest cent, half of any cent being rounded upwards. In the case of any such period, the amount of interest payable in respect of a Note shall be the product of the amount (determined in the manner provided above) per Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the denomination of such Note, without any further rounding.

### 5.4 Adjustment of Rate of Interest

If a Step Up Rating Change and/or Step Down Rating Change occurs, the following terms relating to the Rate of Interest for the Notes shall apply:

- (a) The Rate of Interest payable on the Notes will be subject to adjustment from time to time in the event of a Step Up Rating Change and/or a Step Down Rating Change, as the case may be.
- (b) Subject to Condition 5.4(d) and 5.4(h) below, from and including the first Interest Payment Date following the date of a Step Up Rating Change, the Rate of Interest payable on the Notes shall be increased by the Step Up Margin.
- (c) Subject to Condition 5.4(d) and 5.4(h) below, in the event of a Step Down Rating Change following a Step Up Rating Change, with effect from and including the first Interest Payment Date following the date of such Step Down Rating Change, the Rate of Interest payable on the Notes shall be decreased by the Step Up Margin back to the initial Rate of Interest.
- (d) If a Step Up Rating Change and, subsequently, a Step Down Rating Change occur during the same Interest Period, the Rate of Interest on the Notes shall be neither increased nor decreased as a result of either such event.
- (e) The Issuer shall use all reasonable efforts to maintain credit ratings for its senior unsecured long-term debt from S&P and, if an additional Rating Agency is appointed to rate its senior unsecured long-term debt by, or with the consent of, the Issuer, such additional Rating Agency. If, notwithstanding such reasonable efforts, any Rating Agency fails or ceases to assign a credit rating to its senior unsecured long-term debt (with the result that no Rating Agency assigns a rating a credit rating to the Issuer’s senior unsecured long-term debt), the Issuer shall use all reasonable efforts to obtain a credit rating of its senior unsecured long-term debt from a Substitute Rating Agency approved (other than in the case of Moody’s or Fitch) by the Trustee (such approval not to be unreasonably withheld or delayed), and references herein to such Rating Agency or the credit ratings thereof, shall be to such Substitute Rating Agency or, as the case may be, the equivalent credit ratings thereof as specified in or determined in accordance with the remainder of this Condition 5.4.



- (f) The Issuer will cause the occurrence of a Step Up Rating Change or a Step Down Rating Change giving rise to an adjustment to the Rate of Interest payable on the Notes pursuant to this Condition 5.4 to be notified to the Trustee and the Principal Paying Agent and notice thereof to be published in accordance with Condition 13 as soon as reasonably practicable after the occurrence of such Step Up Rating Change or Step Down Rating Change, but in no event later than the fifth London Business Day thereafter.
- (g) If the rating designations employed by any Rating Agency are changed from those which are described in this Condition or if a rating is procured from a Substitute Rating Agency other than Moody's or Fitch, the Issuer shall determine, with the prior approval of the Trustee (not to be unreasonably withheld or delayed), the rating designations of such Substitute Rating Agency as are most equivalent to the prior rating designations of the existing Rating Agency (or Rating Agencies, as the case may be).
- (h) A Step Up Rating Change (if any) and a Step Down Rating Change (if any), may only occur once each during the term of the Notes.
- (i) In this Condition 5.4:

**“Rating Agency”, “Fitch”, “Moody’s”, “S&P” and “Substitute Rating Agency”** have the meanings given to such terms in Condition 7.4;

**“Step Down Rating Change”** means the first public announcement by S&P and, if applicable, each other Rating Agency appointed by, or with the consent of, the Issuer, after a Step Up Rating Change, that the credit rating of the Issuer's senior unsecured long-term debt is at least BBB- in the case of S&P and, if applicable, at least Baa3 in the case of Moody's and at least BBB- in the case of Fitch. For the avoidance of doubt, any further increase in the credit rating of the Issuer's senior unsecured long-term debt above BBB- in the case of S&P and, if applicable, at least Baa3 in the case of Moody's and at least BBB- in the case of Fitch shall not constitute a further Step Down Rating Change;

**“Step Up Margin”** means 1.25 per cent. per annum; and

**“Step Up Rating Change”** means the first public announcement by S&P or, if applicable, any other Rating Agency appointed by, or with the consent of, the Issuer of a decrease in the credit rating of the Issuer's senior unsecured long-term debt to below BBB- in the case of S&P or, if applicable, below Baa3 in the case of Moody's or below BBB- in the case of Fitch. For the avoidance of doubt, any further decrease in the credit rating of the Issuer's senior unsecured long-term debt below BBB- in the case of S&P or, if applicable, below Baa3 in the case of Moody's or below BBB- in the case of Fitch shall not constitute a further Step Up Rating Change.

## 6. PAYMENTS

### 6.1 Payments in respect of Notes

Payments of principal and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and

surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

## **6.2 Method of Payment**

Payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by euro cheque.

## **6.3 Missing Unmatured Coupons**

Upon the date on which any Note becomes due and repayable, all unmatured Coupons appertaining to the Note (whether or not attached) shall become void and no payment shall be made in respect thereof.

## **6.4 Payments subject to Applicable Laws**

Payments in respect of principal and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment or other laws and regulations to which the Issuer, the Guarantor or the Paying Agents are subject, but without prejudice to the provisions of Condition 8.

## **6.5 Payment only on a Presentation Date**

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 5, be entitled to any further interest or other payment if a Presentation Date is after the due date.

“**Presentation Date**” means a day which (subject to Condition 9):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a euro account as referred to above, is a T2 Settlement Day.

In these Conditions, “**Business Day**” means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place and “**T2 Settlement Day**” means any day on which the real-time gross settlement system operated by the Eurosystem or any successor or replacement for that system (“**T2**”) is open.

## **6.6 Initial Paying Agent**

The name of the initial Paying Agent and its initial specified office is set out at the end of these Conditions. The Issuer and the Guarantor reserve the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Principal Paying Agent;

- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer or the Guarantor is incorporated.

Notice of any termination or appointment and of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

## **7. REDEMPTION AND PURCHASE**

### **7.1 Redemption at Maturity**

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 14 September 2028 (the “**Maturity Date**”).

### **7.2 Redemption for Taxation Reasons**

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 12 September 2023, on the next Interest Payment Date either (i) the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 or (ii) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay additional amounts as provided or referred to in Condition 8; and
- (b) the requirement cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be required to pay such additional amounts, were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer or, as the case may be, the Guarantor stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

### 7.3 Redemption at the Option of the Issuer

The Issuer may, having given:

- (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13; and
- (b) notice to the Trustee and the Principal Paying Agent not less than 15 days before the giving of the notice referred to in (a),

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all of the Notes or, if limb (i) of the definition of “Relevant Early Redemption Amount” applies to the date fixed for redemption and subject as provided in Condition 7.6 below, some only of the Notes, at any time at the Relevant Early Redemption Amount.

In this Condition, “**Relevant Early Redemption Amount**” means:

- (i) in relation to any date fixed for redemption which falls in the period from (and including) the Issue Date up to (but excluding) 14 June 2028 (the “**Par Call Date**”), such amount as is equal to the greater of the amounts in subparagraph (A) and (B) below together with interest accrued to but excluding the date fixed for redemption:
  - (A) 100 per cent. of the principal amount outstanding of the Notes to be redeemed; and
  - (B) the principal amount outstanding of the Notes to be redeemed multiplied by the price (expressed as a percentage) (as reported in writing to the Issuer and the Trustee by the Determination Agent) which is equal to the sum of the present values of the principal amount outstanding of the Notes to be redeemed assuming for this purpose, that the Notes are scheduled to mature on the Par Call Date instead of the Maturity Date) at the date fixed for redemption and the Remaining Term Interest (exclusive of interest accrued to the date fixed for redemption) discounted to the date fixed for redemption on an annual basis at (x) the Reference Bond Rate, plus (y) 0.45 per cent.

In this Condition:

“**Calculation Date**” means the date which is the second T2 Settlement Day prior to the date fixed for redemption;

“**Determination Agent**” means an investment bank or financial institution of international standing selected by the Issuer and approved by the Trustee;

“**Issue Date**” means 14 September 2023;

“**Reference Bond**” means the 0.25 per cent. German government bond due 15 August 2028 with ISIN DE0001102457 (or, where the Determination Agent advises the Issuer and the Trustee that, for reasons of illiquidity or otherwise, such government bond is not appropriate for such purpose, such other government bond as the Determination Agent may recommend);

**“Reference Bond Price”** means, with respect to any date fixed for redemption, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such date fixed for redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Determination Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

**“Reference Bond Rate”** means, with respect to any date fixed for redemption, the rate per annum equal to the annual yield to maturity or interpolated yield to maturity on an Actual/Actual (ICMA) basis of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such date fixed for redemption;

**“Reference Government Bond Dealer”** means each of the five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues;

**“Reference Government Bond Dealer Quotations”** means, with respect to each Reference Government Bond Dealer and any Calculation Date, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at 3.30pm (Frankfurt time) on the Calculation Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer; and

**“Remaining Term Interest”** means the aggregate amount of scheduled payment(s) of interest on the Notes to be redeemed for the remaining term of the Notes to the Par Call Date determined on the basis of the Rate of Interest (as adjusted in accordance with Condition 5.4 in the event that a Step Up Rating Change has occurred prior to the relevant Calculation Date without a subsequent Step Down Rating Change) from (and including) the date fixed for redemption; and

- (ii) in relation to any date fixed for redemption which falls in the period from (and including) the Par Call Date to (but excluding) the Maturity Date, such amount as is equal to the principal amount outstanding of the Notes together with interest accrued to (but excluding) the date fixed for redemption.

#### **7.4 Redemption at the Option of the Holders following Change of Control**

- (a) A **“Put Event”** will be deemed to occur if:
  - (i) any Person or any Persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in section 1159 of the Companies Act 2006, as amended) whose shareholders are or are to be substantially similar to the pre-existing shareholders of the Issuer or any holding company of the Issuer, shall become interested (within the meaning of Part 22 of the Companies Act 2006, as amended) in (a) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (b) shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer (such event being a **“Change of Control”**) provided that a Change of Control shall not be deemed to have occurred if the relevant event which

would otherwise have resulted in a Change of Control has been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; and

(ii) on the date (the “**Relevant Announcement Date**”) that is the earlier of (x) the date of the first public announcement of the relevant Change of Control; and (y) the date of the earliest Relevant Potential Change of Control Announcement (if any), the Notes carry from any of S&P Global Ratings UK Limited (“**S&P**”), Moody’s Investors Service Limited (“**Moody’s**”) or Fitch Ratings Ltd. (“**Fitch**”) or any of their respective successors or any other rating agency (each a “**Substitute Rating Agency**”) of equivalent international standing specified by the Issuer (each, a “**Rating Agency**”):

- (A) on a solicited basis, an investment grade credit rating (Baa3/BBB-, or equivalent, or better), and such rating from any Rating Agency is within the Change of Control Period either downgraded to a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse) or withdrawn and is not within the Change of Control Period subsequently (I) (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an investment grade credit rating by such Rating Agency or (II) replaced by an investment grade credit rating by a Substitute Rating Agency; or
- (B) on a solicited basis, a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse), and such rating from any Rating Agency is within the Change of Control Period downgraded by one or more notches (for illustration, Ba1/BB+ to Ba2/BB being one notch) or withdrawn and is not within the Change of Control Period subsequently (I) (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to its earlier credit rating or better by such Rating Agency or (II) replaced by a credit rating from a Substitute Rating Agency that is equivalent to or better than such Rating Agency’s earlier credit rating; or
- (C) no credit rating on a solicited basis from any Rating Agency and no Rating Agency assigns, within the Change of Control Period, at least an investment grade credit rating to the Notes on a solicited basis,

provided that (x) if on the Relevant Announcement Date the Notes carry a credit rating from more than one Rating Agency on a solicited basis, at least one of which is investment grade, then sub-paragraph (A) will apply and (y) any such credit rating which is provided on an unsolicited basis will be disregarded for the purposes of sub-paragraphs (A), (B) and (C); and

(iii) in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer or the Trustee that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control or the Relevant Potential Change of Control Announcement. Upon receipt by the Issuer or the Trustee of any such written confirmation (or upon receipt by the Issuer of a copy of such

written notification from the Trustee), the Issuer shall forthwith give notice of such written confirmation to the Noteholders in accordance with Condition 13.

If the rating designations employed by any of S&P, Moody's or Fitch are changed from those which are described in paragraph (ii) of the definition of "Put Event" above, or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine the rating designations of S&P, Moody's or Fitch or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of S&P, Moody's or Fitch and this Condition 7.4 shall be read accordingly.

- (b) If a Put Event occurs, the holder of any Note will have the option to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) such Note on the Put Date (as defined below) at an amount equal to its principal amount together with interest accrued to (but excluding) the date fixed for redemption or purchase.
- (c) Promptly upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice (a "**Put Event Notice**") to the Noteholders (and, in the case of the Issuer, to the Trustee) in accordance with Condition 13 specifying the nature of the Put Event and the procedure for exercising the option contained in this Condition 7.4.
- (d) To exercise the right to require the redemption or purchase of this Note under this Condition 7.4, the holder of this Note must deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the "**Put Period**") of 60 days after a Put Event Notice is given, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "**Change of Control Put Notice**").

The Change of Control Put Notice must be accompanied by this Note and all Coupons appertaining thereto maturing after the date which is fifteen days after the expiration of the Put Period (the "**Put Date**"), failing which the relevant Paying Agent will require payment of an amount equal to the face value of any such missing Coupon. Any amount so paid will be reimbursed to the Noteholder against presentation and surrender of the relevant missing Coupon (or any replacement therefor issued pursuant to Condition 12) at any time after such payment, but before the expiry of the period of five years from the Relevant Date (as defined in Condition 8) in respect of such Coupon, but not thereafter.

The Paying Agent to which any Note and any Change of Control Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered.

Payment in respect of any Note so exercised will be made either (i) on the Put Date by transfer to the bank account (if any) specified in the relevant Change of Control

Put Notice; or (ii) if no such bank account is so specified, on or after the Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. A Change of Control Put Notice, once given, shall be irrevocable. For the purposes of these Conditions, pending redemption or purchase of the relevant Notes, non-transferable receipts issued pursuant to this Condition 7.4 shall be treated as if they were Notes. The Issuer shall redeem or, at its option, purchase (or procure the purchase of) the relevant Notes on the Put Date unless previously redeemed and cancelled or purchased.

The Trustee shall not be required to take any steps to ascertain whether a Put Event or a Change of Control or any event which could lead to the occurrence of a Put Event or a Change of Control has occurred and will not be responsible or liable to Noteholders or Couponholders for any loss arising from any failure by it to do so.

Without prejudice to the provisions of Condition 7.5, if 80 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 7.4, the Issuer may, on not less than 30 or more than 60 days' notice to the Noteholders given within 30 days after the Put Date, redeem or, at its option, purchase (or procure the purchase of) the remaining Notes as a whole at an amount equal to their principal amount together with interest accrued to (but excluding) the date fixed for redemption or purchase.

(e) In this Condition 7.4:

**“Change of Control Period”** means the period commencing on the Relevant Announcement Date and ending 120 days after the Change of Control (or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 120 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

**“Person”** means, any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government or any agency or political subdivision thereof or any other entity; and

**“Relevant Potential Change of Control Announcement”** means any public announcement or statement by the Issuer, the Guarantor, any actual or potential bidder or any adviser thereto relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs.

## **7.5 Issuer Residual Call Option**

If, at any time, the principal amount of the Notes then outstanding is 20 per cent. or less of the aggregate principal amount of the Notes originally issued (for these purposes, any further Notes issued pursuant to Condition 17 and consolidated with this series of Notes shall be deemed to have been originally issued), the Issuer may, having given not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the date fixed for redemption) redeem all of the Notes, but not some only, then outstanding at any time, at their principal amount together with interest accrued to (but excluding) the date fixed for redemption. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a



certificate signed by two Directors of the Issuer stating that principal amount outstanding of the Notes is 20 per cent. or less of the aggregate principal amount of the Notes originally issued. The Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the condition precedent set out above, in which event it shall be conclusive and binding on the Noteholders and Couponholders.

## **7.6 Provisions relating to Partial Redemption**

In the case of a partial redemption of Notes, Notes to be redeemed will be selected individually by lot, not more than 30 days before the date fixed for redemption. Notice of any such selection will be given not less than 15 days before the date fixed for redemption. Each notice will specify the date fixed for redemption and the aggregate principal amount of the Notes to be redeemed, the serial numbers of the Notes called for redemption, the serial numbers of the Notes previously called for redemption and not presented for payment and the aggregate principal amount of the Notes which will be outstanding after the partial redemption.

## **7.7 Purchases**

The Issuer, the Guarantor or any of the Issuer's other Subsidiaries (as defined above) may at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price. Notes so purchased may be held, resold or surrendered to a Paying Agent for cancellation.

## **7.8 Cancellations**

All Notes which are redeemed or surrendered for cancellation will forthwith be cancelled, together with all relative unmatured Coupons attached to the Notes or surrendered with the Notes, and accordingly may not be held, reissued or resold.

## **7.9 Notices Final**

Upon the expiry of any notice as is referred to in paragraph 7.2, 7.3, 7.4 or 7.5 above the Issuer shall be bound to redeem (or, as the case may be, the purchase or procure the purchase of) the Notes to which the notice refers in accordance with the terms of such paragraph (in the case of paragraph 7.4, save as otherwise provided therein).

# **8. TAXATION**

## **8.1 Payment without Withholding**

All payments in respect of the Notes and Coupons by or on behalf of the Issuer or the Guarantor shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

- (a) presented for payment by or on behalf of, a holder who is liable to the Taxes in respect of the Note or Coupon by reason of their having some connection with the Relevant Jurisdiction other than the mere holding of the Note or Coupon; or
- (b) presented for payment in the United Kingdom; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Presentation Date (as defined in Condition 6).

Notwithstanding any other provision of these Conditions, in no event will the Issuer, the Guarantor, the Trustee or any Paying Agent be required to pay any additional amounts in respect of the Notes or Coupons for, or on account of, any withholding or deduction required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (as amended), any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

## 8.2 Interpretation

In these Conditions:

**“Relevant Date”** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 13; and

**“Relevant Jurisdiction”** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or the Guarantor, as the case may be, becomes subject in respect of payments made by it of principal and interest on the Notes and Coupons or under the Guarantee (as the case may be).

Any reference in these Conditions to **“principal”** in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 8.1;
- (b) any purchase moneys which may be payable pursuant to Condition 7.4 or otherwise under or in respect of the Notes; and
- (c) any premium and any other amounts (other than interest) which may be payable under or in respect of the Notes.

Any reference in these Conditions to **“interest”** in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.1.

## **9. PRESCRIPTION**

Notes and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 6.

## **10. EVENTS OF DEFAULT**

### **10.1 Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), (but, in the case of the happening of any of the events described in subparagraphs (b), (d), (e) (other than the making of an order or the passing of a resolution for the winding-up or dissolution of the Issuer or the Guarantor as referred to in subparagraph (e)(ii)), (f) and (g) ) below, only if the Trustee shall have certified in writing to the Issuer and the Guarantor that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice to the Issuer and the Guarantor that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (each, together with, where applicable, the certification by the Trustee as referred to above, an “**Event of Default**”):

- (a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 7 days or more in the case of principal or 14 days or more in the case of interest; or
- (b) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer or the Guarantor (as the case may be) of notice requiring the same to be remedied; or
- (c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer, the Guarantor or any of the Material Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer, the Guarantor or any of the Material Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment as extended by any originally applicable grace period; (iii) any security given by the Issuer, the Guarantor or any of the Material Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer, the Guarantor or any of the Material Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person on the due date for payment as extended by any applicable grace period; provided that no event described in this subparagraph (c) shall constitute an Event of Default unless the relevant amount of Indebtedness for Borrowed Money or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other

liabilities due and remaining unpaid as referred to in (i) to (iv) above which have occurred and are continuing, amounts to at least £20,000,000 (or its equivalent in any other currency); or

- (d) if (i) the Issuer, the Guarantor or any of the Material Subsidiaries is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or commences negotiations with one or more of its creditors (other than the Trustee and/or the Noteholders) with a view to rescheduling any of its indebtedness; or (ii) a moratorium is declared in respect of any indebtedness of the Issuer, the Guarantor or any of the Material Subsidiaries; or
- (e) if (i) a resolution of its shareholders or directors is passed for the suspension of payments of the Issuer, the Guarantor or any of the Material Subsidiaries, (ii) any order is made by any competent court or a resolution is passed, or a meeting of its shareholders or directors is convened for the purpose of considering a resolution, for the winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise), of the Issuer, the Guarantor or any of the Material Subsidiaries, (iii) a composition, compromise, assignment or arrangement is made with any creditor of the Issuer, the Guarantor or any of the Material Subsidiaries, (iv) a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer is appointed in respect of the Issuer, the Guarantor or any of the Material Subsidiaries or any of its assets or an application is made or petition is presented to a court, or a notice is given or filed, in relation to the appointment of such an officer; or (v) any security over any assets (with a value of at least £10,000,000 (or its equivalent in any other currency)) of the Issuer, the Guarantor or any of the Material Subsidiaries is enforced; provided that this subparagraph (e) shall not apply to (A) any winding-up petition which is discharged, stayed or dismissed within 28 days of commencement or (B) any solvent liquidation or reorganisation taking place on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or
- (f) if any expropriation, attachment, sequestration, distress or execution affects any asset or assets of the Issuer, the Guarantor or any of the Material Subsidiaries having an aggregate value of £10,000,000 (or its equivalent in any other currency) or more and is not discharged within 28 days; or
- (g) if the Issuer, the Guarantor or any of the Material Subsidiaries ceases to carry on (or threatens to cease to carry on) all or substantially all of its business, save for the purposes of (a) any solvent liquidation or reorganisation (i) taking place on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, (ii) in the case of the Guarantor, where all or substantially all of the undertaking and assets of the Guarantor are transferred to or otherwise vested in the Issuer, or (iii) in the case of any Material Subsidiary, where all or substantially all of the undertaking and assets of such Material Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor or another of the Issuer's Subsidiaries or (b) in the case of any Material Subsidiary, any transfer or disposal where all or substantially all of the undertaking and assets of such Material Subsidiary are transferred to a third party for full consideration on an arms' length basis; or
- (h) if the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect.

## **10.2 Reports**

A report by two Directors of the Issuer addressed to the Trustee that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

## **10.3 Interpretation**

For the purposes of this Condition, “**Indebtedness for Borrowed Money**” means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any borrowed money or any liability under or in respect of any acceptance or acceptance credit or any notes, bonds, debentures, debenture stock, loan stock or other securities.

## **11. ENFORCEMENT**

### **11.1 Enforcement by the Trustee**

The Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons or otherwise, but it shall not be bound to take any such proceedings or other steps or action or to take any other steps or action under or pursuant to the Trust Deed unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding and (b) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

### **11.2 Limitation on Trustee actions**

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

### **11.3 Enforcement by the Noteholders**

No Noteholder or Couponholder shall be entitled to (i) take any steps or action against the Issuer or the Guarantor to enforce the performance of any of the provisions of the Trust Deed, the Notes or the Coupons or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer or the Guarantor, in each case unless the Trustee, having become bound so to take any such action, steps or proceedings, fails or is unable so to do within 60 days and such failure or inability is continuing.

## **12. REPLACEMENT OF NOTES AND COUPONS**

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

## **13. NOTICES**

### **13.1 Notices to the Noteholders**

All notices to the Noteholders will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe. It is expected that publication will normally be made in the *Financial Times*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or the relevant authority on which the Notes are for the time being listed including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this paragraph.

### **13.2 Notices from the Noteholders**

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Principal Paying Agent or, if the Notes are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

## **14. SUBSTITUTION**

The Trustee may, without the consent of the Noteholders or the Couponholders (at the expense of the Issuer), agree with the Issuer and the Guarantor to:

- (a) the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed, of (i) any Holding Company (as defined in the Trust Deed) of the Issuer, (ii) any other company being a Subsidiary of the Issuer or (iii) any Successor in Business (as defined in the Trust Deed) of the Issuer; and/or
- (b) the substitution in place of the Guarantor (or of any previous substitute under this Condition) as the guarantor under the Trust Deed of any Successor in Business of the Guarantor,

in each case, subject to:

- (i) the Trustee being satisfied that the substitution is not materially prejudicial to the interests of the Noteholders; and

- (ii) certain other conditions set out in the Trust Deed being complied with.

The Trustee shall, without the consent of the Noteholders or Couponholders, agree with the Issuer and the Guarantor to the substitution in place of the Guarantor (or of any previous substitute under this Condition) as the guarantor under the Trust Deed of the Issuer so that the Issuer shall thereby become the sole obligor in respect of the Notes, provided that:

- (x) two Directors of the Issuer have certified in writing to the Trustee that (I) the Guarantor is no longer a party to, or a guarantor under, the facilities agreement dated 12 September 2013 (as amended or restated from time to time) or any replacement or substitute loan(s) or financing agreement(s) (the “**Facilities Agreement**”) and (II) the Issuer (or a Subsidiary of the Issuer which is guaranteed by the Issuer) is the principal obligor under the Facilities Agreement or the primary working capital and standby bank facilities for the Group;
- (y) each of the Rating Agencies then rating the Notes has confirmed in writing to the Trustee that it has determined that it would not downgrade or withdraw the credit rating assigned by it to the Notes as a result of such substitution; and
- (z) certain other conditions set out in the Trust Deed are complied with.

Following any such substitution of the Guarantor by the Issuer, all provisions relating to the Guarantor and the Guarantee (including, without limitation, paragraph (h) of Condition 10) in these Conditions and the Trust Deed shall cease to have effect and these Conditions and the Trust Deed shall be construed accordingly. A certification by two Directors of the Issuer under paragraph (x) above may be relied upon by the Trustee without further enquiry or evidence and the Trustee shall suffer no liability whatsoever for so relying on, and acting in accordance with, such certification.

## **15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION**

### **15.1 Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of the Noteholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by them, except that, at any meeting the business of which includes any matter defined in the Trust Deed as a Basic Terms Modification, including the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding or (iii) consent given by way

of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

## **15.2 Modification, Waiver, Authorisation and Determination**

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error.

## **15.3 Trustee to have Regard to Interests of Noteholders as a Class**

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8.

## **15.4 Notification to the Noteholders**

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

# **16. INDEMNIFICATION AND PROTECTION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER AND THE GUARANTOR**

## **16.1 Indemnification and protection of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, the Guarantor, the Noteholders and the Couponholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be



entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

## **16.2 Trustee Contracting with the Issuer and the Guarantor**

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or the Guarantor and/or any of the Issuer's other Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Guarantor and/or any of the Issuer's other Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## **17. FURTHER ISSUES**

The Issuer is at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes or bonds (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

## **18. GOVERNING LAW**

The Trust Deed (including the Guarantee), the Notes and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and will be construed in accordance with, English law.

## **19. RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

*The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Notes which will apply to, and in some cases modify, the Conditions of the Notes while the Notes are represented by the Global Notes.*

### 1. Exchange

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only:

- (a) upon the happening of any of the events defined in the Trust Deed as “Events of Default”;
- (b) if either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available; or
- (c) if the Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the Notes in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee.

Thereupon (in the case of (a) and (b) above) the holder of the Permanent Global Note (acting on the instructions of one or more of the Accountholders (as defined below)) or the Trustee may give notice to the Issuer and (in the case of (c) above) the Issuer may give notice to the Trustee and the Noteholders, of its intention to exchange the Permanent Global Note for definitive Notes on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Permanent Global Note may or, in the case of (c) above, shall surrender the Permanent Global Note to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

For these purposes, “**Exchange Date**” means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given and being a day on which banks are open for general business in the place in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (b) above, in the place in which the relevant clearing system is located.

### 2. Payments

On and after 24 October 2023, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or

refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made to the bearer of such Global Note and, if no further payment falls to be made in respect of the Notes, against surrender of such Global Note to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. The Issuer shall procure that the amount so paid shall be entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg and the principal amount of the Notes recorded in the records of Euroclear and Clearstream, Luxembourg and represented by such Global Note will be reduced accordingly. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of Euroclear and Clearstream, Luxembourg shall not affect such discharge. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

### **3. Notices**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders (as defined below) rather than by publication as required by Condition 13 (*Notices*), provided that, the Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or the relevant authority on which the Notes are for the time being listed. Any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Principal Paying Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

### **4. Interest Calculation**

Notwithstanding the provisions of Condition 5 (*Interest*), for so long as Notes are represented by one or both of the Global Notes, interest payable to the bearer of a Global Note will be calculated on the aggregate principal amount of the Notes and not per Calculation Amount (as defined in Condition 5 (*Interest*)) (and shall otherwise be calculated in accordance with Condition 5 (*Interest*)).

### **5. Accountholders**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an “**Accountholder**”) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including but not limited to, for the purposes of any

quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notice to the Issuer pursuant to Condition 7.4 (*Redemption at the Option of the Holders following Change of Control*) other than with respect to the payment of principal and interest on such principal amount of such Notes, the right to which shall be vested, as against the Issuer, the Guarantor and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

**6. Prescription**

Claims against the Issuer and the Guarantor in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 8 (*Taxation*)).

**7. Cancellation**

On cancellation of any Note represented by a Global Note and required by the Conditions of the Notes to be cancelled following its redemption or purchase, the Issuer shall procure that details of such cancellation will be effected by entry in the records of Euroclear or Clearstream, Luxembourg, as the case may be.

**8. Put Option following Change of Control**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Noteholders provided for in Condition 7.4 (*Redemption at the Option of the Holders following Change of Control*) may be exercised by an Accountholder giving notice to the Principal Paying Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Accountholder's instructions by Euroclear or Clearstream, Luxembourg or any common service provider for them to the Principal Paying Agent by electronic means) of the principal amount of the Notes in respect of which such option is exercised and at the same time the Issuer shall procure that Euroclear and Clearstream, Luxembourg make appropriate entries in their records in respect of all Notes redeemed within the time limits set forth in that Condition.

**9. Redemption at the Option of the Issuer**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, no drawing of Notes will be required under Condition 7.6 (*Provisions relating to Partial Redemption*) in the event that the Issuer exercises its call option pursuant to Condition 7.3 (*Redemption at the Option of the Issuer*) in respect of less than the aggregate principal amount of the Notes outstanding at such time. In such event, the standard procedures of Euroclear and/or Clearstream, Luxembourg shall operate to determine which interests in the Global Note(s) are to be subject to such option (to be reflected in the records of Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion).

**10. Euroclear and Clearstream, Luxembourg**

References in the Global Notes and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

### USE AND ESTIMATED NET AMOUNT OF PROCEEDS

The net proceeds of the issue of the Notes are expected to amount to approximately €496,100,000. Subject to market conditions, the Issuer also intends to issue new sterling denominated notes to be guaranteed by the Guarantor, which is expected to take place concurrently with the issue of the Notes (“**GBP Notes**”). The net proceeds of the Notes and the GBP Notes will be used for general corporate purposes of the Group, including refinancing of the Issuer’s €500m 2.375 per cent. guaranteed notes due 2024 (“**2024 Notes**”).

Upon issuance of the Notes and/or the GBP Notes, the Group’s €500m backstop facility, which is currently undrawn and was committed by a syndicate of banks including certain of the Joint Lead Managers and their affiliates to be available to provide flexibility on the timing of refinancing of the 2024 Notes, will be cancelled.

## DESCRIPTION OF THE GROUP

### CORPORATE DETAILS OF THE ISSUER AND THE GUARANTOR

#### *The Issuer*

The Issuer is domiciled in the UK. It was incorporated in England and Wales on 6 September 2013 under the UK Companies Act 2006 and is registered as a public company limited by shares under registered number 08680755. On 4 October 2022, the Issuer changed its name from “Royal Mail plc” to “International Distributions Services plc”. Its registered office is at 185 Farringdon Road, London EC1A 1AA and its telephone number is 0207 449 8183.

On 15 October 2013, shares in International Distributions Services plc were listed on the London Stock Exchange. International Distributions Services plc is currently a FTSE 250 company.

The Issuer is the ultimate parent company of the Group. It has five principal subsidiaries: RMGLS Holdco Limited (formerly Royal Mail Investments Limited) (“**RMGLS**”), Royal Mail Group Limited (“**RMGL**”), Royal Mail Estates Limited (“**RME**”), General Logistics Systems B.V. (“**GLS B.V.**”) and RM Property and Facilities Solutions Limited (formerly Romec Limited) (“**RMPFS**”).

RMGL operates the parcels and letters delivery business of the Group in the UK (which includes “Royal Mail” and “Parcelforce Worldwide” (together, “**Royal Mail**”)) and is the UK’s designated universal provider of postal services. GLS B.V. is the holding company for the Group’s international parcel business, General Logistics Systems (“**GLS**”). RME holds some of the Group’s property interests. RMGLS is an intermediate holding company and holds the Group’s UK and overseas businesses, including RMGL and GLS. RMPFS largely provides facilities management services to the Group.

#### *The Guarantor*

The Guarantor is domiciled in the UK. It was incorporated in England and Wales on 10 January 2001 under the UK Companies Act 1985 and is registered as a private company limited by shares under registered number 04138203. Its registered office is at 185 Farringdon Road, London EC1A 1AA and its telephone number is 0207 449 8183.

### PERFORMANCE

For the 52 weeks ended 27 March 2022 (“**Financial Year 2021-22**”), the Group generated reported revenue of £12,712 million and reported an operating profit of £577 million. In Financial Year 2021-22, 29 per cent. of the Group’s revenue was generated from letters (£3,714 million) and 71 per cent. of the Group’s revenue was generated from parcels (£8,998 million).

For the 52 weeks ended 26 March 2023 (“**Financial Year 2022-23**”), the Group generated reported revenue of £12,044 million and reported an operating loss of £748 million, which was primarily attributable to the recognition of an impairment charge of £539 million in the carrying value of Royal Mail excluding “Parcelforce Worldwide” and the adverse impacts arising from 18 days of industrial action in the Financial Year 2022-23. In Financial Year 2022-23, 29 per cent. of the Group’s revenue was generated from letters (£3,501 million) and 71 per cent. of the Group’s revenue was generated from parcels (£8,543 million).

### HISTORY AND OVERVIEW OF THE GROUP’S BUSINESSES

The Group structure includes two separate operations: the UK-based operation, which includes “Royal Mail” and “Parcelforce Worldwide”, and the international operation, GLS, each as described

further below. The Group currently operates across 44 countries and nation states worldwide, including 41 in Europe and eight states in the Western US and Canada.

The Group's origins date back over 500 years to the time of King Henry VIII. Royal Mail's strategy is to transform into a more efficient and better balanced business to reflect the changing needs of its customers, and to change from a letters business that delivers parcels to a parcels-led business that also delivers letters. GLS is focused on continuing to invest in its networks and portfolio to deliver long-term growth and margin expansion.

### ***Overview of Royal Mail***

Royal Mail comprises the Group's UK and international parcels and letters delivery businesses operating under the "Royal Mail" and the "Parcelforce Worldwide" brands. Royal Mail's combined letter and parcel delivery network supports the provision of services for the collection, sorting and delivery of parcels and letters. This includes those services Royal Mail provides as the UK's sole designated universal postal service provider. Parcelforce Worldwide is a leading provider of express parcel delivery services. In addition, Royal Mail provides specialist delivery services and carries out a number of other letter-related business activities.

Royal Mail is the UK's pre-eminent delivery company. Through the Royal Mail Core Network, the company delivers a "one price goes anywhere" service on a range of parcel and letters products. Royal Mail has the capability to deliver to around 32 million business and residential addresses in the UK six days a week (excluding UK public holidays). Parcelforce Worldwide collects and delivers express parcels and specialises in the larger parcels market. Royal Mail also generates revenue from international parcels and letters exported from, and imported into, the UK. At the end of the Financial Year 2022-23, Royal Mail employed approximately 130,000 employees.

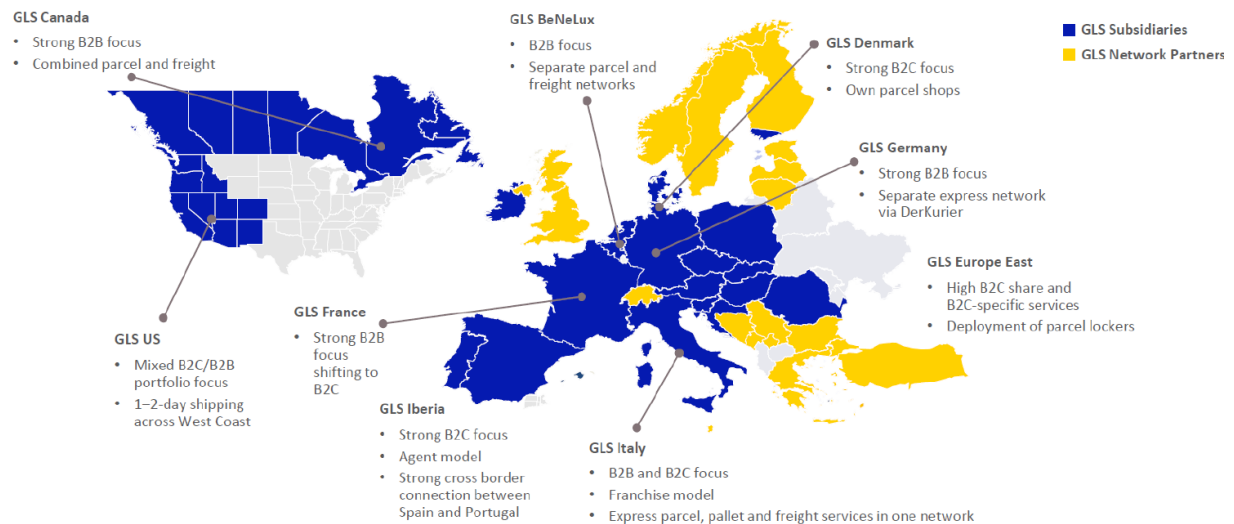
In the Financial Year 2022-23, Royal Mail handled and delivered over 7 billion addressed letters, and over 1 billion parcels. In the same period, Royal Mail generated reported revenue of £7,411 million and reported operating loss of £1,044 million, which was primarily attributable to the recognition of an impairment charge of £539 million in the carrying value of Royal Mail excluding "Parcelforce Worldwide" and adverse impact arising from 18 days of industrial action in the Financial Year 2022-23. As a result of the competitive market environment and industrial action, Royal Mail's parcel market share in the UK has declined by an estimate of approximately 4 per cent. in the Financial Year 2022-23 with delivery volumes lost to other providers. In April 2023, Royal Mail reached an agreement on pay and change with the Communication Workers Union ("CWU"). The "Business Recovery, Transformation and Growth Agreement" was approved by CWU members in July 2023, with 67.1 per cent. of eligible CWU members participating in the ballot of which 75.84 per cent. voted in favour of the agreement (see "*Recent Developments*" below for more detail). With the "Business Recovery, Transformation and Growth Agreement" in place, Royal Mail is well positioned to increase its market share with a differentiated network and platform in relation to its competitors.

In respect of Royal Mail's letters delivery business, average business and advertising prices are being raised in the short term to protect profitability, and addressed letter volumes (excluding elections) are expected to decline by high-single digit percentage in the Financial Year 2023-24, as the structural decline in letters continues. The UK parcels market is expected to face downward pressure this financial year and return to higher growth in 2024-25, predicated on electronic retail sales sustaining growth levels. Royal Mail intends to increase its market share by targeting revenue growth from increasing volumes, with a differentiated network and platform versus its competitors, and recovering losses from the industrial action.



## Overview of GLS

GLS is one of the largest parcel services providers in Europe, with a growing presence in North America. The GLS network covers 41 countries and nation states in Europe, and eight states in the Western US and Canada, through a combination of wholly-owned companies and partner companies. An overview of GLS' network coverage is set out below:



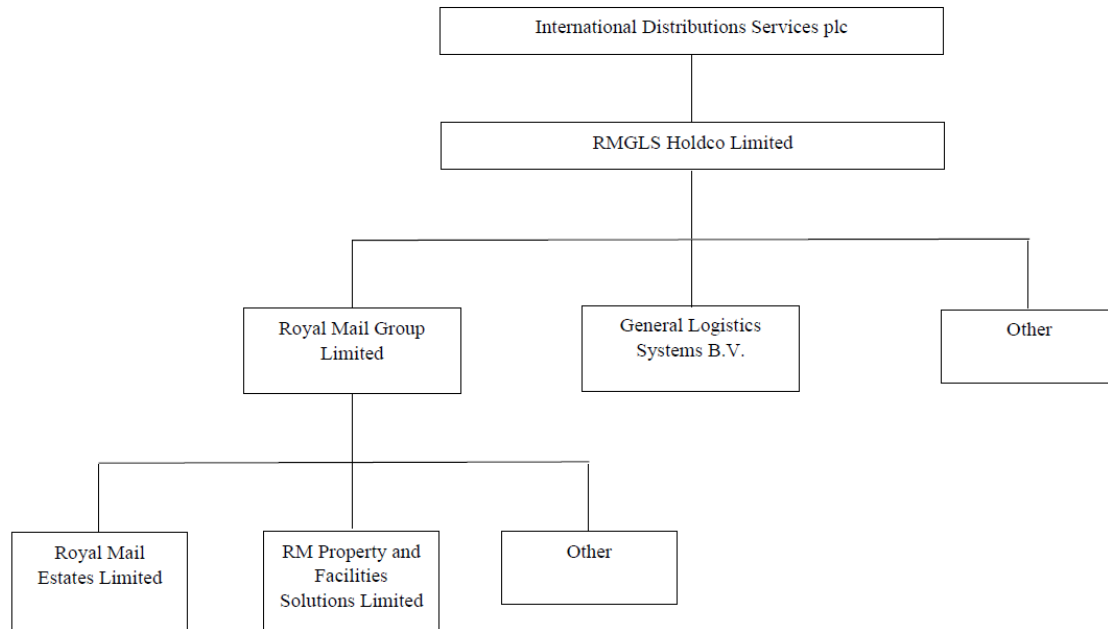
At the end of the Financial Year 2022-23, the GLS group employed approximately 22,000 employees worldwide. In the Financial Year 2022-23, GLS delivered approximately 862 million parcels and in the same period, generated reported revenue of £4,650 million and reported operating profit of £296 million.

GLS has several ongoing strategic initiatives, in particular:

- Upgrading its network via investments in quality and efficiency, focus on automation and other productivity improvements, development of strong investment pipelines to upgrade or replace existing facilities (including establishing new hubs in Madrid and Florence during the Financial Year 2022-23) and undertaking of key projects in markets such as Dublin and Paris.
- Diversifying its portfolio by extending its reach and capabilities to realise synergistic potential, including increasing delivery volumes from China, with a focus on delivering long-term growth and benefits with short-term cost impact. Key initiatives in progress include, among other things, undertaking a “Greenfield Market Entry” in Serbia, 2-person handling in Hungary and fulfilment in Germany.
- Transforming its “last mile” operations through improvements to customer experience and efficiency, for example, parcel lockers provide a compelling opportunity in many markets and GLS is targeting the installation of more than 2,000 lockers during the Financial Year 2023-24.

### ***Group Structure Chart***

The following chart shows, in simplified form, the organisational structure of the Group as at 1 September 2023:



### **GROUP STRATEGY**

The Group's ambition is to build a more balanced and diverse international business. To achieve this ambition, the Group continues to progress its growth strategy for GLS and implement its strategy to transform Royal Mail into a more efficient and better balanced business to reflect the changing needs of its customers in order to deliver sustainable value over the medium and long term.

#### ***Royal Mail***

The focus for Royal Mail centres on three strategic objectives:

- Improve and simplify its customer offering through great quality of service, and easy to understand and simple to use products.
- Rebuild trust through a positive step change in its relationships with its people and the unions.
- Grow its business and its share of the market through greater capacity and new innovative products and services.

As a result of the industrial dispute with the CWU and delays in rightsizing the business to match lower parcel volumes, Royal Mail launched a five-point plan in November 2022 focused on stabilising the business by:

- Rightsizing the business, which largely involved revisions in all processing and delivery units to align resource to workload and a reduction in full time equivalent roles ("FTEs").
- Creating the headroom to invest through tighter cash management.

- Establishing new resourcing models, including implementing new employment contracts for new starters.
- Efficient use of network and assets, including increased application of automation and development and optimisation of super hubs and dedicated parcel hubs and depots.
- Building management capability and effectiveness, including upskilling management through the Royal Mail Academy and delivering improved operational performance.

In addition, the “Business Recovery, Transformation and Growth Agreement” (see “*Recent Developments*” below for more detail) provides a platform for the next phase of stabilising the Royal Mail business whilst continuing to drive efficiency so that Royal Mail can compete in the highly competitive parcels market. The agreement is designed to grow parcel volumes and Royal Mail’s share in the market by operating a 24/7 network and allow Royal Mail to compete on guaranteed next day services and develop a more innovative, customer focused and low carbon product range. The Group’s new infrastructure, combined with the new working practices contained in the agreement, allows Royal Mail to offer a compelling parcel proposition for its customers, whilst aiming to deliver its USO commitments, and underpin a return to growth and future job security for its employees.

### **GLS**

The Group’s objectives for GLS are:

- Strengthen GLS’ top position in the cross-border deferred parcel segment through the continued development of network capacity and footprint, by building, extending and upgrading hubs and depots.
- Strongly position GLS in the to consumer (“**2C**”) parcel market, whilst securing its leading position in the to business (“**2B**”) segment.
- Implement innovative digital and sustainable solutions that are centred around customer needs.

Specific longer-term targets for GLS include:

- Financial: Continuing to expand annual operating profit and free cashflow over a 5-year period, and optimise performance in the United States.
- Market: Strengthening its European position as a cross-border player, and 2C services and products to enable profitable growth.
- Operational Efficiency: Targeting network investments in at least three new hubs and extensions to increase efficiency and strengthen the network, including continuing to develop the digital agenda.
- Investment: Increase capital expenditure levels as a percentage of revenue and effect targeted investments with the objective of becoming more global, digital and diversified.

GLS has a proven track record of delivering top line growth, strong margins and good cash flow generation. Its flexible operating model, 2B and 2C balance and geographic diversity provides a strong platform for further organic and inorganic growth. With a focus on capitalising on the fast-growing electronic commerce market, the Group intends to leverage its business model and logistics know-how to continue GLS’s long-term growth trajectory and effectively compete in a growing cross-border market.

While prices were increased in response to cost-based inflationary effects during the Financial Year 2022-23, the Group expects GLS to increase its revenue by approximately 3 to 5 per cent. principally through volume growth in the Financial Year 2023-24. The Group believes that, in the event of an economic downturn, GLS will be able to reduce its costs more quickly than national postal operators which have a higher proportion of fixed cost base.

## **ESG PRACTICES**

In the Financial Year 2021-22, new Group-wide “ESG Principles” were introduced which are aligned with the United Nations Sustainable Development Goals (“**SDGs**”) and which encapsulate the Group’s commitment to operate in a sustainable way.

The “ESG Principles” are built around the issues that are most relevant to the Group’s stakeholders and its businesses:

- Environment (SDGs 11 and 13): the Group aims to operate in an environmentally responsible way, focused on reducing the impacts associated with its operations, and playing its part in the transition to a low-carbon future.
- Social (SDGs 3, 8, 10 and 11): the Group aims to deliver economic and social benefits for its employees, its customers and the communities it serves. As the UK’s universal service provider, it is in a unique position to play an active part in the UK economy.
- Governance (SDGs 3 and 10): the Group endeavours to act with integrity and transparency in the interest of its stakeholders, ensuring it has effective mechanisms in place to deliver its business operations in a responsible manner. The Group believes that its stakeholders trust that it will deliver for them. Maintaining that trust, and operating with integrity, are fundamental to protecting the Group’s valued place in society.

### ***Environment***

As part of its “Steps to Zero” environmental strategy, Royal Mail aims to be net zero by 2040. Royal Mail’s targets are to reduce Scope 1 and 2 emissions by 50 per cent. and Scope 3 emissions by 25 per cent. by 2030, and reduce Scope 1, 2 and 3 emissions by 90 per cent. by 2040, from a base year of 2020-21. These targets are aligned with the latest climate science and a 1.5°C decarbonisation pathway and have recently been accredited by the Science Based Targets initiative (“**SBTi**”).

Royal Mail aims to achieve these targets by increasing its use of low- and zero-emission transport alternatives, including rail, while minimising the use of domestic air freight. Royal Mail will also decarbonise its network and buildings.

As part of “Climate Protect”, the ambition of GLS’ environmental strategy is to reduce its worldwide Scope 1, 2 and 3 emissions to zero by 2045.

GLS has been offsetting all European Scope 1, 2 and 3 emissions (excluding Scope 3 emissions from capital goods and employee commuting) since 2022, and has a target of 50 per cent. of its fleet to be low- and zero-emission by 2030, and 100 per cent. by 2045.

The Group is committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosures (“**TCFD**”), and has formally embedded the management of climate-related risks and opportunities into its governance and risk management framework. The Issuer’s Financial Year 2022-23 Annual Report was consistent with seven TCFD recommended disclosures and partially consistent with four.

## ***Social***

Social issues, including health, safety and wellbeing, engagement, and diversity and inclusion, are important to many stakeholders of the Group.

The Group believes in creating a safe and healthy working environment for its people. Royal Mail's "Health and Safety" policy is implemented through the business' integrated "Safety, Health and Environment" ("**SHE**") management system. This provides the framework for managing risk, improving performance and maintaining a safe, healthy and environmentally responsible workplace.

In the Financial Year 2022-23, Royal Mail took steps to ensure the continued robustness of its safety measures, including the rollout of a new risk-based safety audit methodology. The business also deployed a new off-site risk assessment system via its postal workers' handheld scanners to improve the management of significant off-site risks, such as dog attacks.

GLS' "Occupational Health and Safety" ("**OHS**") policy is implemented through an extensive OHS programme that is focused on ensuring the health and safety of its employees, its transport partners and their drivers. The OHS programme covers management training, regular staff briefings that raise awareness of particular workplace hazards and specially developed transport and driver training courses that focus on road traffic risks.

GLS also operates a number of country-specific preventative health programmes that are intended to prevent work-related health hazards and ensure early detection of occupational illnesses. The activities include back therapy training, nutritional advice and testing of exoskeletons to reduce the strain of lifting and carrying.

Key safety metrics for both Royal Mail and GLS are regularly reported to the Issuer's Board of Directors and ESG Committee.

The Issuer strives to create an inclusive, fair, respectful and accessible working environment across the Group. To achieve this, Royal Mail and GLS have developed diversity, equity and inclusion ("**DEI**") strategies relevant to their respective markets and businesses.

The composition of the Issuer's Board of Directors complies with the Parker Review target for all FTSE 250 boards to have at least one director from an ethnic minority background by 2024.

Around 13 per cent. of Royal Mail employees are from an ethnic minority background. Royal Mail is a signatory to Business in the Community's ("**BITC**") "Race at Work Charter", and actively participates in BITC's internal and external "Mentoring Circles" programme.

More than 100 different nationalities are represented across GLS' business. GLS' "Diversity Statement" sets out its commitment to fully support a diverse and inclusive working environment and its DEI strategy is aimed at improving gender diversity across all levels of the business. GLS has recently launched recruiting activities to encourage more women to join GLS and strengthened its career development planning processes.

## ***Governance***

The Issuer's ESG Committee provides Board-level oversight of the implementation of "ESG Principles" across the Group. The Royal Mail and GLS Executive Boards, supported by dedicated ESG functions, are responsible for ensuring effective execution of their respective ESG strategies and alignment of targets, policies and procedures with the Group's "ESG Principles" and "ESG Policy Statement".

The Group assesses the risks and opportunities arising from social and environmental issues relevant to the Group at least once a year and uses its risk management framework to determine their criticality. As part of the Group's remuneration arrangements, relevant ESG performance metrics are reviewed and incorporated into the Group's incentive plans.

The Group's ESG reporting meets the Global Reporting Initiative ("GRI") Standards (Royal Mail – Comprehensive option and GLS – Core) and obligations as a signatory to the United Nations Global Compact. Bureau Veritas provides assurance over reported non-financial performance indicators and related assertions, in accordance with the ISAE 3000 (Revised) and ISAE 3410 standards.

In addition, Royal Mail's Sustainable Procurement Code outlines the environmental, social and ethical commitments and behaviours that Royal Mail expects from its suppliers and aims to ensure that the business only engages suppliers that meet its standards. In the Financial Year 2022-23, small to medium-sized enterprises ("SMEs") contracts comprised approximately 37 per cent. of new contracts procured by Royal Mail.

## **OVERVIEW OF THE REGULATORY FRAMEWORK**

Certain Group activities are regulated at UK and EU levels.

Under the Postal Services Act 2011, Ofcom was appointed as the regulator for postal services in the UK and regulates the Guarantor. Ofcom has designated the Guarantor as the sole universal postal service provider in the UK. As a result, the Guarantor is required to provide postal services to specified standards and comply with various requirements set out in the Act and in regulatory provisions.

In particular, as universal postal service provider, the Guarantor is required to meet the USO and is further mandated to provide postal operators access to its postal network at its Inward Mail Centres for bulk letters and large letter services. Ofcom's primary duty under the Act is to carry out its functions in relation to postal services in a way that it considers will secure the provision of a universal postal service. In discharging its duties in relation to the provision of the USO, the Act also requires Ofcom to have regard to (a) the need for the provision of a universal postal service to be financially sustainable; and (b) the need for the provision of a universal postal service to be efficient within a reasonable time, and then remain so. "Financially sustainable" in this context includes the need for a reasonable commercial rate of return on the provision of the universal postal service.

Ofcom put in place the regulatory framework in respect of the Guarantor as universal postal service provider in 2012, which was originally intended to be in place for seven years. In March 2017, Ofcom released a statement that the regulatory framework would remain in place until 2022. In March 2021, Ofcom commenced a review of the regulation of the Guarantor to ensure that the regulatory framework remained fit for purpose and effective. Ofcom concluded in July 2022 that the current regulatory framework should be broadly maintained until 2027. As part of this review, Ofcom recognised the need for the provision of the universal postal service to be financially sustainable and efficient within a reasonable period. Ofcom also provided new guidance on complaints handling and new requirements to put in place policies and procedures to ensure the fair and appropriate treatment of disabled consumers, each applicable to all parcel operators. In addition, Ofcom required Royal Mail to provide and publish a five-year view of its efficiency expectations and annually report against actual performance for the 2023-28 period, with the aim of helping stakeholders better understand Royal Mail's efficiency performance, and the impact on financial sustainability.

Following publication of Ofcom's review and findings, in November 2022, the Issuer's Board of Directors approved the making of a request to the Secretary of State for Business and Trade to reform the USO. In particular, Royal Mail requested a move from a six- to a five-day-a-week letter service,

whilst continuing to improve parcel services. This would improve the financial sustainability of the universal postal service, without impacting the needs of the majority of customers (with Ofcom's User Needs Review showing that a five-day letters service would meet the needs of 97 per cent. of consumers and SMEs). However, the Department for Business and Trade stated in parliamentary questions that it had no current plans to change the minimum requirements of the USO but that it was ready to carefully consider any advice that Ofcom puts forward on the future financial sustainability of the universal postal service. Consequently, Royal Mail has urged the Department for Business and Trade to recognise Ofcom's review and findings in order to facilitate the reform of the USO.

In June 2023, Ofcom released a proposal concerning the retail price caps on the Guarantor's provision of the universal postal service which would apply from 2024 to 2029. Among other things, the new framework proposes to create a single basket cap for "Second Class" standard and large letters, at prevailing market prices (at time of Ofcom's decision) and the basket price rises no faster than the consumer price index ("CPI"). Royal Mail intends to provide a response in due course.

There have been no further updates on Ofcom's finding in its "Annual Monitoring Update for Postal Services" for the Financial Year 2021-22 that Royal Mail's efficiency performance proved difficult to assess with mixed results due to, among others, the COVID pandemic.

GLS is not subject to regulatory oversight by Ofcom. Ofcom view Parcelforce as outside the regulated entity that performs the USO. It is subject to the same regulatory oversight as other major parcel operators in the UK.

## **RECENT DEVELOPMENTS**

### ***CWU Agreement***

The Issuer announced on 11 July 2023 that members of the CWU had voted in favour of the "Business Recovery, Transformation and Growth Agreement" between RMGL and the CWU, with 67.1 per cent. of eligible CWU members participating in the ballot of which 75.84 per cent. voted in favour of the agreement. The agreement provides Royal Mail with a platform for the next phase of stabilising the business whilst continuing to drive efficiencies and change.

Among other things, the "Business Recovery, Transformation and Growth Agreement" includes:

- Later start times in delivery from March 2024, which will help Royal Mail respond to the market demand for more next day parcels, reduce its impact on the environment through the removal of 18 flights a day, improve quality of service and create greater capacity to grow.
- A commitment to no compulsory redundancies for the life of the agreement, with a joint review of this position in April 2025 to consider whether circumstances allow for Royal Mail to extend this commitment.
- The creation of an optimised single parcel network for larger parcels between Royal Mail and "Parcelforce Worldwide", which will maximise synergies between the two brands and improve competitiveness in the delivery of larger parcels.
- More efficient indoor mail preparation, which will reduce the amount of time which postal workers spent sorting mail before their delivery rounds, so that more time can be spent delivering to customers.
- New seasonal working patterns from Autumn 2023, whereby delivery postal workers will work 39 hours per week in the peak Christmas season, 35 hours per week in the quieter

summer season, and 37 hours for the remainder of the year to better reflect the seasonal variations in letter and parcel volumes.

- New employee contracts, which will include a requirement for regular Sunday working, enabling Royal Mail to grow its seven day parcels business and adapt to changing customer demands.
- Changes to sick pay, attendance standards and ill health retirement.
- A one-off lump sum of £500 for CWU grade employees in Royal Mail and Parcelforce and a salary increase comprising (a) a consolidated 2 per cent. pay rise that applied from 1 April 2022, (b) a consolidated 6 per cent. pay rise that applied from 1 April 2023 and (c) a consolidated 2 per cent. pay rise applying from 1 April 2024.
- A profit share scheme over the life of the agreement, whereby subject to Royal Mail returning an adjusted operating profit in any financial year up to and including 2024-25, 20 per cent. of the adjusted operating profit will be distributed as a one-off payment to its employees, to be paid after publication of the company's audited accounts.

### ***Cyber Incident***

Royal Mail's international business experienced a cyber incident in January 2023 that impacted export mail items. Upon discovery of the incident, immediate action was taken, a comprehensive investigation initiated, and relevant authorities were notified and engaged. The international business products and services were restored iteratively over several weeks and full operational recovery has been achieved. Work is ongoing to improve the business' cyber resilience, and the Group continues to invest in its cyber capabilities.

### ***Royal Mail Pension Plan Escrow Release***

In June 2023, Royal Mail Group Limited agreed with Royal Mail Pension Trustees Limited, the Trustee of the Royal Mail Pension Plan ("RMPP"), to release an escrow arrangement established for the benefit of the RMPP, which was valued at £196 million on 26 March 2023. Approximately £126 million will be used to fund a one-off lump sum payment to all Royal Mail employees (estimated to be at least £900 per person) to be paid in September 2023. Royal Mail recognises that employees are facing rising living costs and the payment will be in addition to the pay offer agreed with the CWU. The remaining funds, approximately £70 million, is intended to be released over time in connection with the Royal Mail Collective Pension Plan to be launched next year. The escrow was established in 2017. It provided additional security should the RMPP require further funding. Since the creation of the escrow, the funding position of the RMPP has improved considerably and the RMPP has a material funding surplus.

### ***Appointment of Group Chief Executive Officer***

On 20 July 2023, the Issuer announced the appointment of Martin Seidenberg (previously chief executive officer of GLS) as Group Chief Executive Officer from August 2023. Martin Seidenberg will lead the Group and set its strategic direction, including appointing in due course chief executive officers for Royal Mail and GLS who will be responsible for the operational management of their respective businesses.



## BOARD OF DIRECTORS

The Directors of International Distributions Services plc are listed below.

Name of Director	Position	Principal activities outside the Group
Keith Williams	Independent Non-Executive Chair Chair of the Nomination Committee Member of the Remuneration Committee	Chair of Halfords Group plc
Martin Seidenberg	Group Chief Executive Officer	None
Mick Jeavons	Group Chief Financial Officer	None
Maria da Cunha	Independent Non-Executive Director Chair of the Remuneration Committee Member of the ESG Committee and the Nomination Committee	Panel Member of the Competition and Markets Authority
Michael Findlay	Independent Non-Executive Director Chair of the Audit and Risk Committee Member of the Nomination Committee and the Remuneration Committee	Chair of Morgan Sindall Group plc Chair of London Stock Exchange plc (a subsidiary of London Stock Exchange Group plc)
Lynne Peacock	Independent Non-Executive Director Chair of the ESG Committee Member of the Audit and Risk Committee, the Nomination Committee and the Remuneration Committee	Senior Independent Director of Serco Group plc Non-Executive Director of TSB Banking Group plc Senior Independent Director of TSB Bank plc (a subsidiary of TSB Banking Group plc)

Baroness Hogg	Senior Independent Non-Executive Director  Member of the Audit and Risk Committee, the ESG Committee and the Nomination Committee	Non-executive member of the Office for Budget Responsibility
Shashi Verma	Independent Non-Executive Director  Member of the ESG Committee and the Nomination Committee	Director of Strategy and Chief Technology Officer of Transport for London
Jourik Hooghe	Independent Non-Executive Director  Member of the Audit and Risk Committee and the Nomination Committee	Chief Financial Officer of Swissport International AG
Ingrid Ebner	Independent Non-Executive Director  Member of the Nomination Committee	Vice President, Global Fulfilled by Maersk Standards and Regional Delivery IMEA & LAM of A.P Moller-Maersk

The Directors of Royal Mail Group Limited are listed below.

<b>Name of Director</b>	<b>Position</b>	<b>Principal activities outside the Group</b>
Mark Amsden	Director	None
Mick Jeavons	Director	None

The business address of each of the Directors of the Issuer and of the Guarantor (in such capacity) is 185 Farringdon Road, London, United Kingdom, EC1A 1AA.

### ***Conflicts of Interest***

There are no potential conflicts of interest between the duties to either the Issuer or the Guarantor of each of the members of the Board of Directors listed above and his or her private interests or other duties.

## **TAXATION**

### **UNITED KINGDOM TAXATION**

The following is a summary of the Issuer and Guarantor's understanding of current UK law and published HM Revenue and Customs' ("HMRC") practice in the UK, which may not be binding upon HMRC, relating only to the UK withholding tax treatment of the Notes, in each case as at the date of this Prospectus and is subject to any change in law or practice that may occur after such date (possibly with retrospective effect). It does not purport to be a complete analysis of all UK tax considerations relating to the Notes and they do not deal with any other UK tax consequences which might arise from acquiring, holding or disposing of Notes or Coupons. References to "interest" and "principal" refer to amounts that are treated as interest and principal as those terms are understood for UK tax purposes. The comments below do not take any account of any different definitions of "interest" or "principal" which may be created by the Conditions or any other relevant documentation. It does not necessarily apply where income is deemed for tax purposes to be the income of any other person. It relates only to the position of persons who are the absolute beneficial owners of the Notes and may not apply to certain classes of taxpayer (such as collective investment schemes, persons who have acquired their Notes by reason of their employment, professional investors, financial traders or dealers or persons who are connected with the Issuer and the Guarantor) to whom special rules may apply. The UK tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in jurisdictions other than the UK or who may be unsure as to their tax position are strongly advised to seek their own professional advice.

#### ***Payment of Interest on the Notes***

##### **1. UK Withholding Tax**

Payments of interest on the Notes may be made without withholding or deduction for or on account of UK income tax provided that the Notes are and continue to be "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007 (the "ITA"). The Notes will constitute "quoted Eurobonds" while they are listed on a "recognised stock exchange" within the meaning of section 1005 of the ITA. The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the FSMA) by the UK Listing Authority and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes are and remain so listed on a "recognised stock exchange", interest on the Notes will be payable without deduction of or withholding on account of UK tax.

In other cases, an amount on account of UK income tax at the basic rate (currently 20 per cent.) must generally be withheld from payments of interest on the Notes that has a UK source, subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

##### **2. Payments by the Guarantor**

The UK withholding tax treatment of payments by the Guarantor under the terms of the Guarantee which have a UK source is uncertain. If the Guarantor makes any payments in respect of interest on the Notes, such payments may be subject to withholding on account of UK tax at the basic rate (currently 20 per cent.). Such payments by the Guarantor may not be eligible for the exemptions from the obligation to withhold tax described in paragraph 1 above.

### **3. Discount and Premium**

Where Notes are issued at an issue price of less than 100 per cent of their principal amount, any payments in respect of the accrued discount element on any such Notes should not be subject to any UK withholding tax as long as they do not constitute payments in respect of interest.

Where Notes are issued on terms that a premium may be payable on redemption, as opposed to being issued at a discount, then any element of premium may constitute a payment of interest, and if so, may be subject to UK withholding tax as outlined in paragraph 1 above.

## SUBSCRIPTION AND SALE

BNP Paribas, Commerzbank Aktiengesellschaft, NatWest Markets Plc, Skandinaviska Enskilda Banken AB (publ), UniCredit Bank AG and CaixaBank, S.A. (the “**Joint Lead Managers**”) have, pursuant to a subscription agreement (the “**Subscription Agreement**”) dated 12 September 2023, jointly and severally agreed to subscribe for the Notes at the issue price of 99.575 per cent. of the principal amount of the Notes less a combined management and underwriting commission. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain standard circumstances prior to payment being made to the Issuer.

### **General**

Neither the Issuer nor the Guarantor nor any Joint Lead Manager has made any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or the Issuer or the Guarantor that would permit a public offering of the Notes, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Joint Lead Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense.

### **United States**

The Notes and the Guarantee have not been and will not be registered under the Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States. The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act.

Each Joint Lead Manager has agreed that it will not offer, sell or deliver the Notes, (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Notes and the date of issue of the Notes (the “**Distribution Compliance Period**”) within the United States or to, or for the account or benefit of, U.S. persons, and, prior to confirmation of sale of the Notes, it will have sent to each distributor, dealer or other person to which it sells Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any Joint Lead Manager (whether or not participating in the offering of such Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by U.S. Internal Revenue Code of 1986, as amended and Treasury regulations promulgated thereunder.

### **United Kingdom**

#### ***Prohibition of sales to UK Retail Investors***

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available the Notes to any retail investor in the

UK. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

***Other regulatory restrictions***

Each Joint Lead Manager has represented and agreed, *inter alia*, that:

- (a) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the UK; and
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor.

**Prohibition of Sales to EEA Retail Investors**

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available the Notes to any retail investor in the EEA. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (10) of Article 4(1) of MiFID II.

## GENERAL INFORMATION

- (1) Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the Guarantee. The issue of the Notes was authorised by resolutions of the Board of Directors of the Issuer passed on 19 July 2023 and 30 August 2023 respectively and by a resolution of a Committee of the Board of Directors of the Issuer passed on 24 August 2023 and the giving of the Guarantee by the Guarantor was authorised by a resolution of the Board of Directors of the Guarantor passed on 24 August 2023.
- (2) Application has been made to the FCA for the Notes to be admitted to the Official List. Application has been made to the London Stock Exchange for the Notes to be admitted to trading on the Market. Such listing and admission to trading is expected to occur on or about 14 September 2023, subject only to the issue of the Notes. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third London business day after the date of the transaction.
- (3) The Issuer estimates that the total expenses related to the admission to trading of the Notes will be approximately £6,750.
- (4) There has been no significant change in the financial performance or the financial position of the Issuer or the Guarantor or of the Group and no material adverse change in the prospects of the Issuer or the Guarantor or of the Group, in each case since 26 March 2023.
- (5) There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) during the 12 months preceding the date of this Prospectus which may have or have had in such period significant effects on the financial position or profitability of the Issuer or the Group or the Guarantor.
- (6) The Notes have been accepted for clearance through Clearstream, Luxembourg and Euroclear. The ISIN for the Notes is XS2673969650 and the Common Code is 267396965. The Financial Instrument Short Name (FISN) and the Classification of Financial Instruments (CFI) Code are as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN, as updated from time to time.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.
- (7) The Notes will be issued in NGN form. The Notes are intended to be held in a manner which would allow Eurosystem eligibility that is, in a manner which would allow the Notes to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria which is subject to change from time to time.
- (8) The following legend will appear on the Permanent Global Note and on all Notes in definitive form and Coupons:

Any U.S. person who holds this obligation will be subject to limitations under the U.S. income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the U.S. Internal Revenue Code of 1986, as amended.
- (9) The auditors of the Issuer and the Guarantor are KPMG LLP, which are registered to carry out audit work by the Institute of Chartered Accountants in England and Wales. KPMG LLP

have, without qualification, audited (i) the consolidated financial statements of the Issuer for the 52-week period ended 26 March 2023, the 52-week period ended 27 March 2022 and the 52-week period ended 29 March 2020 and (ii) the unconsolidated financial statements of the Guarantor for the 52-week period ended 26 March 2023 and the 52-week period ended 27 March 2022.

The independent auditor's report for the Guarantor for the 52-week period ended 26 March 2023 contained the following statement of "Material uncertainty related to going concern":

*"We draw attention to note 1 to the financial statements which indicates that the [Guarantor's] ability to continue as a going concern is reliant on the intent of the ultimate parent undertaking, International Distributions Services plc, both in regards of nonrepayment of the outstanding loan and the provision of ongoing financial support, should it be required, which are outside the control of the [Guarantor]. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the [Guarantor's] ability to continue as a going concern.*

*Our opinion is not modified in respect of this matter."*

The inclusion of this statement was a consequence of the Issuer's public statements regarding its continued investment in the Guarantor being contingent on delivery of the Guarantor's business plan. Approval of the "Business Recovery, Transformation and Growth Agreement" by CWU members was fundamental to delivery of the Guarantor's business plan, and at the time of preparation of those financial statements such approval was uncertain. Since that time the "Business Recovery, Transformation and Growth Agreement" has been approved by CWU members (see "Recent Developments – CWU Agreement" for more detail) and accordingly a principal uncertainty for delivery of the Guarantor's business plan – appropriate progress of which is a condition to ongoing investment by the Issuer in the Guarantor – has been addressed.

- (10) For the period of 12 months starting on the date on which this Prospectus is made available to the public (or, in the case of the documents referred to in (c) below, from the date of such document), copies of the following documents will be available for inspection from the website of the Issuer (<https://www.internationaldistributionsservices.com/en/investors/debt-investors/>) and at the registered office of the Principal Paying Agent:
- (a) this Prospectus (together with any supplements to this Prospectus);
  - (b) the articles of association of each of the Issuer and the Guarantor; and
  - (c) the Trust Deed (which includes the form of the Global Notes, the definitive Notes and the Coupons) and the Agency Agreement.

For the avoidance of doubt, unless specifically incorporated by reference into this Prospectus, information contained on any website does not form part of this Prospectus.

- (11) For investors in the Notes, the Issue Price is 99.575 per cent. and the yield is 5.349 per cent., calculated on an annual basis. The yield is calculated at the Issue Date. It is not an indication of future yield.
- (12) The Legal Entity Identifier (LEI) code of the Issuer is 213800TCZZU84G8Z2M70.
- (13) The Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer, the Guarantor and their respective affiliates in the ordinary course of business. The Joint Lead Managers and their affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer, the Guarantor and their respective



affiliates, investor clients, or as principal in order to manage their exposure, their general market risk or other trading activities.

In addition, in the ordinary course of their business activities the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their respective affiliates. The Joint Lead Managers or their affiliates that have a lending relationship with the Issuer and/or the Guarantor routinely hedge their credit exposure to the Issuer and/or the Guarantor consistent with their customary risk management policies. Typically, the Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such positions could adversely affect future trading prices of the Notes. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## **THE ISSUER**

### **International Distributions Services plc**

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United Kingdom

## **THE GUARANTOR**

### **Royal Mail Group Limited**

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United Kingdom

## **GLOBAL COORDINATORS**

### **BNP Paribas**

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75009 Paris  
France

### **NatWest Markets Plc**

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United Kingdom

## **ACTIVE JOINT LEAD MANAGERS**

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Germany

### **NatWest Markets Plc**

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### **Skandinaviska Enskilda Banken AB (publ)**

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Sweden

### **UniCredit Bank AG**

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81925 Munich  
Germany

## **PASSIVE JOINT LEAD MANAGER**

### **CaixaBank, S.A.**

Pintor Sorolla, 2-4  
46002 Valencia  
Spain

## **TRUSTEE**

### **BNP Paribas Trust Corporation UK Limited**

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London NW1 6AA  
United Kingdom

## **PRINCIPAL PAYING AGENT**

### **BNP PARIBAS, Luxembourg Branch**

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Grand Duchy of Luxembourg

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AND THE GUARANTOR**

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