STRATEGIC SERVICES AGREEMENT 2015

BETWEEN

AUSTRALIAN POSTAL CORPORATION

CHINA POST GROUP

CORREOS Y TELÉGRAFOS SAE

HONGKONG POST

JAPAN POST CO., LTD.

KOREA POST

GROUPE LA POSTE

SINGAPORE POST LIMITED

ROYAL MAIL GROUP LTD

AND

UNITED STATES POSTAL SERVICE

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HONGKONG POST
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SINGAPORE POST LIMITED
ROYAL MAIL GROUP LTD
AND
UNITED STATES POSTAL SERVICE

DATED the 7 December 2014

RECITALS

WHEREAS, the Australian Postal Corporation, China Post Group, Hongkong Post, Japan Post Co., Ltd., Korea Post, Correos y Telégrafos SAE ("Correos"), Royal Mail Group Ltd ("Royal Mail"), Groupe La Poste ("La Poste"), Singapore Post Limited ("Singapore Post") and the United States Postal Service (the "Members") have entered into KPG Members Agreement (the "Agreement") whereby they have agreed to work together to improve international postal services, particularly express and package services in the Asia-Pacific Rim and other regions under the name KPG, and their collaboration seeks to promote customer choice and improve service options for postal express and package services consistent with the laws that apply to them, and

WHEREAS, the Agreement provides that the undersigned postal operators have agreed to devote appropriate resources to develop a range of suitable products to meet the prevailing business needs and to achieve the service targets laid down for such products; and

WHEREAS, the Agreement provides that the CEO Board established in accordance with Article 3 of the Agreement (hereinafter "CEO Board") and the Board of Directors established in accordance with Article 4 of the Agreement (hereinafter "Board of Directors") may decide to undertake specific projects to achieve the purposes of the Agreement, and that such projects shall be the subject of separate agreements containing such terms and conditions as the members of KPG decide;

The undersigned postal operators hereby agree as follows:

OPERATIVE TERMS

1. Purpose

This Strategic Services Agreement ("SSA") describes a 'specific project' as defined in the Agreement, and establishes specific tasks and activities with respect to the management and operation of KPG, and the Standard (EMS) service and the Economy (Air Parcels) service and other related business initiatives as defined herein for the period commencing on January 1, 2015, and ending on December 31, 2015.

2. Definitions

As used in this SSA, the following terms mean:

A. Service Objectives—The amount of time, measured in Business Days, for the dispatch, delivery or end-to-end handling of Standard (EMS) and Economy (Air Parcels) items.

B. Target—The goal for successfully meeting the Service Objectives, expressed as a percentage of number of items meeting the Service Objectives compared to the total number of items.

C. Level of Achievement—The actual performance against Target, expressed as a percentage of the number of items meeting the Service Objectives compared to the total number of items.

D. Business Days—Mondays through Sundays, except statutory public holidays and any additional days designated by each postal operator as non-Working Days.

E. Critical Acceptance Time—The latest time at which a customer can post a Standard (EMS) item.

F. Critical Entry Time—The latest time at which Standard (EMS) items can be received from other KPG Members.

3. Application of Service Objectives, Targets, and Levels of Achievement for Standard (EMS) Service

A. Each KPG Member shall establish a Critical Acceptance Time for the receipt of Standard (EMS) items from customers. Service Objectives, Targets, and Levels of Achievement for dispatch of Standard (EMS) items shall be measured from the Business Day of receipt of Standard (EMS) items received from customers before the Critical Acceptance Time. Service Objectives, Targets, and Levels of Achievement for dispatch of Standard (EMS) items shall be measured from the

next Business Day for items received from customers after the Critical Acceptance Time. Critical Acceptance Times may vary from post code to post code and by office of exchange from which or to which Standard (EMS) items may be dispatched.

B. Each KPG Member shall establish a latest Critical Entry Time for the receipt of Standard (EMS) items from other KPG Members. Service Objectives, Targets, and Levels of Achievement for delivery of Standard (EMS) items shall be measured from the Business Day of receipt for Standard (EMS) items received from other KPG Members before the Critical Entry Time. Service Objectives, Targets and Levels of Achievement for delivery of Standard (EMS) items shall be measured from the next Business Day for Standard (EMS) items received from other KPG Members after the Critical Entry Time. Critical Entry Times may vary from post code to post code and by office of exchange at which Standard (EMS) items may be received.

C. When Standard (EMS) items are submitted to customs for clearance, Service Objectives, Targets, and Levels of Achievement for Standard (EMS) items shall be measured [redacted]

4. Standard (EMS) Service Objectives

A. Each KPG Member shall provide its Service Objectives for the outbound dispatch (leg 1) and the inbound delivery (leg 3) of Standard (EMS) items exchanged among KPG Members to the Board of Directors and the KPG Management Team. These Service Objectives may be amended unilaterally by the member concerned in accordance with agreed policies and standard operating procedures relative to database maintenance and updates.

B. Pursuant to Article 19 (KPG Management Team), the KPG Management Team shall establish processes, policies and standard operating procedures to efficiently maintain Service Objectives for end-to-end delivery of Standard (EMS) items exchanged among KPG Members. The end-to-end Service Objectives shall be based on information supplied by the KPG Members.

C. KPG Members are responsible for providing knowledgeable and accountable managers to submit updates to Service Objectives with high data integrity. Service Objectives for dispatch and delivery shall be competitive, according to criteria defined by the Board of Directors. It is the responsibility of KPG Members to keep the information upon which the end-to-end Service Objectives are based up to date and submit updates to the Service Objectives according to an agreed schedule, policies, and standard operating procedures relative to database maintenance and updates.

5. Target for Dispatch and Delivery of Standard (EMS) Items

KPG Members agree to maintain the dispatch (leg 1) and delivery (leg 3) of Standard (EMS) items at [redacted] consistent performance and transportation (leg 2) at [redacted] consistent performance.

6. Level of Achievement for Dispatch and Delivery of Standard (EMS) Items

Subject to Article 11 (Force Majeure), each KPG Member shall maintain a minimum Level of Achievement in accordance with Article 5 (Target for dispatch and Delivery of Standard (EMS) items) of this SSA. Levels of Achievement for Standard (EMS) items shall be measured [redacted].

7. Target for End-to-End Standard (EMS) Service

The Target for end-to-end delivery of Standard (EMS) items shall be to achieve and maintain [redacted] performance in meeting the end-to-end Service Objectives.

8. Level of Achievement for End-to-End Standard (EMS) Items

Subject to Article 11 (Force Majeure), each KPG Member shall maintain a minimum Level of Achievement for end-to-end Standard (EMS) items that is equal to or greater than the Target listed in Article 7 for Standard (EMS) items. Levels of Achievement for end-to-end Standard (EMS) items shall be measured [redacted].

9. Measuring Standard (EMS) Service

A. Each KPG Member shall establish, maintain, and operate a track and trace system that conforms to the agreed attributes for measurement systems determined by the Board of Directors.

B. Each KPG Member shall ensure defined scan events and agreed other EDI messages are captured, transmitted and comply with specified attributes. Each KPG Member agrees to achieve and consistently maintain a target of [redacted] for all EDI events transmissions.

10. Other Minimum Service Attributes for Standard (EMS) Service

Each KPG Member shall provide the following minimum service attributes for Standard (EMS) Service in addition to the Service Objectives, Targets, and Levels of Achievement:

A. Upon application by the mailer, a full refund of postage paid by that mailer in the event of service failure;

B. Proof of delivery consisting of name and signature of the person or representative of the entity receiving the shipment and associated date of delivery, unless the sender waives the signature requirement;

C. Scheduled and/or on-demand pick-up service availability until close-of-business on Business Days at nominated major metropolitan areas;

D. Scheduled and/or on demand pick-up service availability Saturdays and Sundays as applicable for each member;

E. Customer ability to tender traffic at retail counters and receive calculated date of delivery at the time of lodgement;

F. Customer ability to tender traffic at retail counters and receive calculated date of delivery on Business Days; and

G. Ability to provide Standard (EMS) Service for all packages weighing up to 30 Kg. and respecting in-country dimensional limits.

11. Force Majeure

A. A KPG Member is not liable for failure to perform any of its obligations insofar as it proves:

i. that the failure was due to an impediment beyond its reasonable control; and

ii. that the member could not reasonably be expected to have taken the impediment and its effect upon its ability to perform into account at the time of product launch; and

iii. that it could not have reasonably avoided or overcome such an impediment, or at least its effects.

B. An impediment within the meaning above can result from events such as the following, this enumeration not being exhaustive:

i. war, whether declared or not, civil war, riots and revolutions, acts of piracy, acts of sabotage, acts of terrorism;

ii. natural disasters, such as violent storms, cyclones, earthquakes, tidal waves, floods, destruction by lightening;

iii. explosions, fires, destruction of machines, of factories, and of any kind of installations;

iv. acts of authority, whether lawful or unlawful apart from acts for which the party seeking relief has assumed risk by virtue of other provisions of this SSA, and apart from internal strikes as described in paragraph C below; and

v. external strikes which are strikes that do not involve the participating KPG Member itself, but nonetheless affects its ability to handle Standard (EMS) items or to provide transmission of data about such items. If an external strike takes place, the KPG Member can waive the guarantee of the inbound and outbound shipments for a period extending from the beginning of the external strike until two days after it is notified of the conclusion of the strike.

C. Internal strikes are defined herein as strikes within a member's organization, which causes disruption to processing of Standard (EMS) items or the provision of data about such items. If such an internal strike occurs, the member on strike cannot void the product guarantee for failing to meet standards of performance because of the internal strike.

D. A member wishing to apply for a waiver of product guarantee due to an event of force majeure must adhere to the following process:

i. the member must notify the other members by email within 24 hours of any event of force majeure becoming known; and

ii. the member shall make efforts to enter reason code 24 on all affected inbound and outbound items either individually or through batch flagging, depending on information technology capabilities and the possibility of using reason codes with scans other than EMSEVT Event Code EMH; and

iii. the affected member shall notify the other members when normal service has resumed and cease entering reason code 24 at that time.

12. Guarantee

Each KPG Member shall offer to its customers a guarantee for the delivery of Standard (EMS) items to other KPG Members that conforms to the guarantee adopted by the CEO Board. The guarantee shall take effect at such time and under such conditions as the CEO Board determines based on the recommendations of the Board of Directors.

13. Development of Economy (Air Parcels) Service

A. The Economy (Air Parcels) service developed by the Board of Directors shall have the following minimum attributes:

i. Ability to scan items at acceptance, departure from outward Office of Exchange, arrival at inward Office of Exchange and at delivery and ability to transmit data to designated information technology infrastructure as implemented by KPG;

ii. Proof of delivery consisting of the name and signature of the person or entity receiving the shipment and associated date of delivery;

iii. Scheduled and/or on-demand pick-up service availability on Business Days at nominated major metropolitan areas;

iv. Scheduled and/or on demand pick-up service availability Saturdays and Sundays as applicable for each member;

v. Customer ability to tender traffic at retail counters Monday through Friday;

vi. Customer ability to tender traffic at retail counters Saturdays and Sundays as applicable for each member; and

vii. Ability to provide an economy service for all packages weighing up to 30 Kg. and respecting in-country dimensional limits.

14. Economy (Air Parcels) Service Objectives

End-to-end Service Objectives shall be competitive, according to criteria defined by the Board of Directors.

15. Target for End-to-End Economy (Air Parcels) Service

A. The Target for end-to-end delivery of Economy (Air Parcels) items shall be [redacted] consistent performance in meeting the end-to-end Service Objectives. In addition, the Target of acceptance and delivery scan capture and transmission shall be [redacted] and [redacted] respectively. Levels of Achievement for end-to-end Economy (Air Parcels) items shall be measured [redacted].

B. Each KPG Member shall work toward achievement of the minimum service attributes for Economy (Air Parcels) service.

16. Operational Improvement Financing

Each KPG Member shall bear its own costs in developing, implementing, and maintaining its dispatch and delivery Service Objectives for items, achieving its Levels of Achievement to meet the Targets for items, maintaining end-to-end Service Objectives for items, and maintaining service measurement and diagnostic systems. Each KPG Member shall bear its own costs in developing its compliance with the designated product specifications as agreed by the Board of Directors. Each KPG Member shall bear its own costs in taking remedial actions to achieve minimum dispatch and delivery Levels of Achievement for Standard (EMS) items, as well as end-to-end Levels of Achievement for items as appropriate. Each KPG Member shall also bear its own costs with respect to Article 20 (KPG Posts Integration Manager) below.

17. Administrative Support and Coordination

The postal operator of the Chairman of the KPG Board of Directors shall have responsibility for coordinating the activities provided for in this SSA. The KPG Management Team shall serve as the secretariat for the Board of Directors and shall be responsible for collecting information on the Board of Directors' behalf and preparing information for the CEO Board under the direction of the Board of Directors.

18. Administrative Support and Coordination Financing

The postal operator of the KPG Board of Directors Chairman shall bear the costs of local administrative support.

19. KPG Management Team

The Board of Directors shall establish a KPG Management Team (or Management Team) to provide day-to-day oversight and coordination of KPG activities and to do the day-to-day work of the Board of Directors. The KPG Management Team shall be lead by a KPG Executive Director, and be otherwise structured as described in the 2015 KPG Business Plan, as endorsed by the Board of Directors. The Executive Director, who shall be responsible for the management of the remainder of the Management Team shall report to and be directed by the Board of Directors. The members of the Management Team shall either be seconded or furnished to KPG from its members or be retained under contract. The Management Team shall in principle operate on a day-to-day basis at a location determined by the Board of Directors based on a recommendation from the Executive Director. Additional support may be commissioned by the KPG Board of Directors as needed.

20. KPG Posts Integration Manager

Each KPG Member shall designate one person to serve as its KPG Posts Integration Manager to coordinate that member's KPG activities with the Board of Directors and the Management Team. Each KPG Posts Integration Manager shall have the responsibility for implementation of KPG decisions within the member postal operator.

21. KPG Management Team Financing

The expenses of the Management Team, including salaries and benefits of the members of the Management Team, shall be borne by KPG up to [redacted] in general and up to [redacted] for travel related expenses, for the period ending December 31, 2015. Each member shall contribute [redacted] to defray those expenses. The Board of Directors shall approve travel expenditure according to the agreed guidelines for travel expenses.

22. KPG Home Base

A. The KPG Members agree that working meetings will be held in Hong Kong and to establish a bank account and central office for the KPG in Hong Kong.

B. d The cost of the establishment of a central office for KPG, and of associated operating costs, including accommodation and related expenses for co-located seconded staff, and the expenses of holding working meetings in Hong Kong, shall be borne by the KPG up to a maximum of [redacted]. The expenditure of these funds shall be determined by the Board of Directors. Each member shall contribute [redacted] to defray those expenses.

23. Information Technology Support and Maintenance

A. The Board of Directors shall maintain the information systems needed to support the Standard (EMS) service, the Economy (Air Parcels) service and the product guarantee established in accordance with Article 12 (collectively, "KPG Systems"). KPG Systems shall include [redacted]

B. KPG Members acknowledge that - as elements of their individual IT systems will deliver data to, and generally interface with elements of the KPG Systems - no changes, enhancements or modifications which could potentially affect or impact upon the performance of KPG Systems should be made to local systems or data of individual KPG Members, unless adequate prior notice of the proposed changes has been given to the KPG Management Team and to the KPG Board of Directors following agreed established processes.

24. Information Technology Support and Maintenance Financing

A. The cost of maintaining the information system shall be borne by the KPG up to a maximum of [redacted]. The expenditure of these funds shall be determined by the Board of Directors. Each member shall contribute [redacted] to defray those expenses.

B. In addition, KPG Members agree that costs associated with data management services, including data cleansing, shall be borne by the KPG Members concerned.

25. Information Technology Enhancements

The Board of Directors shall undertake activities to enhance the information technology to support KPG objectives. These projects shall include future [redacted]

26. Information Technology Enhancements Financing

The expenses of the Information Technology Enhancement activities shall be borne by KPG up to [redacted] for future enhancement of existing systems, returns platform development and Force Majeure reporting application development. The expenditure of these funds shall be determined by the Board of Directors according to agreed guidelines. Each member shall contribute [redacted] to defray those expenses.

27. KPG Network Expansion Strategy

The Board of Directors shall undertake activities, as specified in the Business Plan, to expand the KPG network.

28. KPG Network Expansion Strategy Financing

The expenses of the KPG Network Expansion activities shall be borne by KPG up to [redacted] The expenditure of these funds shall be determined by the Board of Directors. Each member shall contribute [redacted] to defray those expenses.

29. [redacted]

30. [redacted]

The expenses of the KPG [redacted] Financing shall be borne by the KPG up to [redacted]. The expenditure of these funds shall be determined by the Board of Directors. Each member shall contribute [redacted] to defray those expenses.

31. Process Integration

The Board of Directors shall maintain updated reporting methodology and systems documentation. .

32. Market Research

The Board of Directors shall undertake further strategic and marketing analysis for services to be provided by the KPG and shall develop and implement a further Strategic Services Agreement to take effect from January 1, 2015. The scope of this activity shall be determined by the Board of Directors. The results of the further strategic and marketing analysis shall be reflected in the business plan to be presented to the CEO Board no later than December 15, 2015. The further Strategic Services Agreement shall be completed as soon as practicable after completion of the business plan and presented to the CEO Board for signature no later than December 15, 2015.

33. Market Research Financing

The expenses of the Market Research activities related to the 2015 CEO Board's annual meeting and the annual Business Plan shall be borne by KPG up to a maximum of [redacted]. The expenditure of these funds shall be determined by the Board of Directors. Each member shall contribute [redacted] to defray those expenses.

34. Limitation of Activities

A. Except as provided in paragraph B below, the activities provided for in this SSA shall be the only activities undertaken by the KPG until this SSA expires.

B. The CEO Board may amend this SSA to authorize and fund other projects. Proposals for additional projects for the first half of 2015 shall in principle be submitted to the CEO Board by the end of January 2015. Other proposals for additional projects shall be submitted to the CEO Board before the CEO Board meeting in July 2015.

35. Administration of Receipts and Payments

A KPG Member postal operator, designated as Bursar by the Board of Directors shall be responsible for overseeing the disbursement of the payment or distribution of funds as appropriate.

36. Administration of Receipts and Payments Financing

The designated KPG Member acting as Bursar shall be reimbursed its expenses for administration of receipts and payments up to the amount of [redacted]. Each member shall contribute [redacted] to defray those expenses.

37. Funding of Business Plan and Payment of Expenses

Payment of all contributions specified in this Agreement shall be made to the bank account established by the Bursar on behalf of the KPG. Payment shall be made no later than April 30, 2015.

38. Reserve Fund

All funds not expended during a particular year shall be kept as a reserve fund for the year following. During the year following, the Board of Directors shall either expend the resources of the reserve fund for any project which has been approved by the CEO Board or authorize the partial or full disbursement of these funds to their originators.

39. [redacted] – to Achieve the Anticipated Operational Efficiencies and Related Benefits to Customers

In order to achieve the operational efficiencies and related customer benefits contemplated by the Agreement and this SSA, [redacted]

[redacted]

40. Reallocation of Resources

In the event that the Board of Directors determines that funds allocated to a particular project under this SSA could be more effectively expended on a different project that is also included in this SSA, the Board may reallocate those funds as it deems appropriate, provided that the total expenditures do not exceed the total amount of funds authorized under this SSA.

41. Non-liability

The relationship created under this SSA does not constitute a partnership or like entity under any national or international law. No member may act as an agent for any other member except as specifically authorized or provided in this SSA or any subsequent agreement. No member shall be liable for the acts or omissions of any other member with respect to the activities related to this SSA, nor, except as specifically provided in this SSA or any subsequent agreement, shall any member be entitled to any indemnity from any other member with respect to any act or omission with respect to the activities related to this SSA

42. Entire Agreement; Nature of Agreement

A. This SSA constitutes the entire agreement among the parties with respect to the specific matters dealt with herein. No previous understanding or agreement among the parties, or any of them, with respect to the specific matters contained herein (to include any commercial law agreements between the parties, but not any agreements purporting to be executed under international law) shall have any legal force or effect except as specifically incorporated in this SSA.

B. The Parties acknowledge that, in accordance with Article RL 253 of the UPU Letter Post Regulations and with respect to Parcels, Article 12.5 of the Universal Postal Convention, to which their countries are parties, aspects of EMS and Air Parcel Service not expressly governed by this SSA, or other KPG instruments, are subject to the appropriate provisions of the Acts of the Universal Postal Union.

C. The signatories acknowledge that this instrument sets out the terms and conditions of a mail exchange arrangement and is not an agreement entered into

under or subject to international law. This SSA is only binding on the signatories and it is not binding on their governments.

43. Business Plan and Budget for 2016

The Board of Directors shall, by December 15, 2015, develop and submit to the CEO Board a business plan for calendar year 2016 and detailed budget for calendar year 2016 to support the business plan.

44. Effective Date and Duration

This SSA shall take effect on January 1, 2015 and shall remain in effect through December 31, 2015.

45. Regulatory Notice; Confidentiality

The Parties acknowledge that as part of ongoing legal transparency requirements, this SSA and any supporting documentation related to it may be filed with the U.S. Postal Regulatory Commission ("Commission").

The Parties executing this agreement other than the U.S. Postal Service (hereinafter the "counterparties") authorize the U.S. Postal Service to determine the scope of information that must be made publicly available under U.S. law to the Commission, subject to such consultation as the counterparties may reasonably request.

The U.S. Postal Service shall notify the counterparties of any such filing with the Commission on or before the date of filing.

The counterparties further understand that any unredacted portion of the SSA or supporting information may be available on the Commission's public website, www.prc.gov, and that they have the right to address any outstanding confidentiality concerns with the Commission directly. The counterparties may find the procedure for making an application to the Commission for non-public treatment of materials believed to be protected from public disclosure on the Commission's website at www.prc.gov/Docs/63/63467/Order225.pdf or at Title 39, Code of Federal Regulations, Section 3007.22.

46. Counterparts & Agreement Date

This SSA may be entered into by counterparts, all of which taken together shall constitute one and the same instrument. Any party may enter into this SSA by executing any such counterpart. This SSA shall be binding only on those parties which execute a counterpart.

SIGNING CLAUSES

AUSTRALIAN POSTAL CORPORATION	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

CHINA POST GROUP	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

CORREOS Y TELEGRAFOS SAE	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

HONGKONG POST	
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GROUPE LA POSTE	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

ROYAL MAIL GROUP LTD	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

SINGAPORE POST LIMITED	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

UNITED STATES POSTAL SERVICE	
Signature of Authorized Representative	
Name of Authorized Representative	Megan J Brennan
Date of Signing	2/14/15