

SOUTH AFRICAN POST OFFICE CORPORATE PLAN 2021/22 – 2023/24



GENERAL INFORMATION

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Banker's information	Standard Bank of South Africa
Company Secretary	Mr Dawood Dada, (ACIS)

THE SA POST OFFICE GROUP

We Serve You.

Prepared by:

Group Strategy

Designed in-house by:

Rachel-Mari Ackerman & Thea Clemons

Philatelic Services

OFFICIAL SIGN OFF

It is hereby certified that this Corporate Plan:

- was developed by the management of the South African Post Office under the guidance of the Chairperson of the Board of Directors, representing the Accounting Authority;
- takes into account all the relevant policies, legislation and other mandates for which the South African Post Office is responsible;
- Accurately reflects the outcome-oriented goals and objectives which the South African Post Office will endeavour to achieve over three years from FY2021/2022 to FY2023/24.

It is hereby certified that this Annual Performance Plan:

- was developed by the management of the South African Post Office under the guidance of the Chairperson of the Board of Directors, representing the Accounting Authority;
- was prepared in line with the current Corporate Plan of the South African Post Office;
- Accurately reflects the performance targets which the South African Post Office will endeavour to achieve for the FY2021/2022 financial year and medium-term.

SA Post Office
Group CEO:
Reneilwe Langa
(Acting)

Signature: *Reneilwe Langa*
Date: 15 March 2021

Chairperson of the SA Post
Office Group Board:
Tia Van Der Sandt
(Acting)

Signature: *T. v. d. Sandt*
Date: 15 March 2021

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1 CHAIRPERSON OF THE BOARD FOREWORD

Before the Covid-19 pandemic, the South African economy was already in a vulnerable state. The Covid-19 pandemic accelerated the economy's decline to crisis levels, and during the lockdown, almost all sectors of the economy contracted. According to the South African Reserve Bank (SARB), recovery to pre-pandemic levels will take several years. The SARB anticipates modest growth for 2021, which is dependent on new virus outbreaks, the extent of supply and demand losses and future increase in investment and productivity.

The effects of the COVID-19 pandemic and the subsequent lockdown of the economy have severely impacted the SA Post Office's financial position. Revenue generated by the entity's primary revenue stream, letter mail, was severely affected during the lockdown. The sharp decline in revenue transitioned the SA Post Office from financially challenged to a state of financial distress.

Global Postal Sector trends show that the postal service industry is undergoing a paradigm shift. These trends drive the transition of the National Postal Operator as an organization of the industrial era to a facilitator of exchanges of goods and messages in the age of global Internet connectivity. This transformation is occurring in both areas of postal demand and supply. Therefore, Postal Operators find themselves at a critical juncture that requires a review of their role within society's various ecosystems and the economy.

Similar to its other international counterparts. The SA Post Office is also at a critical juncture in its history. It is faced with the choice to operate in its current traditional form or transform to be more responsive to the evolving needs of its customer needs and ensure long-term viability.

With limited Government's funding, the SA Post Office's financial recovery has not advanced. The decline of revenue is primarily driven by changing customer behaviour, digitization and a slowing economy. Operating costs continue to escalate due to rising employee, fuel, property, and security costs. Over the last five years, costs have exceeded revenues. It is external and internal factors driving the need for the SA Post Office to modernize its business. These factors and the effects of the COVID-19 pandemic and the subsequent lockdown of the economy, have transitioned the SA Post Office from financially challenged to a state of financial distress.

Simultaneously, the separation of Postbank without compensation from the SA Post Office affects the going concern, solvency, and liquidity status of the organization. The weak implementation of critical programs and projects and inadequate benefits realization further impede the organization's growth objectives.

In this context, the SA Post Office has established a long-term transitional strategy – Vision 2030. This strategy aims to reorganize the SA Post Office into a modernized National Postal and Logistics Operator that adequately serves the needs of South Africans in a viable and sustainable manner. This plan also aligns to The NDP goals by articulating its strategic contribution to the Department of Communications and Digital Technologies (DCDT) mandate and subsequent strategies.

The advancement of technology and the global surge in e-Commerce trade presents the SA Post Office with opportunities to leverage as a priority area of growth. The Corporate Plan positions the organization to benefit from the opportunities presented by the Fourth Industrial Revolution (4IR).

It is envisaged that by 2030, the SA Post Office brand would have developed sufficient market equity to be regarded as a strategic component of Government's national infrastructure, particularly in under-serviced communities. On this basis, the SA Post Office will be recognized for providing the nation with an integrated platform that effectively facilitates the movement of money, information and goods.

The SA Post Office Board of Directors are pleased to present the FY2021/22 – FY2023/24 Corporate Plan, which has been compiled to achieve the goals of Vision 2030. This corporate plan and subsequent plans collectively transition the organization into a trusted exchange platform channel that is relevant, reliable and conveniently accessible and ensures service delivery to all South Africans.

Tia Van Der Sandt

Acting Chairperson of the SA Post Office Group Board

2 CHIEF EXECUTIVE OFFICER FOREWORD

Over the years, as the country's National Postal Operator, the South African Post Office has served as the nation as the primary conveyor of written communication domestically and internationally. As much as it is facing severe financial and service delivery challenges, it ensures essential services are accessible to the nation, particularly to disadvantaged communities and vulnerable citizens, which allow them to be economically and financially included. On this basis, the South African Post Office and its postal infrastructure continue to be an important strategic contributor to economic development, poverty alleviation, and the country's broader infrastructure ecosystem.

The SA Post Office remains committed to its core purpose, which is to serve the needs of citizens, business and government, every day. However, several challenges impact the organization's ability to deliver on its mandate effectively and efficiently. The growing adoption of digital technologies, rising costs, and evolving customer needs and expectations are key drivers influencing the SA Post Office's need to review its mandate, service offerings, and overall role within the economy.

The advent of the Covid-19 pandemic has affected the nation in many ways, both socially and economically. In this regards, the SA Post Office assisted the country by disbursing government's Covid-19 Social Relief of Distress grants and the usual social grant payments. Regrettably, we lost some of our colleagues that succumbed to the pandemic, but thankfully, many colleagues have also recovered.

SA Post Office was not spared from the economic impact of the pandemic, further exacerbating the already financial challenged environment that other organizations are grappling with currently.

As a result, management had to revise the organization's revenue forecast and growth objectives downwards. Consequently, the FY20/21 Annual Performance Plan also required a revision. This led to the development of the Strategic Turnaround Plan (STP) 2020 as an interim mechanism to mitigate against the negative impact of the pandemic.

Currently, the SA Post Office is experiencing a negative operating cash flow and faces severe revenues and cost management challenges. As a result, all efforts were focused on business continuity and recovery.

The adjusted level 3 lockdown brought about by the second wave's advent further constrained the return to optimal operational productivity levels and further worsened the organization's already dire cash flow position.

Presently, the SA Post Office is faced with a cost base that far exceeds its revenues, staff costs being the highest cost driver. However, revenue growth within the financial services business segment has contributed to a slight recovery of revenue generation. As such, the SA Post Office will continue its efforts in ensuring optimal services related to the payment of social grants.

The DCDT aims to create a South Africa where digitally-enabled citizens have secure and affordable universal access to digital technologies. The finalization of the Broadband Digital Migration program remains a critical project for management. The SA Post Office contributes to the DCDT's strategic objective of increasing access to secure digital infrastructure and improve the accessibility to government services to all communities.

Attaining operational efficiencies within the organization's letter and parcel business segment is an important factor in managing costs. In this regard, the distribution network optimization program improves the overall service delivery standards while driving and costs down. Simultaneously, there are programs directed towards digitizing some of our letter-post services and optimizing our delivery routes and schedules.

Regarding the letter-post segment, management is focusing its efforts on digitizing its letter post services, where feasible. The National Postal Code system is currently being modernized and, with other key programs, will enable us to strengthen our last-mile capabilities and standards. Of particular priority for the SA Post Office is optimizing the SASSA cash pay-points (CPPs) operations to balance convenience and safety to beneficiaries.

Vision 2030 remains true to the SA Post Office's core purpose: contributing to economic development, poverty alleviation, and the country's broader infrastructure ecosystem. To this end, Vision 2030 intends to modernize the SA Post Office to be an Integrated Services Solution Provider that resides at the apex of the physical and digital ecosystems of South Africa, specializing in the exchange of information, goods and finance.

Therefore, the organization is establishing an end-to-end e-Commerce capability, several digital channels, and increasing the organization's online presence.

This Corporate Plan FY2021/22 is based on four core strategies

1. Delivering the Postal Mandate;
2. Increasing the SA Post Office Commercial Market Share;
3. Modernizing the Post Office;
4. Enabling the Business.

Each strategy ensures that management remains focused on a successful delivery on the Postal Mandate, enhancing the organization's competitiveness in the unreserved postal area, and ensuring that internal efficiencies and acceptable productivity standards across the organization are realized.

Recognizing the current state of the overall organizational infrastructure, it is accepted that a stabilized and efficiently operating business is critical to achieving Vision 2030. Therefore, resolving the organization's financial and operational stability crisis is a foremost priority for management over the near- and medium-term. On this basis, the 'enable the business' objective is central to management activities for the next year. These objectives include leveraging the organization's properties portfolio to generate revenue through several opportunities available to the organization. However, the successful implementation of all the SA Post Office requires the availability of resources such as funding, tools of trade, and resolving the organization's infrastructure challenges.

Strategic initiatives which enhance the postal value chain will be a priority over the next three years. At the same time, several cost-containment measures will be implemented during this strategic cycle. Optimizing the organization's assets is vital and is fundamental to enhancing the organization's positioning and competitiveness in the marketplace.

This FY2021/22 Corporate Plan is developed in line with the spirit of Vision 2030, which is to transition into a trusted exchange channel of service delivery in South Africa and be respected for our relevance, reliability, reach and resilience. Join us on this journey of building a modern National Postal and Logistics Operator that places you at the centre of everything we do every day.

Reneilwe Langa

Reneilwe Langa

Acting Group CEO SA Post Office

3 THE SA POST OFFICE

3.1 MANDATE, REGULATIONS AND LICENSE

As per the Companies Act, No. 61 of 1973, the South African Post Office SOC Limited is a public company established on 1 October 1991. Schedule 2 entity of the Public Finance Management Act No. 1 of 1999 classifies the SA Post Office as a major state entity. While the South African Post Office Limited Act No. 22 of 2011 designates the entity as a state-owned company (SOC). The South African Government is the sole shareholder of the SA Post Office and is overseen on its behalf by the Minister of Communications and Digital Technologies.

Regulation and Mandate

The Postal Services Act, no 124 of 1998:

1. Describes the scope of the postal service.
2. Provides for the regulation of the Postal sector.
3. Identifies the South African Post Office as the nation's designated postal operator.

The Independent Communications Authority of South Africa (ICASA) is responsible for regulating the postal services sector. In August 2001, ICASA issued a license to the SA Post Office and, via this license agreement, is afforded a legislated exclusive mandate over reserved postal services. This license is valid for 25 years and is reviewed every three years by ICASA.

The Postal sector consists of two areas, namely, the reserved and unreserved areas. The South African Postal Universal Service Obligation (USO) defines the boundaries of the postal sector's reserved area (Postal Act, No 124 of 1998, Schedule 2). The SA Post Office is the only entity licensed to operate within the reserved area and is regarded as South Africa's Designated Postal Operator.

In contrast, the unreserved area allows for open competition whereby the SA Post Office competes directly with commercial courier operators for market share and volume in this postal sector segment. The unreserved area is highly competitive, making the role of ICASA pivotal to regulate anti-competitive behaviour within this segment and monitoring encroachment into the reserved area by non-licensed operators.

The Postal Universal Service Obligation

The Universal Service Obligation (USO) is a public policy serving as the mission statement for a country's postal system. The USO establishes the requirements for a reliable postal service at affordable rates to all citizens. The South African postal universal service obligation includes the national availability of postal services, frequency and reliability of delivery, management of a national address database and provision of affordable postal products and services at acceptable standards. The adequate provision of the USO requires the SA Post Office to provide the resources and infrastructure necessary to deliver its mandate to all communities reliably. The government currently funds the USO via yearly budget allocations that ensure service delivery to rural and under-serviced communities.

Legislative and Governance Framework

The SA Post Office complies with and legislation that governs State-Owned Companies. To this end, various postal, courier and financial regulations laid down by different regulatory bodies such as ICASA, the Financial Intelligence Centre (FIC) and the Financial Sector Conduct Authority (FSCA) guide the SA Post Office business activities.

The SA Post Office Group complies with, amongst others, the following legislation:

- SA Post Office Act No. 22 of 2011 (as amended);
- Postbank Act No. 9 of 2010 (as amended);
- Postal Services Act No. 124 of 1998;
- Public Finance Management Act No.11 of 1999 (as amended);
- Companies Act No. 71 of 2008 (as amended);
- Relevant legislation applicable to the postal sector and SOCs;
- King IV Code on Good Corporate Governance;
- Other relevant local and international codes for the postal sector; and

Other applicable South African legislation is expanded on the annexure section.

3.2 VISION, MISSION AND VALUES

Vision

The Trusted Exchange Channel of Service Delivery in South Africa respected for its Relevance, Reliability, Reach and Resilience.

Mission

A Reliable and Relevant Service Delivery Channel providing access to Government Services, Enabling Secure Digital and Physical Transactional Services to All.

Values

Trust	<ul style="list-style-type: none"> Confidence in the integrity, reliability and fairness of the SA Post Office by our Customers and Employees.
Accountability	<ul style="list-style-type: none"> Personal responsibility, honouring commitments to our Customers and fellow Employees
Innovation	<ul style="list-style-type: none"> Transforming new ideas into tangible results
Excellence	<ul style="list-style-type: none"> Commitment to being the best and delivering the best
Respect	<ul style="list-style-type: none"> Treat Customers and fellow Employees with courtesy, politeness, and kindness.

3.3 CUSTOMER VALUE PROPOSITION AND MARKET POSITIONING

Customer Value Proposition

As one of the most recognized brands in South Africa, the SA Post Office is regarded as a public good and is an essential infrastructure to the economy. It is a critical socio-economic vehicle that ensures the right to communication by facilitating the exchange of messages, the transportation of parcels and transmission of money.

Particular attention will be paid to regaining the trust of customers and stakeholders. Therefore, the SA Post Office will ensure a higher quality of service delivery and significantly strengthen its competitiveness in all markets where it operates.

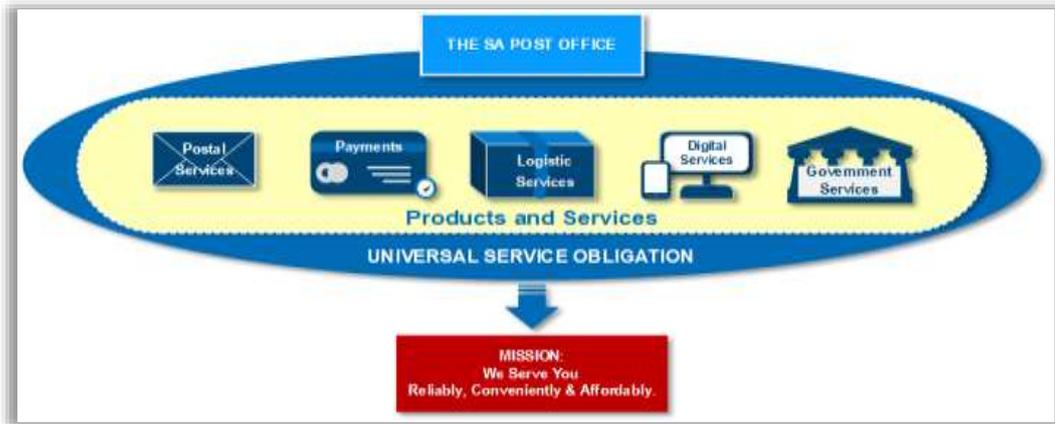


Figure 3-1: The SA Post Office Services Portfolio

There are five value attributes that comprise the SA Post Office Customer Value Proposition. Of these, Trust and Price are the dominant attributes driving customer loyalty to the SA Post Office brand. Trust assures that all customer information, transactional data and mail items are handled ethically, securely and delivered safely. At the same time, Price drives the assurance that products/services are priced affordably and are of acceptable quality. While convenience ensures the ease of accessing the organization's products and services. While the attributes of reach and reliability provides for the delivery of service in-full, on-time to almost any address, locally and internationally. The table below outlines the customer's key expectations which are aligned to the SA Post Office CVP value attributes.

Table 3-1: The SA Post Office Value Attributes

Value Proposition Attributes	
Convenience	<ul style="list-style-type: none"> • Easy access to simple and easy-to-use products and services.
Value	<ul style="list-style-type: none"> • Relevant products and services of acceptable quality which fulfil the needs and expectations of customers.
Trust	<ul style="list-style-type: none"> • Secure and safe handling of physical items and electronic data whilst maintaining customer privacy throughout the collection and delivery process.
Reliability	<ul style="list-style-type: none"> • Reliable, consistent and speedy service.
Reach	<ul style="list-style-type: none"> • The availability of a point of presence network that is a convenient distance from home, work and social environments. • Ensuring availability of the postal network in rural and outlying areas.

3.4 ALIGNMENT TO SHAREHOLDER STRATEGY

The National Development Plan (NDP) is the South African government's long-term national strategy. The NDP aims to raise the living standards of South Africans by increasing employment, incomes and productivity through social protection and the provision of quality public services. The Department of Communications and Digital Technologies (DCDT) has aligned its strategy to the National Development Plan 2030 (NDP).

Specifically, the DCDT strategy aims to create a South Africa where digitally-enabled citizens have secure and affordable universal access to digital services and technologies. To this end, the mission of the DCDT is to lead South Africa's digital transformation towards this goal, which is to ensure that all citizens' benefit from South Africa's growing digital economy. The inclusive digital transformation journey will seek to create an enabling environment towards achieving a digital society that will foster socio-economic growth.

Having aligned its Corporate Plan to the DCDT strategy, the SA Post Office is well-positioned to contribute to the strategic objectives articulated in the DCDT Strategic Plan (FY2020-2025) (see Table 3-2). The SA Post Office will leverage the strengths of the DCDT's SOC entities through collaboration to develop and launch services that improve the lives of all South Africans. The support of the DCDT and cooperation with other SOC's reporting to the DCDT ensures that the SA Post Office becomes more competitive and is well-positioned to be a market leader across its product portfolios.

Therefore, the SA Post Office aims to modernize its infrastructure to increase access to secure digital infrastructure. At the same time, having a point of presence in most communities' means that the organization is well placed in harnessing access to government services to all citizens. Table 3-1 overleaf provides additional SA Post Office contributions towards DCDT strategic objectives below:

Table 3-2: DCDT/SAPO Strategy Alignment

The Department of Communications and Digital Technologies Strategy FY2020- FY2025		SA Post Office
Outcome	Outputs	
Enabling Digital transformation policies and strategies	Submission of the South African Post Office SOC Ltd Amendment Bill to Cabinet for approval.	Review and expansion of the South African Post Office Act (2011).
	Facilitation and monitoring of the implementation of revised ICT SMME Development Strategy	Development of SMMEs through the implementation of the SA Post Office digital strategy.
Increased access to secure Digital Infrastructure	Monitoring and sustaining provision of Broadband services to 970 connected sites	Provision of physical sites and/or infrastructure for installation of broadband infrastructure.
	Coordination and monitoring of subsidized digital television installations in four (4) provinces (Free State, Northern Cape, North West and Limpopo)	Rollout of the remaining 860 000 STB kits to the four prioritized provinces (Free State, Northern Cape, North West and Limpopo)
	Coordination and monitoring of the distribution of subsidized DTT vouchers	
Transformed digital society	Facilitation, monitoring and reporting of the revised National e-Government Strategy and Roadmap, in line with the Presidency review report on e-Government and the PC4IR recommendations.	Increase digital and physical access to government services in all communities

The Department of Communications and Digital Technologies Strategy FY2020- FY2025		SA Post Office
Outcome	Outputs	
	Facilitation and monitoring of the implementation of the Digital and Future Skills Programme.	Finalize the Enterprise Application Platform and Digital modernization initiatives.
High Performing Portfolio to enable achievement of their respective mandates	Development and implementation of a Workplace Skills Plan (WSP), aligned to DCDT mandate.	Development and implementation of workplace skills plan aligned and directed towards attaining SA Post Office Vision 2030. Training of staff in digital technologies.
	100% of valid invoices paid within 30 days from date of receipt.	Payment of valid invoices within 30 days from date of receipt. Communication plan for suppliers to address payment delays.
	Monitoring of service delivery performance and compliance of SOEs against strategic plans and relevant prescripts.	Monitoring of organizational performance and compliance against Annual Performance Plan targets. Implementation of remedial action where required.
	Monitoring and evaluating Departmental and SOCs Gender, Disability, Youth and Children (GDYC) Responsiveness Planning and Budgeting approach.	Gender, Disability, Youth and Children advancement within the South African Post Office.

4 SITUATIONAL ANALYSIS

Macro Analysis

Before the Covid-19 pandemic, the South African economy was already in a vulnerable state and facing significant socio-economic challenges related to unemployment, inequality, poverty, declining investment and stagnating economic growth. The advent of the Covid-19 pandemic exposed the depth of these challenges and accelerated the economy's decline to crisis levels.

According to the South African Reserve Bank (SARB), the economic effects of the crisis are extensive and advised that modest growth for 2021. Furthermore, recovery to pre-pandemic levels will take several years. While the Covid-19 pandemic severely harmed the economy, it has also presented South Africa with an opportunity to initiate a permanent break from the current challenges as outlined in the NDP. To this end, the South African Economic Reconstruction and Recovery plan intends to establish a new economy that adequately addresses the triple constraint of unemployment, inequality and poverty.

Postal Industry Trends

Globally, most postal operators are faced with the choices of continuing to operate in their current traditional role of conveyor of letters or transform their business model to ensure long-term viability. Several factors, including digital convergence and substitution, increasing competition, labour conditions, environmental impact, and evolving customer expectations drive the SA Post Office's need to modernize its business.

These trends show that, globally, the postal service industry has been undergoing a paradigm shift. It is transitioning from a relic of the industrial era to a facilitator of exchanges of goods and messages in the age of global Internet connectivity. This transformation is occurring in both areas of postal demand and supply. Therefore, Postal Operators find themselves at a critical juncture that requires a review of their role within society's various ecosystems and the economy.

Internal Organisational Analysis

With limited Government funding, the SA Post Office's financial recovery has not advanced as expected during the past few years. The decline of revenue persists and is primarily driven by changing customer behaviour, digitization and a slowing economy. Operating costs continue to escalate, with rising employee, fuel, property, and security costs being the primary driving forces of this trend. Consequently, over the last five years, costs have exceeded revenues. This has constrained cash flow and influenced the low investment in modernizing ageing infrastructure.

The rapid adoption of e-Commerce and digital technologies drives customer migration away from the SA Post Office. This trend further exacerbates the erosion of physical mail volumes and income generated. Furthermore, a significant concern for the organization is the number of existing customers indicating their intention to migrate to digital technologies within the next 12-18 months.

Currently, the SA Post Office is experiencing a negative operating cash flow and facing severe financial challenges, i.e. liabilities exceed assets. As a result, many challenges are facing the organization presently. The recent separation of Postbank without compensation from the SA Post Office is also another critical factor affecting the organization's going concern, solvency, and liquidity status. This is attributed to changes in the SA Post Office's balance sheet during the separation process. While the weak implementation of critical programs and projects and inadequate benefits realization further impede the organization's growth objectives.

4.1 PESTLE & SWOT ANALYSIS

▪ PESTLE Analysis

P Political	E Economic	S Social
<ul style="list-style-type: none"> • Rationalization of SOEs by DCDT. • Amendment of the Postal mandate to include digital services. • Turnaround of the SA Post Office. 	<ul style="list-style-type: none"> • Slow economic growth due to the Covid-19 pandemic with low growth projected for 2021. • SA Economic Recovery and Reconstruction plan set to provide new growth opportunities. 	<ul style="list-style-type: none"> • Consumers are increasingly shopping online. • High unemployment is driving a reduction in consumer spending.
T Technology	L Legal	E Environmental
<ul style="list-style-type: none"> • Increasing growth of online shopping. • Migration to cashless payment solutions such as digital wallets, etc. 	<ul style="list-style-type: none"> • Regulatory changes required due to mandate amendments. 	<ul style="list-style-type: none"> • Increasing attention to green technologies.

▪ SWOT Analysis

O Opportunities	T Threats
<ul style="list-style-type: none"> • Rationalization of SOEs by DCDT • Consumers are increasingly shopping online driving parcel demand • Migration to cashless payment solutions such as digital wallets, etc. 	<ul style="list-style-type: none"> • Increasing competition from private sector courier operators. • Increasing adoption of digital technologies by customers and businesses. • Increased adoption of cashless solutions

 Strengths	 Weaknesses
<ul style="list-style-type: none"> • A large number of customers remain motivated to utilize SA Post Office products and services • A vast physical network presence in rural and outlying areas • Shareholder commitment & support towards modernizing the organization • Pockets of high performing employees across the organization • One of the few South African organizations with existing platforms to support domestic and international distribution of goods, money and information • Well-positioned to support the government's developmental state objectives 	<ul style="list-style-type: none"> • High-fixed operating costs due to labour-intensive business processes. (Staff Properties Security) • Weak product management and development capabilities. • Low staff morale • Weak implementation ethos across the organization. • High vacancy rate, particularly critical skills and leadership stability • Organization instability related to service delivery • Low levels of staff training and development programs. • Weak employer of choice value proposition • Ageing infrastructure & workforce • Productivity standards are low across the organization due to and not limited to the chronic lack of tools of trade amongst other factors

5 THE VISION 2030 STRATEGY

The SA Post Office has established a paradigm-shifting long-term strategy named Vision 2030. This strategy repositions the SA Post Office as an intermediation platform at the apex of South Africa's digital and physical economies. Residing at the centre of these economies, enables the SA Post Office to effectively leverage its first- and last-mile advantage and contribute higher value to public, commercial and social activities.

Incremental by design and spanning several years, Vision 2030 transitions the organization from its traditional role of a conveyor of postal items to a modern organization catering the modern needs of society. Vision 2030 directs the activities of the SA Post Office towards becoming a trusted brand in the market.

This vision aims to ensure, by 2030, the SA Post Office brand is regarded as a strategic component to the government's national infrastructure.

Vision 2030 also positions the SA Post Office as a vital contributor to the NDP's social and economic development goals, particularly in low-income and under-serviced communities. To this end, Vision 2030 remains true to the SA Post Office's core purpose, which is to contribute to economic development, poverty alleviation, and the country's broader infrastructure. As a matter of priority, the organization ensures that disadvantaged communities and vulnerable citizens can conveniently access affordable products and services where they reside.

Thus the goal of Vision 2030 is to generate the following impact within society:

The SA Post Office will transform into a modern organization that enables customers to:

1. transact via a multi-channel platform, inclusive of an e-Commerce digital mall;
2. receive and process financial payments via a multi-method payment and financial gateway;
3. store goods via a national warehousing network;
4. send and receive physical items via a reliable and secure national distribution network;
5. Provide convenient and better access to government services.

This platform allows customers to use products and services individually or customize the product portfolio to suit their unique requirements. Adopting this new role allows the organization to serve the needs of a modernizing society more effectively.

The journey towards Vision 2030 requires the implementation of several activities which collectively produce the planned benefits of Vision 2030. For example, management will modernize the organization's business model, redesign its structural configuration, update its product/services portfolio and establish the capabilities needed for a modernized SA Post Office. The postal branch network is envisaged to serve as government's front-office to the nation. In collaboration with government, the SA Post Office will offer social grants and other payment services, motor vehicle license renewals, and identity card renewal services, amongst others. These services position the SA Post Office as the face of government in all communities throughout South Africa. In this regard, and via an incremental approach and spanning several

years, management will implement critical initiatives to complete the entire Vision 2030 strategy. This Corporate Plan FY2021/22 and subsequent plans will resolve the following core challenges facing the organization.

Corporate Plan Critical Success Factors

The successful implementation of this corporate plan is highly dependent on the resolution of several significant challenges:

1. Acquire funding so that all key initiatives are fully resourced.	2. Reduce fixed costs comprehensively and finally.	3. Eliminate organizational duplications and inefficiencies.	4. Provide opportunities to employees through upskilling and training programs.
5. Increase revenue growth and diversification by launching new products, services and solutions.	6. Improve customer experience by responding to the real needs of customers.	7. Rebuild the brand to be trusted in the marketplace.	8. Total employee engagement at all level.

The figure below provides a visual view of Vision 2030's organizational outcomes, strategies and implementation approach. The following sections discuss this strategic framework in further detail.

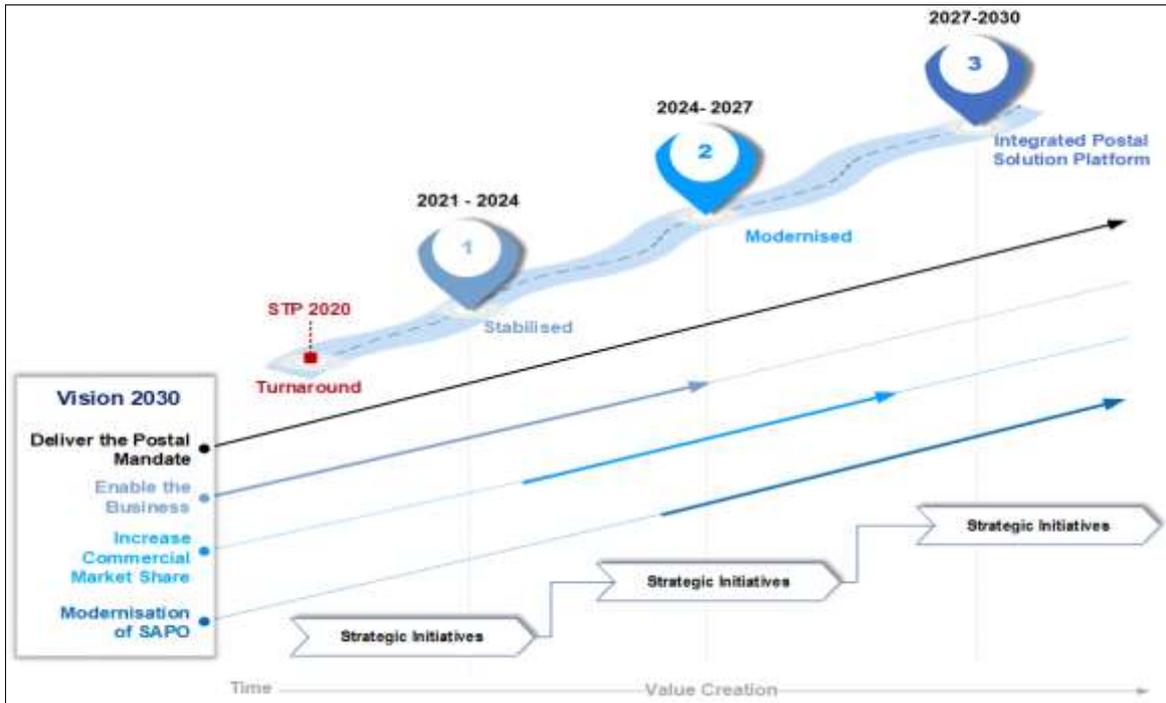


Figure 5-1: Vision 2030 Strategic Framework

As much as the figure above indicates that Vision 2030 occurs over a ten-year period, this timeline can be significantly reduced by ensuring that the resources required to turnaround and stabilize the organization and implement this Corporate Plan are made available. *Essentially, the next three years are critical to ensuring a faster realization of Vision 2030.*

6 CORPORATE STRATEGY FY2021 – FY2024

6.1 CORPORATE STRATEGIES

The table below provides an overview of the SA Post Office Corporate Plan structure. The impact statement describes the goal of Vision 2030, while the corporate strategies section guides the organization's journey towards Vision 2030. Outcomes are essentially strategic objectives that collectively contribute to realizing Vision 2030. Each outcome comprises a set of prioritized initiatives planned for implementation during this strategic cycle.

Corporate Plan Summary	
Impact Statement	The SA Post Office is a modern organization which enables customers to transact via a multi-channel platform, inclusive of an e-Commerce digital mall; receive and process financial payments via a multi-method payment and financial gateway; store goods via a national warehousing network; send and receive physical items via a reliable and secure national distribution network and conveniently access government services.
Corporate Strategies	<ol style="list-style-type: none"> 1. Delivering the Postal Mandate 2. Increase the SA Post Office Commercial Market Share 3. Modernizing The Sa Post Office 4. Enabling The Business
Strategic Outcomes	<ol style="list-style-type: none"> 1. Financial Sustainability 2. Optimized Assets and Infrastructure 3. Customers and Communities First 4. Efficient Systems and Processes 5. Digital Transformation 6. Culture of Excellence 7. Corporate Governance
Key Initiatives	See Corporate Strategy Implementation Plan FY21/22
Business Performance	See Annual Performance Plan and Shareholder compact FY21/22.

6.1.1 Delivering the Postal Mandate

As the designated postal operator, the SA Post Office must provide a universal, regular and affordable postal service to all areas of South Africa. Accordingly, several regulated targets are used to measure the SA Post Office' performance in this regard. '*Delivering the Postal Mandate*' focuses on improving the organization's efficiency and performance in delivering a basic postal service, as defined in the USO, to the nation from the current baseline.

Optimizing the efficiency of the postal value chain is vital to achieving this outcome. To this end, strategic initiatives which enhance the postal value chain will be implemented. Simultaneously, cost containment measures will be prioritized, and the issues related to tools and equipment, mail automation, IT systems, security deficiencies, and delivery will be addressed. The

optimization of the postal infrastructure network is currently underway and will improve adherence to the regulated delivery standards.

6.1.2 Increase SA Post Office's Commercial Market Share

The SA Post Office plans to grow the revenue generated from its commercial activities by strengthening its market position and increasing its share of the commercial market.

The following objectives contribute to these goals:

1. Improve the competitiveness of the organization's service delivery capabilities by resolving processing and delivery challenges, particularly in the parcels segment.
2. Stabilize and enhance key business capabilities and processes which support the selling, marketing and development of high-potential products. These capabilities will also be adequately capacitated to ensure the SA Post Office can competitively deliver its customer value proposition.
3. Enhance the customer experience by modernizing the customer services channels, including digital customer channels.
4. Accelerate the modernization of IT systems and infrastructure supporting core products, the parcel & financial value chain and critical back-office functions.

6.1.3 Modernizing the SA Post Office

SA Post Office's modernization strategy transitions the organization into a cyber-physical business that seamlessly integrates society's digital and physical activities. This requires a fundamental mind-set shift by all stakeholders as the SA Post Office's modernization is not limited to technology only. Rather it relates to modernizing the organization's business model, capabilities, operations, processes, and employee skills to operate in a modern manner. While digital transformation focuses on the renewal of existing technologies and launch new technologies that increase productivity, enable revenue diversification and strengthen the organization's market competitiveness. In support of the modernization of the SA Post Office, the DCDDT has started amending the Postal Mandate to include the provision of digital services and infrastructure.

Strengthening the Last Mile

Noting the organization's market positioning regarding its courier business segment, the modernization strategy's first goal is to strengthen the quality of services related to the organization's last-mile value chain activities. In this regard, several modernization initiatives are planned for the postal and logistics operations environment. The customer services department will undergo a total overhaul, systems will be upgraded, and additional staff will be made available to cope with customer demand.

The operations division will improve the delivery cycle time of parcel deliveries and enhance the tracking of customer shipments' from the point of origin to final delivery. Operations are currently developing an operational strategy to guide the activities related to the strengthening of the last mile services.

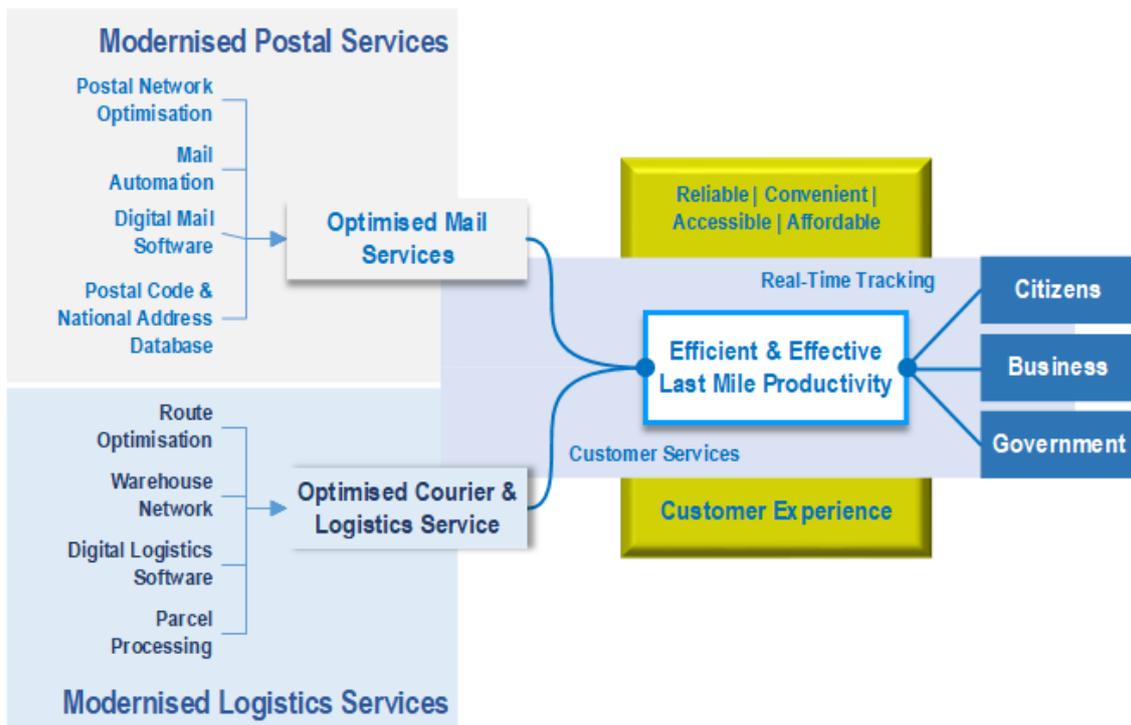


Figure 6-1: Strengthening the Last Mile

At the same time, emphasis will be placed on launching solutions that allow for the digitization of mail. It envisaged that digitized mail and parcel and financial transactional data will enable the organization to optimize its data analytic capabilities.

Digitizing Mail Services

The second goal of the SA Post Office modernization strategy is to enhance the inter-connectedness of its letter, financial and parcel physical platforms. In this regard, the integration and convergence of the organization's information technology (IT) and operational technology (OT) systems will be prioritized. Central to this activity relates to the connectivity enhancements of core resources, such as RFID's devices needed for tracking mail items during sorting and transportation activities, vehicle route tracking and mail automation technologies. The adequate connectivity of operational assets leads to improved data collection capabilities stored at a centralized data warehouse.

Simultaneously, the data warehouse will be integrated into a data analytics platform so that management can monitor their value chain processes better, improve the customer experience, increase employee productivity, enhance decision-making, and develop new products and revenue streams.



Apart from the above, the SA Post Office's modernization and digital transformation strategy intend to replace legacy systems with modern technologies. An additional key priority within this strategy is the launch of the Omni-channel and e-Commerce platforms. These initiatives aim to increase access to digital payment channels and enable online purchases from multiple retailers nationally. Also, the organization has established an online customer clearance functionality. The SA Post Office website now offers a real-time data exchange with airlines, with foreign clearance declaration partners. Also the

SA Post Office has established real-time data exchanges with other e-commerce international retailers and postal operators.

Modernizing the Workplace

The SA Post Office workplace will be more digitally connected, enabling employees to work, interact with each other and with customers more efficiently. The implementation of an Omni-channel platform contributes to enhancing the customer experience. Additionally, the SA Post Office will collaborate with customers to co-develop products and services within key customer segments.



Figure 6-2: Business Modernisation Outcomes

The organization's modernization and digital transformation are long-term in nature, requiring significant capital investment, access to skills and requisite resources including re- skilling of employees, and dedicated stakeholder commitment. Thus the modernization of the SA Post Office occurs via a staged implementation approach. This approach allows management to assess that benefits are being realized as planned, make adjustments to the modernization strategy and provide time for staff and the organization's culture to adjust to changes. Several initiatives will be implemented over the next ten years. Some initiatives contribute to products and services, others focusing on driving operational efficiencies throughout the organization, while some reposition the organization for the future.

6.1.4 Enabling The Business

A stabilized and efficiently operating business is critical to achieving the strategic outcomes mentioned above. Therefore, resolving the organization's financial and operational stability crisis is a foremost priority for management. The '*enable the business*' strategy is internally focused and addresses the critical functional challenges contributing to the organizations financial and operational instabilities.

It must be noted that this focus area requires significant resources, investment, and effort to rebuild the organization's infrastructure at a foundational level. Importantly, this focus area can be regarded as '*1. Back to Basics and 2. Get the Basics Right*'

The SA Post Office will be optimized for long-term sustainability. This requires the organization to achieve higher productivity at lower costs. To this end, the organization's current operating model, organizational structure, business processes and workflows, systems, employee capabilities and skills, job roles and responsibilities and corporate culture will be assessed and revised as required.

Recognizing technology's strategic role in organizational success in a digitized economy, the SA Post Office will produce a technology roadmap to leverage critical technologies across its products, services and operations. The technology roadmap will also articulate how technology will be utilized for revenue opportunities, enter new markets, and attract new customers. Collaboration with DCDT SOC's such and industry provides opportunities to fast-track its digital transformation objectives.

The postal value chain is responsible for the reliable, secure and convenient delivery of mail items. However, high costs within the value chain will be addressed during this strategic cycle to ensure that the postal value chain operates optimally at acceptable cost levels.

In this regard, the postal network will be rebalanced through the centralization and consolidation of post offices and sorting centres, increased automation of machineable mail and optimized sequencing of mail down to delivery route level. These activities will, in turn, drive the optimization of delivery routes and delivery schedules, allowing for flexibility in e-Commerce deliveries, which is different from traditional mail delivery models. Also, the national address database will be upgraded while the postal code methodology will be modernized. Additionally, technologies, such as hybrid mail, enabling the digitizing of mail processing will provide opportunities to reduce sorting and transportation costs.

Several support services which are vital to the efficient functioning of the organization will be optimized. For example, Supply Chain Management procurement processes will be enhanced to accelerate the sourcing of goods and services, business operations, and optimized selling of products.

The severe under-resourcing of the organization will also be addressed during this financial year via the filling of critical vacancies; an enterprise-wide staff skills audit, crewing and redeployment exercise will also be conducted. Also, The feasibility of voluntary severance packages and early retirement are avenues being explored.

The SA Post Office will embark on a skills development program to enhance the skillsets of the organization. Also under consideration is the revision of the organization's remuneration model to ensure the company is positioned to attract and retain skills much-needed to realize Vision 2030.

Change management specialists will assist staff and the broader organization to cope with the disruptions emanating from the implementation of Vision 2030. These specialists will also drive the embedding of an organizational culture commensurate with a modern organization that prioritizes higher productivity and efficiency.

6.2 STRATEGIC OUTCOMES

There are several outcomes anticipated from the successful implementation of the four strategies discussed in the previous section. The initiatives indicated for each outcome will be implemented during this 3-year strategic cycle, FY20/21 – FY23/24.

6.2.1 Outcome 1: Financial Sustainability

This outcome aims to improve the profitability and financial sustainability of the organization. It comprises of four objectives,

1. Maintain existing revenues,
2. Revenue growth
3. Develop new revenue streams, and
4. Reduce costs.

Outcome Statement	Achieve a positive net financial and cash position to ensure the fulfilment of the organization's commitments.
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1. Revenue Retention and Growth

The sales division plans to prioritize customer retention by enhancing existing products and services with digital value-added features. For example, within the Postal Services, the e-Box solution's launch complements the physical post-box with a digital version inclusive of e-mail services. The digital post-box solution will also attract new customers who prefer a digital post-box over a physical post-box. The Philately and Sales departments are collaborating to launch a sales initiative related to Mandela stamps during this financial year. However, this initiative's launch is dependent on the resolution of legal challenges with the service provider.

Of particular focus for the organization is customer retention. To this end, dedicated account managers and Senior Managers have been assigned to existing customers. Account managers are also tasked with cross-selling and up-selling on existing and new products and services to customers. In this regard, sales have adopted a revenue share partnership model that does not require the SA Post Office to commit upfront investments. The investments are provided by partners who recuperate their investments from product sales.

Considering the organization's financial crisis, these partnerships regarded as critical to the financing of strategic projects and increasing revenues. The partnership model and subsequent proof of concept agreements were approved as per the prescribed legislative framework. These strategic partnerships are envisaged to strengthen and diversify revenue lines, stabilize the business and drive the modernization of the organization.

In addition, several new products and services will be launched, which will create alternative revenue streams. It is expected that these new products and services will lower the organization's reliance on traditional revenue streams.

Revenue growth is expected from the organization's logistics and courier product line. Specifically from warehousing and distribution services related to chronic medication distribution, DTT decoders and freight forwarding (Bonded warehouses). Management launched a co-loading initiative to reduce cost and offset the mail, parcel, and freight declining volumes. Currently, the co-loading

initiative is active between the DBN-JHB, DBN-CTN, CTN-BFN, BFN-UPT transport Linehaul routes. This initiative has provided about R500k benefits for the SA Post Office to date. Also, the Logistics unit is exploring the feasibility of expanding these co-loading partnerships with several other logistics operators throughout the country.

Digital services will create new revenue streams that include Digital Advertising and Digital Retailing services and via, but not limited to, the e-Commerce digital mall, which is expected to drive parcel volume and revenue growth. To this end, the SA Post Office is engaging with several logistics providers and prominent marketplaces to leverage physical infrastructure whilst maintaining seamless integration from a customer experience perspective.

Regarding Financial Services, the in-store Bill Payments channel will be augmented with an online Bill Payment channel and will include various value-added services such as SMS notification, etc. Currently, the SA Post Office have a payments capability almost equivalent to the National Payment System at a technical level; however, this network will be implemented as part of the broader Infrastructure as a Service program.

Also planned is adding new products to the financial product portfolio, such as Medical Insurance, General Insurance and Cashless solutions.

One of this financial year's critical revenue priority is the finalization of the registration & distribution process by SAPO of the Subsidized BDM Program. Regional Operations and Logistics will accelerate the registration and distribution of STB decoders nationally. The completion of this program is scheduled for conclusion by December 2021 and occurs over two phases:

Phase 1: Completion of Phase 1 of the BDM Project (Depletion of remaining 860 STB kits on-hand at SAPO) by 30 September 2021.

Phase 2: Completion of the DTT Voucher Program by 31 December 2021.

The Government services portfolio will be expanded to include issuing identity documents, passports and various government-issued certificates such as birth certificates. MVL terminals will be increased at high-volume branches and in other high potential areas as well. A digital/online MVL payment system is

being explored for implementation as part of the initiatives to digitize this service. Messenger services are planned for upgrading parcels delivered to the counter and MVL customers. At the same time, work is also currently underway to modernize the Virtual Post Office.

The leveraging of the properties portfolio, such as vacant buildings, excess space, and cell tower mast space, is a high-potential segment that drives property rental revenue growth. A list of non-core properties has been compiled, and, upon approval, these properties will be sold to reduce the holding costs.

Refurbishment and maintenance budgets are also needed for excess space to ensure adequate security and separate access are in place before it can be made available to potential tenants. Cell tower mast-space rentals is currently in the implementation phase, to create additional revenue stream. Regarding revenue generation from mixed development properties, management is exploring feasible revenue options.

Specific marketing campaigns also support the revenue program discussed above. These programs will utilize multiple media platforms to create awareness among customers about its new products and services. The SA Post Office has also identified various properties for sale and debt and tax recovery benefits, contributing to the organization's cash flow needs.

Focus Area	Description
Courier & Logistics	Ecommerce Parcels CCMDD/NHI Chronic Medication Linehaul optimisation Bonded warehouse Linehaul Co-loading Signature Mail (CN 22 and co-branding on the documents) Covid-19 vaccine distribution Warehousing and Distribution services for SMMEs and Logistics Operators
Digital Services	Indoor advertising through HD televisions Indoor Advertising (Indoor/Outdoor) Ecommerce Digital Mall Cashless solutions

Focus Area	Description	
Financial Services	Bill Payment/VAS DTT – Unsubsidized market DTT – Subsidized market	Life License Insurance Motor Vehicle License counter expansion Government Services Medical insurance
Postal Services	SAPO -(e-Box Solution) E-mail for life Mandela Stamp Sales Post-box Revenue	

2. Cost Optimization and Reduction

The following cost reduction initiatives have been identified:

Focus Area	Description
Supplier Contract Management	Review and optimization of contracts Commercialization of leases
SASSA Operations	Reduce SASSA fraud

In addition to the above, further cost reductions will be realized from initiatives that improve the organization's functioning. These initiatives impact various functional areas of the organization and are discussed in the following outcomes.

6.2.2 Outcome 2: Optimized Assets and Infrastructure

The SA Post Office infrastructure is a crucial asset to service delivery and financial sustainability. In this regard, the components comprising this infrastructure must operate efficiently to maximize customer value and ensure market competitiveness.

Outcome Statement	Modernize company-owned infrastructure, assets and properties to enhance the return on assets and infrastructure
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The SA Post Office infrastructure and underlying components will be enhanced to

1. Strengthen the organization's competitiveness,
2. Improve letter and parcel delivery standards,

3. Enhance POS transactional performance and
4. Reduce infrastructure costs.

Leveraging the Property Portfolio

The SA Post Office property portfolio is identified as an area that can provide several financial benefits to the organization. Several plans are in the process of being finalized. Some of the programs include selling non-core buildings to alleviate the organization's near- to medium-term cash flow challenges. Simultaneously, some buildings are earmarked for leasing to the market, thereby providing opportunities to expand the business's rental revenue segment. These are planned for approval during the first and second quarters of the financial year, with implementation occurring in the latter half of the year.

Focus Area	Description
Enterprise Operations	Optimize Tools of Trade for all divisions Rationalize Inventory Decentralize SCM Warehouses
Postal Operations	Distribution Network Optimization (Rebalancing branches, mail centres, delivery hubs and depots)
Logistics Operations	Prioritize domestic and international parcel deliveries Elevate the role of SAPO as the Hub in Africa through the implementation of the ecomm@africa.com initiative
Branch Operations	Revised Branch Product Mix Enhance branch security and staff safety (Cash Protection Devices, Multiple Time Delay Safes, Alarm Monitoring & Response)
Property Optimization	Disposal of non-core Properties (86) Renting out of vacant buildings and excess space Masts Space Rental Mixed-Use Developments Telkom Utilities & masts cost recovery Optimise water and energy, rates and taxes costs Smart Meter installations Relocation of staff and operations back to SAPO Owned Properties Properties Maintenance and Refurbishment Establish regional SCM warehouse network
Environmental Sustainability	Streamline waste and create an income stream

Focus Area	Description
Smart Post Office	Provide upgrade infrastructure required by the Smart Post Office project

6.2.3 Outcome 3: Customers and Communities First

First and foremost, the SA Post Office core purpose is to ensure that all citizens can partake in the economy and derive its benefits. Therefore the mission of the SA Post Office is articulated in the Postal Universal Service Obligation and can be summarised as:

Ensuring a uniform, convenient, affordable, secure and reliable movement of letters, goods and money services to all citizens in all communities.

Apart from ensuring the national fulfilment of the USO, South Africa's socio-economic context mandates the SA Post Office to ensure the availability of its services in lower-income, disadvantaged communities and vulnerable individuals, irrespective of whether it is financially sustainable to do so.

Outcome Statement	<ol style="list-style-type: none"> 1. Enhance the customer experience at all points of presence through effective delivery of services, including government services, to all communities. 2. Strengthen Stakeholder Relationships
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Within this context, the SA Post Office will:

1. Improve customer support services;
2. Enhance the delivery of government services;
3. Strengthen its stakeholder's relationships;
4. Contribute to Local Economic Development.

The following initiatives are planned

Focus Area	Description
Customer Experience	Customer Services Call Centre Infrastructure and Software upgrade Cleanliness of points of presence Improved customer service with shorter waiting times Prioritize Domestic and International Parcel Deliveries
Local Supplier Development	Appoint a supplier development resource per region

Focus Area	Description
Enhance the resolution of customer complaints	Customer complaints resolved within 7 days. Related to international parcels and the offices of exchange.
Marketing and Communication Campaigns	Increase marketing and communications to the public and employees. Brand Enhancement and Management
CSI Programs	Implement a CSI program of initiatives
Enhance Postal industry participation	Ensure effective SAPO participation in all relevant international organisations ; SAPOA,SADC,PAPU,IPC,UPU
Enhance Government Relations	Strengthen Stakeholder engagement with National, Provincial, Local government and other SOC's
SASSA Operations	Resolve challenges within the SASSA operational environment <ul style="list-style-type: none"> • Cash Pay Point Model • SASSA Invoicing and payments (Beneficiary and SRD) • SASSA CIT Recoveries • Efficient cash ordering

6.2.4 Outcome 4: Efficient Systems and Processes

The SA Post Office views business processes and underlying systems as the vehicle that delivers its products and services, creating customer value and contributing to profitability. The integrated nature of these processes collectively make-up the organization's value chain. It is understood that the implementation of the corporate strategy occurs in the value chain, making this outcome vital to the success of the SA Post Office strategic endeavours.

Outcome Statement	Optimize core business processes and systems which stabilize the business and enhance the efficient operating of the organization
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This outcome prioritizes increasing the efficiency and productivity of business processes related to:

1. Product Sales, Marketing and Management,
2. Letter and Parcel operations,
3. Core Support Services.

Focus Area	Description
Sales	<ul style="list-style-type: none"> Establish a new Sales Model (Hunter/Farmer) Product Lifecycle management Development of Products and Services Product Pricing & Profitability Management Establish a digital marketing capability
Enhance Branch operations	<ul style="list-style-type: none"> Improve Branch Cash Management Queue Management Monitor the performance and recovery of high revenue branches Cash reconciliations to be done at all post office branches Increase availability of stamps inventory at branches Adopt a Branch Return/deposit of excess cash
Postal Operations	<ul style="list-style-type: none"> Geospatial Addressing National Address Database upgrade Postal Code modernisation Increase mail sorted on machines. Modernize letter sorting machines Utilize UPU technology platforms Reduce backlogs at all processing centres and International mail centres
Logistics Operations	<ul style="list-style-type: none"> Develop a parcel delivery model for the e-commerce market Vehicle tracking Online POD and Payment
Enterprise Support Service Operations	<ul style="list-style-type: none"> Automate HR self-service Automate HR back-office processes Automate Procure-to-Pay process Implement Strategic Sourcing Implement local procurement of various commodities
Enhance Strategic Planning business performance	<ul style="list-style-type: none"> Improve Strategic Planning within divisions Improve Business Case quality
Project Planning and Implementation	<ul style="list-style-type: none"> Improve the speed of implementation and governance on Strategic projects Implement an Agile Group Project Management Process Framework
Business and Employee Performance Management	<ul style="list-style-type: none"> Implement a Business Performance Management IT solution Roll-out of strategy aligned performance management agreements to all employees

Several initiatives contribute to the objectives above and are discussed in the functional strategies section that follows. At the same time, the most critical initiatives for this outcome are summarised in the table above.

Declining letter mail volumes is driving an erosion in revenue. As a result, the cost of operating the postal infrastructure is becoming a significant challenge. The prevailing cost-saving measures and weakened operations impact the effective delivery of services, as per regulated targets and service level agreements. So initiatives that promote operational efficiencies and reduce high costs are prioritized and supported with adequate funding and resources. Though not limited to, management will address functional tools, mail automation, IT systems, security deficiencies, and letter and parcel delivery challenges.

6.2.5 Outcome 5: Business Modernization and Digital Transformation

The SA Post Office has embarked on modernizing its business which transitions the organization into an Integrated Postal Service Provider. This requires the organization to become a cyber-physical entity effectively leveraging technologies and operating in a modernized manner. Ultimately, the SA Post Office aims to be more competitive and reposition itself in the market, located at the apex's physical and digital economies.

This requires the SA Post Office to:

1. Redesign its business model,
2. Restructure the organization,
3. Implement an Omni-channel Platform,
4. Digitally connect physical postal assets to a central analytics warehouse,
5. Enhance system integration with supplier and customer systems, and
6. Modernize core technologies and IT infrastructure.

The modernization program's complex nature informs the decision to use a staged implementation approach, with each stage building on the next. Central to this program is developing a transformation roadmap to ensure strategic alignment and collaboration of all divisions internally and the broader stakeholder community. The modernization of the SA Post Office is envisaged to improve its relevance, be more competitive in the market and, deliver on its public service mandates sustainably. It should be noted that the modernization program could potentially be delayed due to the financial crisis facing the

organization. Meaning the organization must be stabilized in its current form first before the modernization program can be accelerated.

Focus Area	Description
Business Modernization Strategy	Develop a corporate strategy specifically for the modernization of the organization. This includes a Digital Transformation strategy and technology roadmap Develop and Fund business cases emanating from this strategy Pay-to-Use Infrastructure Licencing Framework
Organizational Restructuring	Review SAPO business model and group structure Redesign the Organisation's operating model and organizational structure Launch a branch franchising model to reduce post office branch operating costs, increased quality of services and customer services Launch an owner-driver business model Delayer Structure
Logistics Operations	End-to-end domestic and international tracking and functionality from a customer perspective will be optimized.
Branch Operations	Upgrade the POS hardware as per the organization's version N-1 principle.
Enterprise Technology Services	Data centre infrastructure refresh IT Architecture Refresh (Physical Blueprint) IT Software and Application refresh Physical building refresh supporting IT Refresh. Implementation of a SAPO DR environment for SAPO Datacentre
Government Services	Procurement and implementation of E-Government Services Infrastructure and Software
Smart Post Office	Pilot Smart Post Office concept
Partner Collaboration	Digital partnerships Establish DCDT SOC, SITA and SA Post Office collaboration framework
Digital Platform Solutions	Implement enterprise application platform (Omni-channel) E-Commerce Platform (e-Mall)

6.2.6 Outcome 6: Culture of Excellence

The Corporate Strategies discussed in section 6.1, ensures that the SA Post Office delivers its public service obligations, repositions the company and enhances its competitiveness in the market and is modernized. These goals enable the SA Post Office to radically improve its efficiency and effectiveness, leading to higher value-creation within society.

A consequence of these corporate strategies is the significant changes occurring across the enterprise and, the impact of these changes to the current organizational culture. Therefore, the SA Post Office will pay a particular intention to its organizational culture to ensure that strategic benefits are embedded and sustained within the organization.

To this end, the outcome 'Culture of Excellence' establishes an organizational culture that strives for excellence. The culture of excellence enables employees to regard themselves as brand ambassadors and proudly deliver a satisfactory customer experience internally and to the public, every day.

Outcome Statement	Enhance the organizational culture and high performing and engaged workforce
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The key elements comprising this outcome are:

1. Ensure consistent internal communications;
2. Provide a decent and conducive working environment;
3. Ensure the right person, with the right skills, is in the correct position,
4. Developing employee capabilities and skills
5. Attract, retain and grow talent,
6. Ensuring that the workforce rightsized to match operational demands and performance is measured,
7. Strengthen the leadership of the organization.
8. Ensure that employees are prepared to deal with organizational change.

The following initiatives contribute to this outcome:

Focus Area	Description
Workforce Optimization	An enterprise-wide workforce optimization program will be implemented during this strategic cycle. Key outcomes anticipated are the reskilling of staff, redeployment of staff, and acquisition of new skills amongst others Voluntary severance packages (over 50) Early Retirement program (1000)

Focus Area	Description
Culture change program	Implement a culture change program to embed a culture which enables individuals to increase their productivity, be engaged and committed to better organizational performance, higher efficiency and improve customer centricity and service levels.
Employee Performance Agreements	Roll-out of strategy aligned performance management agreements to all employees
Staff Crewing and Redeployment	Finalize the crewing models for all business units Implement the redeployment policy for under-staffed areas
Training and Development	OHSA/Fire-fighting SSC Owner drivers project Motorbike licences: Mail staff Teller and BM
Critical vacancies	All divisions
Reward, recognition and remuneration	Performance pay Variable pay Recognition scheme Sale Remuneration Model - The sales remuneration policy linked to performance targets and the sales structure is currently under review for approval.
Strengthen Labour Relations	Conversion of remaining PPTE (20%) to full time
Employee verification	Staff audit on SAP HR system
Improve B-BBEE Level	Re-Establish a learning institute

6.2.7 Outcome 7: Corporate Governance

The SA Post Office defines Corporate Governance as the system, principles and processes by which the organization, through ethical and effective leadership and management, is directed and controlled. The organization's Corporate Governance Framework provides the structure through which the organization's governance objectives are set and how attaining those objectives are made available/provided, and results are proactively monitored. This framework focuses on enhancing the organization's six core assets, i.e.,

Financial Prudence, Service Provision, Institutional Intelligence, Human Capital, Stakeholder relationships and Natural Environment.

These assets are foundational to the SA Post Office business model due to their influence on the organization's choice of product portfolio, customer segments, operational efficiencies, and the ability to deliver value to society effectively. Importantly, these assets are fundamental to the organization's positioning and competitiveness in the marketplace.

Outcome Statement	Enhance adherence to corporate governance standards across the organization
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The SA Post Office Corporate Governance Framework works towards achieving the following corporate governance outcomes:

1. Ethical Culture,
2. Adequate & Effective controls,
3. Trust,
4. Good Governance,
5. Compliance.

Focus Area	Description
Enterprise Corporate Policy	Establish an enterprise corporate governance policy that meets the modern corporate governance trends
Postal Policy Amendments	Contribute and finalize the amendments to the Postal Act
Reserved Area Regulations and Monitoring	Enhance regulatory oversight of the reserved postal services
Internal Audit and Auditor General Findings	Ensure that by Financial Year-end at least 90% of findings (where a due date was reached) are resolved.
Ethics awareness programme	Implement and maintain the ethics awareness programme across all sectors of the SA Post Office organization
SCM Policy Adherence	Adherence to the procurement policies of the SA Post Office Compliance to governance principles

Accountability Management	Effective consequence management for financial misconduct transgressions in a consistent and timely manner without discrimination
Compliance to OHSA	Ensure workplace compliance
Corporate Governance Training	Training on governance principles

The next section outlines the performance measurements and targets – Annual Performance Plan - adopted for this financial year. Followed by a section discussing the financial objectives, revenue and cost forecasts and the organization's projected financial position at the end of 31 March 2022.

7 ANNUAL PERFORMANCE PLAN

No.	Corporate Key Performance Indicators	Quarterly Targets				Annual target 2021/22	Annual target 2022/23	Annual target 2023/24
		Q1	Q2	Q3	Q4			
Strategic Outcome 1: Financial Sustainability								
1.1	Attain the planned revenue target	100%	100%	100%	100%	100%	100%	100%
1.2	Attain the planned expense budget	100%	100%	100%	100%	100%	100%	100%
Strategic Outcome 2: Optimized Assets and Infrastructure								
2.1	Implement security upgrades and install equipment items at Post Office branches and Mail Centres	870	570	120	120	1680	397	No target
2.2	Optimisation of the Property Infrastructure portfolio	R5m	R21m	R147m	R92m	R265m	R86m	R101m
Strategic Outcome 3: Customer and Communities First								
3.1	Resolution of customer complaints recorded at the call centre within 7 days	100%	100%	100%	100%	100%	100%	100%
3.2	Improve customer satisfaction	Implement corrective actions for 25% of survey findings	Upgrade Customer Call centre	Implement corrective actions for 25% of survey findings	Implement corrective actions for 25% of survey findings	Achieve 75% customer satisfaction level	Achieve 80% customer satisfaction level	Achieve 85% customer satisfaction level
Strategic Outcome 4: Efficient Systems & Processes								
4.1	Achieve the regulated Mail Delivery standard	92%	92%	92%	92%	92%	92%	92%
4.2	Maintain system uptime at online Post Office branches	98%	98%	98%	98%	98%	98%	98%
4.3	Rollout of IPS equipment	100%	-	-	-	100%	No target	No target
Strategic Outcome 5: Digital Transformation								
5.1	Automation of Mail Centres	25%	50%	75%	100%	100%	No target	No target

No.	Corporate Key Performance Indicators	Quarterly Targets				Annual target 2021/22	Annual target 2022/23	Annual target 2023/24
		Q1	Q2	Q3	Q4			
5.2	Launch digital solutions for products and services	No target	No target	1	1	2	4	4
5.3	Implement Omni-channel platform	25%	50%	100%	-	100%	No target	No target
Strategic Outcome 6: Culture of Excellence								
6.1	Improve Employee satisfaction	Implement corrective actions for 25% of survey findings	Implement corrective actions for 25% of survey findings	Implement corrective actions for 25% of survey findings	Implement corrective actions for 25% of survey findings	Achieve 70% employee satisfaction level	Achieve 75% employee satisfaction level	Achieve 80% employee satisfaction level
6.2	Improve productivity levels	Analysis & development of productivity factors	Implement the productivity measurement model	Implement productivity monitoring	Implement productivity monitoring	Achieve 80% Productivity	Achieve 90% Productivity	Achieve 100% Productivity
6.3	Implement BU strategic initiatives	25%	50%	75%	100%	100%	100%	100%
Strategic Outcome 7: Corporate Governance								
7.1	Improve the Audit Outcome	25% of the material audit findings resolved	50% of the material audit findings resolved	90% of the material audit findings resolved	100% of the material audit findings resolved	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion
7.2	Provide inputs to the amendments of Postal Legislation (SAPO Act, Postal Services Act, Postbank Act, 4IR)	No target	Inputs Submitted to Shareholder	No target	No target	Inputs Submitted to Shareholder	No target	No target

8 FINANCIAL PLAN FOR 2021/2022 TO 2023/2024

SAPO Financial overview

The COVID-19 pandemic and the subsequent lockdowns have resulted in a slowdown in SAPO's business activities with extremely low revenue levels for the ten months ending 31 January 2021. Resulting in a fifty percent reduction in postal services revenue. The ten months' loss for the period ending 31 January 2021 was R2,1 billion; with a projected loss of R2,5 billion for the 2020/2021 financial year.

SAPO financial position was dire prior to COVID-19 pandemic which has been exacerbated by the impact of the COVID-19 pandemic.

The Turnaround Plan developed in July 2020 is a short-term plan and projected a loss of R1,9 billion for the 2020/2021 financial year. For the plan's targets to be achieved, the revenue and cost reduction initiatives were required to be implemented from October 2020. However, the revenue initiatives are still in the proof of concept (POC) stage, whilst some of these revenue initiatives have not yet been implemented.

SAPO's cash flow position is dire, as creditors, medical aid contributions, pension fund contributions and SARS obligations remained unpaid and will continue not to be paid unless urgent financial assistance is provided.

Sourcing of external funding will require SAPO to demonstrate the ability to pay the interest costs and repay the capital costs. Furthermore, a significant portion of the funding will be utilised for historical debts. For SAPO to be able to demonstrate to funders that the company can repay both the capital and interest advanced to it, it will have to develop a medium term aggressive turnaround strategy which clearly demonstrates by when does the company breaks even and by when it starts to make profits. This turnaround plan should be anchored on clear revenue generation initiatives supported by solid business cases.

SAPO is currently in distress and it is critical for ALL to realize that we are facing a difficult situation and will likely require tough decisions to be made. A holistic review of SAPO operating model / operations needs to be undertaken and SAPO strategy needs to be adapted or evolved.

Income Statement

Budgetary assumptions for revenue:

- Postal services contributions of 63% in 2019/20 financial year will reduce to a projected 47% in the 2020/2021 financial year.
- The reduction in postal services volumes has been accelerated by the impact of the COVID-19 pandemic.
- If the revenue levels of 2020/2021 financial year continue during the MTEF period, the budgeted losses will further increase by R1,3 billion.
- DTT project includes budget of R219 million for the 2021/2022 financial year.
- Budgets includes revenue tariff increase of 5%.
- MTEF allocations to fund the public service mandate (excludes VAT).
 - 2021/2022 FY - R438 million
 - 2022/2023 FY - R452 million
 - 2023/2024 FY - R456 million

Budgetary assumptions for expenses:

- Expenses have continued to exceed revenue resulting in continued losses which is not sustainable.
- Staff, property, transport, security and information technology costs are the primary costs drivers.
- Inflationary increase of 5%

Net loss position remains unfunded as per the summary below highlighted in scenario 1:

- 2020/2021 FY - R2,5 billion
- 2021/2022 FY - R1,5 billion
- 2022/2023 FY - R561 million
- 2023/2024 FY - R139 million

8.1 INCOME STATEMENT

SA Post Office excluding Postbank (R'000)	Actuals 2019/20	Forecast 2020/2021	Budget 2021/2022	Budget 2022/2023	Budget 2023/2024
Revenue	4,322,159	3,353,128	4,811,792	5,672,672	6,346,264
Postal Services revenue	2,735,252	1,571,382	2,872,746	3,016,383	3,167,202
Courier & Parcels revenue	110,296	37,277	147,899	605,294	836,353
Financial Services revenue	1,164,265	1,387,098	1,514,921	1,558,217	1,667,292
Interest revenue	102,228	13,223	14,563	15,291	16,056
Digital revenue	241	44,735	36,940	128,787	230,727
Property revenue	133,469	165,295	162,525	233,391	260,060
Sundry revenue	76,407	134,119	62,198	115,308	168,574
Expenses	6,701,546	6,366,412	6,912,362	6,823,980	7,086,879
Staff expenses	3,870,935	3,843,777	4,131,873	4,078,467	4,195,390
Transport expenses	296,083	237,322	308,235	263,647	279,829
Property expenses	322,526	657,996	727,736	718,123	756,329
IT expenses	273,173	420,130	444,314	438,530	461,856
Security services	829,684	581,597	636,762	628,600	662,030
Other operating expenses	1,109,145	625,591	663,442	696,614	731,445
Operating (loss) / profit	(2,379,388)	(3,013,284)	(2,100,570)	(1,151,308)	(740,615)
Subsidy	413,790	427,888	438,407	451,542	455,887
Transfer pricing	195,839	132,751	132,290	138,905	145,850
Net profit / (loss) before tax	(1,769,758)	(2,452,646)	(1,529,873)	(560,862)	(138,879)
Taxation	-	-	-	-	-
Net profit / (loss) after tax	(1,769,758)	(2,452,646)	(1,529,873)	(560,862)	(138,879)

Figure 8-1: SA Post Office Income Statement (Excludes Postbank)

8.2 STATEMENT OF FINANCIAL POSITION AND CASH FLOW

The salient points:

- Non- current assets include the investment of R3,5 billion in Postbank
- Reduce capex budgeted due to cash flow challenges
 - 2021/2022 FY - R130 million
 - 2022/2023 FY - R160 million
 - 2023/2024 FY - R192 million
- The continued losses increase the accumulated loss.
- The cash flow challenges and the unfunded losses results in negative cash and cash equivalents.

SA Post Office (R'000)	2020	2021	2022	2023	2024
	Actuals	Forecast	Budget	Budget	Budget
Non current assets	7,483,504	7,452,550	7,680,352	7,973,195	8,327,818
Current assets	1,704,663	1,732,909	1,764,518	1,797,158	1,830,875
Cash and cash equivalents	1,784,551	6,290	(2,086,657)	(3,040,688)	(3,514,452)
	10,972,718	9,191,748	7,358,213	6,729,665	6,644,242
Share capital	8,164,116	8,164,116	8,164,116	8,164,116	8,164,116
Reserves	1,569,466	1,569,466	1,569,466	1,569,466	1,569,466
Accumulated loss	(6,073,041)	(8,525,687)	(10,055,559)	(10,616,422)	(10,755,300)
Non current liabilities	2,356,015	1,996,258	1,941,967	1,912,653	1,904,253
Current liabilities	4,956,163	5,987,596	5,738,223	5,699,851	5,761,707
	10,972,718	9,191,748	7,358,213	6,729,665	6,644,242

Figure 8-2: SA Post Office Statement of Financial Position (Excludes Postbank)

SA Post Office (R'000)	2020	2021	2022	2023	2024
	Actuals	Forecast	Budget	Budget	Budget
Cash flows from operating activities	(3,979,457)	(1,771,801)	(1,956,271)	(798,388)	(287,459)
Cash (used) generated in/from operations	(4,057,872)	(1,777,815)	(1,965,388)	(807,962)	(297,511)
Interest income	102,228	13,223	14,563	15,291	16,056
Interest paid	(23,814)	(7,209)	(5,446)	(5,718)	(6,004)
Cash flows from investing activities	(48,191)	(50,731)	(147,744)	(178,885)	(211,872)
Purchase of property, plant and equipment	(41,734)	(28,455)	(113,820)	(142,275)	(170,730)
Purchase of other intangible assets	-	(5,402)	(16,206)	(18,007)	(21,608)
Net movement in financial assets	(6,457)	(16,874)	(17,717)	(18,603)	(19,533)
Cash flows from financing activities	(355,181)	44,271	11,068	23,242	25,567
Recapitalisation funds	-	-	-	-	-
Proceeds from term loans	-	-	-	-	-
Movement in funds collected for third parties	(355,181)	44,271	11,068	23,242	25,567
Total cash movement for the year	(4,382,829)	(1,778,261)	(2,092,947)	(954,031)	(473,764)
Cash at the beginning of the year	6,167,380	1,784,551	6,290	(2,086,657)	(3,040,688)
	1,784,551	6,290	(2,086,657)	(3,040,688)	(3,514,452)

Figure 8-3: SA Post Office Statement of Financial Position (Excludes Postbank)

Borrowings

Currently, the SA Post Office has no borrowings and term loans will be required to fund the SA Post Office's Capex projects and increased liabilities. Capex projects that generate positive cash flows, revenue and reduce expenses will be prioritised.

The SA Post Office will embark on a process to source funding in conjunction with the DCDT and National Treasury.

Dividend Policy

The company's dividend policy considers an interim and a final dividend in respect of each financial year. Depending on the need to retain funds for expansion or operating purposes, the board of directors may pass a resolution for the payment of dividends, subject to the SA Post Office Memorandum of Incorporation (MOI) provisions. There are no dividends contemplated in this corporate plan.

8.3 CAPEX FINANCIAL PLAN

The critical projects identified for implementation during FY2021/22 to 2023/24FY are indicated in the table below.

No	Project	Business Unit	CAPEX - R'000			
			2021/2022 Budget	2022/2023 Budget	2023/2024 Budget	Total Budget
1	Courier Solution (IPS)	Operations	35,000	0	0	45,000
2	Branch Hardware Replacement (POS)	Operations	60,000	40,000	50,000	150,000
3	Hybrid Mail Printers	Operations	0	40,000	40,000	80,000
4	Security Infrastructure Upgrade Phase 2	Operations	142,000	0	0	142,000
5	Property - Maintenance backlog including 3 smart Post Offices	Operations	200,000	250,000	300,000	750,000
6	E-Commerce	Governance	31,500	16,000	0	47,500
7	Branch Manager and Admin Computers	Operations	15,000	15,000	18,000	48,000
8	Customer Interaction Centre Hardware	Operations	6,000	2,000	0	8,000
9	POS Software System & Servers	Operations	0	20,000	0	20,000
10	Line Haul	Logistics	20,000	27,000	12,289	59,289
11	Audit Application	IT	1,500	0	0	1,500
12	Small Capex	SAPO	8,500	1,500	8,511	18,511
13	Omni-channel	COE	10,000	0	0	10,000
			529,500	411,500	428,800	1,369,800

9 STRATEGIC RISK PLAN

The following eight strategic risks have been identified:

SA Post Office Strategic Risk Plan					
No	Identify	Description	Inherent Risk	Risk Control Effectiveness	Residual Risk
1	People Risk	The skills profile of the organisation is misaligned with the skills required to achieve Vision	Very High	Poor	Very High
2	Ineffective Stakeholder Management	The key stakeholders being Government, staff and Unions don't buy into Vision and consequently delay initiatives needed to achieve the Vision	Very High	Satisfactory	Very High
3	Client Value Proposition	Projected growth does not materialise due to the absence of a customer value proposition that differentiates SAPO from its main competitors and provides enough traction for growth	Very High	Satisfactory	Very High
4	Service Delivery	Poor customer service delivery resulting from an ageing physical infrastructure, obsolete and underperforming systems, skills gaps and a compliance culture that is not supportive of future direction of the organisation	Very High	Poor	High

SA Post Office Strategic Risk Plan					
Description			Inherent Risk	Risk Control Effectiveness	Residual Risk
5	Systems Failure	Business disruptions due to system, network and/or IT hardware failure resulting in the inability to deliver products and services to customers	Very High	Poor	High
6	Sustainability	Unrealised revenues combined with an unsustainably high-cost base and lack of revenue streams and weak diversification threaten the organisation's sustainability.	Very High	Poor	High
7	Ineffective Strategic Partnerships	Establishment of wrong partnerships could divert organisational resources and focus away from delivering on initiatives necessary to achieve the vision	High	Satisfactory	Medium
8	Change Risks	Initiatives implemented to execute the Corporate Plan take longer or cost significantly more to implement. Resulting in uncompetitive pricing, unsustainably high-cost base and/or lost market share.	High	Good	Medium

10 CORPORATE GOVERNANCE AND OTHER PLANS

10.1 ORGANISATIONAL STRUCTURE

The SA Post Office operates in terms of a Group holding structure, with the SA Post Office as the Group holding company, with two operating subsidiaries and several property companies. The subsidiary companies have their own boards comprising SA Post Office non-executive directors, executive directors and the holding company executives appointed in a non-executive capacity to the subsidiary boards. The managing director of the subsidiary company is the executive director of the subsidiary.

The relationship between the subsidiary companies and the SA Post Office, as the shareholder, is governed by the individual shareholders' compacts between the holding company and the subsidiary. The shareholder compact and clarification of roles and responsibilities of the parties outline the performance targets to be met by the subsidiary in terms of the overall annual Corporate Plan for the Group.

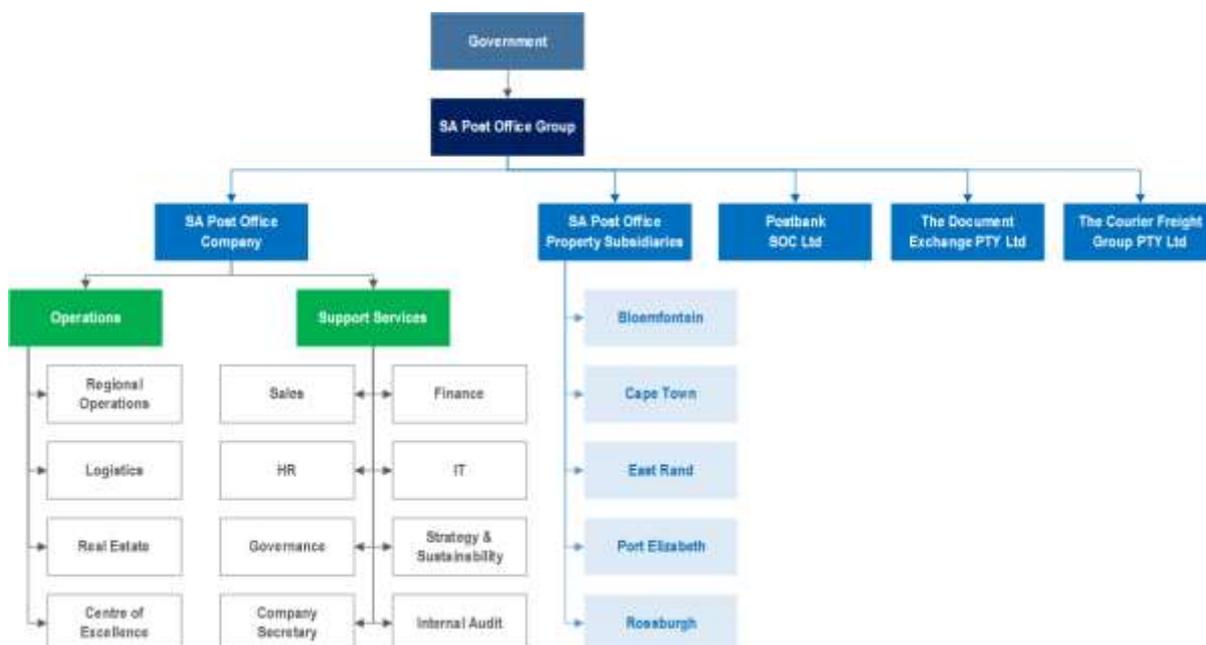


Figure 10-1: SA Post Office Group Structure

The SA Post Office Group comprises the following companies: The Postbank (SOC) Ltd; The Document Exchange (Pty) Ltd (DOCEX); The Courier Freight Group (Pty) Ltd (CFG); five property companies: SA Post Office Properties Companies (Pty's) Ltd: Bloemfontein; Cape Town; East Rand; Port Elizabeth and Rossburgh.

10.2 BOARD OF DIRECTORS AND SUB-COMMITTEES

BOARD OF DIRECTORS

The Board of Directors is the Accounting Authority for the SA Post Office and consists of not more than 10 non-executive members and three executive members which are the following; the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Operations Officer (COO).

The statutory committees of the Board are: the Audit and Risk Committee; Human Resources Committee and Transformation Committee / Remuneration and Performance Committee, Social and Ethics Committee. The Board may establish committees to assist it in its work and the following committees have been established in this regard: the IT Governance/ Strategic Turnaround Plan (STP) and Procurement Committee, the Postbank Committee and the Stamp Advisory Committee.

AUDIT AND RISK COMMITTEE

The SA Post Office Audit and Risk Committee was established in terms of section 51(1)(a)(ii) of the Public Finance Management Act No 1 of 1999 (PFMA) as amended and relevant Treasury Regulations, and in accordance with the SA Post Office Memorandum of Incorporation. As a major public entity in terms of Schedule 2 of the PFMA, SA Post Office is required to establish an Audit Committee. During the reporting period it was decided to combine both the Audit Committee and the Risk Committee. The Audit and Risk Committee is responsible for, evaluating the Group's financial statements which will be provided to Parliament and other stakeholders, the systems of internal control which management and the Board have established, the audit processes, the risk management framework and assessing the Group's financial performance against its Corporate Plan.

The committee also monitors, evaluates and advises the Board on the adequacy of risk management processes and strategies within the Group and recommends the approval of risk policies to the Group's Board of Directors. It further reviews significant risks facing the company and reports these to the Board. Within the legislative and regulatory framework that governs the SA Post Office Group, the Committee's scope extends across the organisation, whose products and processes expose the SA Post Office Group to multiples

material risk factors, such as credit, liquidity, market, balance sheet and operational. Representatives of Group Risk Management, Internal Audit, the Security and Investigations division and all core Business Units attend all Committee meetings.

HUMAN RESOURCE AND TRANSFORMATION COMMITTEE / REMUNERATION AND PERFORMANCE COMMITTEE

The Human Resource and Transformation Committee/ Remuneration and Performance Committee was established per the SA Postal Act, section 14(2)(a)(ii) i) during the financial year. The committee monitors compliance with relevant labour and employment legislative matters and recommends approval of significant human resources related policies to the Board. The committee also reviews all aspects relating to remuneration and performance within the Group

IT GOVERNANCE, STRATEGIC TURNAROUND PLAN (STP) AND PROCUREMENT COMMITTEE

The IT Governance, Strategic Planning Committee (STP) and Procurement Committee is responsible for overseeing the board's behalf, the execution of IT-related decisions across the Group. The committee reports to the Board and is responsible for IT governance across the Group, including monitoring and reviewing IT policies and practices to ensure that the required IT support is in place and that IT is positioned as a key enabler for business.

The Committee is also responsible to the Board for overseeing the overall strategic planning, budget and reporting process, stewardship and related reporting. The Committee is further accountable to exercise oversight on initiatives implemented to address strategic issues identified from time to time.

Members are appointed by the SA Post Office Group Board of Directors and comprise at least three non-executive members of the Board on a maximum of three years, extendable after that. The Group CEO, COO, CFO, the Chief Information Officer (CIO) and relevant representatives from management attend the committee's meetings.

STAMP ADVISORY COMMITTEE

The Stamp Advisory Committee (SAC) advises the Minister of Digital Communications and Digital Technologies on the South African annual stamp issue program and related issues. The SAC comprises specialists in philately, representatives from Digital Communications and Digital Technologies, and a SA Post Office Group Board representative. This committee meets four times a year and on an ad-hoc basis if required.

DOCUMENT EXCHANGE GROUP (DOCEX) BOARD

The Document and Exchange Group (Docex) is an operating subsidiary company of the South African Post Office. Docex has its own Board of Directors, which is accountable to the SA Post Office Group, the sole Shareholder of Docex.

10.3 DELEGATION OF AUTHORITY

As the accounting authority, the SA Post Office Board has unfettered powers to direct and control the business of the company. The Board delegates the day to day management to executive management. However, the Board, at all times, retains full and effective control over the direction and performance of the organisation.

Although the Board's ultimate accountability is to lead and manage the Group, some of the responsibilities are delegated to Executive Management. In this regard, to manage the South African Post Office Group's business affairs, the delegated responsibilities are managed through established governance structures at the Board and Executive Committee level. The Board has delegated certain of its powers to the Accounting Officer – the Group Chief Executive Officer - to whom they have authorised to further sub-delegate to management in line with the SA Post Office Group policy: Delegation of Authority Framework. At the same time, the Board retains a degree of power to control management and, subsequently, the organisation. The Board, in collaboration with management, also directs the SA Post Office Group corporate strategy.

The Board may, in instances of crises within the company, revoke any powers granted to management to stabilise the organisation. The Board may also

withdraw any powers conferred to any official in line with the Board's role as the Accounting Authority.

The SA Post Office Board has developed a clear definition of the levels of materiality and significance to determine the scope of delegation of authority and ensure that the Board reserves specific powers and authority to itself. The delegated authority from the Board is in writing, is reviewed and updated regularly.

10.4 THE SA POST OFFICE GROUP SUBSIDIARY OVERVIEW

10.4.1 Postbank SOC LTD

Postbank SOC Ltd is mandated to provide for the inclusion of financially excluded members of the nation to actively participate in the economy. As of 1 April 2019, Postbank was incorporated as a separate legal entity as per section 6 of the South African Postbank Act 9 of 2010 (Postbank Act). To this end, the separation between the SA Post Office and Postbank SOC is underway whereby Postbank is establishing the required business components to enable it to operate as an independent company within the SA Post Office Group.

10.4.2 The Document Exchange Pty LTD

The Document Exchange Pty Ltd (Docex) is a subsidiary of the South African Post Office Group. Docex is licensed to operate in the SA postal sector's competitive segment, referred to as the unreserved area. On this basis, Docex is in direct competition with private sector companies. Docex has differentiated itself in the market by operating within a niche segment of the unreserved postal area by specialising in the secure collection, processing and delivery of confidential and sensitive documents via a secure closed network distribution network. Currently, Docex is the market leader within this niche segment of the unreserved postal sector. However, evolving market trends and increasing competition from digital alternative is driving the current modernisation of Docex.

10.4.3 The Courier and Freight Group

Though still a registered company, the Courier and Freight Group is currently inactive. Furthermore, the winding down of the CFG Group is still in progress and under review by the DCDT.

11 MATERIALITY FRAMEWORK

Framework of acceptable levels of materiality and significance for the purpose of the interpretation of and compliance with the Public Finance Management Act, No 1 of 1999, as approved by the Board and applicable from the 2017/18 financial year.

SA Post Group Materiality Framework

PROPOSED FRAMEWORK		RESULTING FIGURES FOR 2020/21	UNDERLYING PRINCIPLES
Section 55 Material Disclosure, in the 2019/20 Annual Report:			
<ul style="list-style-type: none"> Losses due to criminal conduct 	<p><u>Quantitative:</u></p> <p>Capital expenditure: 10% of the capital expenditure budget line item</p> <p>Other expenditure: 10% of the related operating expenditure budget line item, 1% of Staff Expenses 5% of Transport Costs</p>	<p>(Depending on the related budget line item)</p> <p>Calculated at an average of R30 million</p>	<ul style="list-style-type: none"> Section 55, as identified, will evaluate each loss due to criminal conduct, irregular expenditure or fruitless and wasteful expenditure, in context of the expense category to which it relates to determine whether it qualifies for disclosure in the Annual Report as required. The total value of any identified fruitless or wasteful expenditure will also be reported as well as cases due to criminal conduct In line with good business practice, as well as the requirements of the Act, the SA Post Office is committed to the prevention, detection of and taking appropriate action on all irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with the operational policies of the SA Post Office (Sec 51(1)(b)(ii)). To this end the SA Post Office's systems and processes are designed and continually reviewed to ensure the prevention
<ul style="list-style-type: none"> Irregular expenditure 	No materiality. All to be disclosed		

PROPOSED FRAMEWORK		RESULTING FIGURES FOR 2020/21	UNDERLYING PRINCIPLES
		All to be disclosed irrespective of amounts involved	and detection of all such expenditure, irrespective of the size thereof.
<ul style="list-style-type: none"> Fruitless and wasteful expenditure 	No materiality. All to be disclosed		
Significant for Section 54 – Information and approval by the Minister of “qualifying transactions”, i.e.:			
<ul style="list-style-type: none"> <i>participation in a significant partnership, trust, unincorporated joint venture or similar arrangement;</i> <i>acquisition or disposal of a significant shareholding in a company;</i> <i>acquisition or disposal of a significant asset;</i> <i>commencement or cessation of a significant business activity; and</i> a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement. 	<p><u>Quantitative:</u></p> <p>Qualifying transactions based on the guideline:</p> <ul style="list-style-type: none"> 1% - 2% of the value of total assets; 0.5% - 1% of total revenue; or 2% - 5% of profit after tax. <p><u>Qualitative:</u></p> <p>A qualifying transaction may also be considered significant based on considerations other than financial when, in the opinion of the Board, it is considered to be significant for the application of section 54.</p>	<p>R 120 million</p> <p>Determination of qualitative significance is considered based on</p>	<ul style="list-style-type: none"> <i>The PFMA is not intended to affect the autonomy of the organisation, but its stated objectives are to ensure transparency, accountability and sound management of revenue, expenditure, assets and liabilities of the institutions to which the Act applies. Therefore, the legislature could not have intended for the public entities to report and seek approval on matters of a daily basis;</i> <i>The business of the SA Post Office is conducted within the framework of the mandate, objects and powers contained in the SA Post Office Act, as well as the business and financial direction set out in the corporate plan;</i> <i>The SA Post Office also has defined accountability and approval structures from the Board, as the shareholder representative, to the CEO and management in a form of a Generic Decision Framework</i> <i>The responsibility for the day-to-day management of the SA Post Office vests in line management through a clearly defined organisational structure and through formally delegated authorities in line with the Generic Decision Framework reviewed annually</i>

PROPOSED FRAMEWORK		RESULTING FIGURES FOR 2020/21	UNDERLYING PRINCIPLES
	The decision on which non-financial issues may be considered at any time requires careful judgment at a strategic level, and therefore rests with the Board as a representative body of the shareholder.	Practice Note 4 of 2009/10.	

12 FRAUD PREVENTION PLAN

SA Post Office has taken a zero tolerance approach towards crime and directly supports the National Crime Prevention Strategy (1995) of the South African Government and is deployed in close co-operation and partnership with other policing and intelligence agencies. SA Post Office works with all roll players in the market to deliver the service. The changing operational environment requires an agile crime prevention plan that encompasses employees, physical, cyber, clients and systems.

Effective communication and adherence to policy and procedures combined with Crime intelligence is a critical tool to detect and prevent criminal activities by individuals and syndicate elements that continually vary their initiatives and modus operandi in targeting specific products/assets.

National Fraud Prevention Plan

The SA Post Office Group's Fraud Prevention Plan (NFPP) is aligned in accordance to Par.14 of the National Treasury Practice Note 4 of 2009/2010 issued in terms of Section 52 of the Public Finance Management Act as well that of King IV principles.

The National Fraud Prevention Plan (NFPP) of the SA Post Office is not only limited to compliance to the Public Finance Management Act (PFMA) and the Treasury Regulation 29.1.1., but encompasses all other Legislation, Common Law as well as Internal Policies and Procedures directed at the prevention and detection of fraud and dishonesty.

In doing business, the SA Post Office expects all its employees and organisations that are in any way associated with it to be honest and fair in their dealings with and on behalf of the organisation, its clients and customers.

The following Governance Structures are in place

- Board Sub-Committees: Social and Ethics Committee and Audit and Risk Committee;
- SA Post Office Executive Committee (EXCO); and
- SA Post Office Financial Misconduct Committee (FMC)

SA Post Office is serious about crime prevention and is embarking on multiple projects that shall detect and prevent fraudulent and criminal activities.

The South African Post Office is also committed to improve its Branch physical security infrastructure, enhance its operating systems thereby minimizing manual manipulation of systems as well as enhanced compliance and enforcement of control measures.

13 COMMUNICATION STRATEGY

The Communications Business Unit has embarked on a project to relaunch the Post Office brand and improve brand equity. Central to this is the positioning of the Post Office as a reliable, trustworthy and cost-effective service provider.

The most important tool for this is social media, where the business unit has already made significant strides in portraying the company as caring, responsive and effective to customers.

Public relations alone cannot turn the brand image around. For the brand to become synonymous with trustworthiness and reliability, it is essential that

- operations should work reliably and efficiently and
- tools of trade, specifically the IT network and hardware, should be reliable.

Formal broadcast and print media are also used continuously to position leadership and keep the SA Post Office and its products top of mind for customers.

The following are the building blocks of the SA Post Office brand equity strategy that will be implemented in line with the corporate plan and vision and mission:

- Brand identity
- Brand awareness (awareness of products and services)
- Brand meaning (what the SA Post Office brand should be characterized by or known for)
- Brand performance
- Brand responses (what customers feel and think of the SA Post Office brand/how customers respond to the brand)
- Brand relationship (the level of identification customers have with the SA Post Office brand)

14 SUSTAINABILITY PLAN

The Sustainable Development vision of SA Post Office is to be recognized amongst the leading companies and SOEs in sustainable development through addressing challenges faced by the planet and mankind fostering the shared value proposition

The SA Post Office aims to reduce its carbon footprint from every parcel, letter, freight, financial transaction, every square metre of our mail centres. The goal is to reduce 20% of carbon emission by 2030 from 2019 baseline in all scopes of emission (directly and indirectly).

Environmental Strategic Pillar

- Protect the environment
- Minimise our impact on the environment
- Utilise our non-renewable resources in a sustainable way
- Pursue sustainable management best practices
- Participates in the national debate surrounding sustainable development
- Environmental sustainability performance continuous improvement

Key Performance Areas: Five (5) Sustainable Goals



15 ANNEXURES

Annexure A: Corporate Plan FY21/22 – FY23/24 Development Schedule

Group Strategy, along with the Post Office Board, executives, management teams and, key stakeholders collaborated on the development of the corporate plan for FY2021/22 – FY2023/24. Collectively, the Corporate Plan was reviewed, approved and submitted as per the PFMA Strategic Planning guidelines and schedules.

A number of engagements were held during the development phase of the plan and are listed in the table below:

Engagement Type	Group	Venue	Date
Ideas to be implemented in the immediate term and medium term to turnaround the organisation	SA Post Office Employees	A take note was sent out requesting feedback	July 2020
STP Approval	EXCO	MS Teams	July 2020
STP Approval	Board of Directors	MS Teams	July 2020
Corporate Plan discussion	EXCO	NCC	20 November 2020
Draft Corporate Plan	EXCO	MS Teams	24 November 2020
Draft Corporate Plan	EXCO	MS Teams	26 November 2020
Draft Corporate Plan	Board of Directors	SCM	27 November 2020
Draft Corporate Plan	Board of Directors	SCM	04 December 2020
Draft Corporate Plan	EXCO	SCM	14 December 2020
Draft Corporate Plan	EXCO	SCM	17 December 2020
Draft Corporate Plan	EXCO	SCM	26 January 2021

Annexure B: List of Major Related Legislation

No	Legislation impacting SA Post Office
1	Administrative Adjudication of Road Traffic Offences Act, No. 46 of 1998
2	Banks Act, No. 94 of 1990
3	Basic Conditions of Employment Act, 75 of 1997
4	Broad Based Black Economic Empowerment Act, No. 53 of 2003
5	Compensation for Occupational Injuries and Diseases Act, No. 130 of 1993
6	Customs and Excise Act, No. 91 of 1964
7	Criminal Procedure Act, 51 of 1977
8	Consumer Protection Act, No. 68 of 2008
9	Drugs and Drug Trafficking Act, No. 140 of 1992
10	Electronic Communications Act, 36 of 2005
11	Electronic Communications and Transactions Act, No. 25 of 2002
12	Employment Equity Act, No. 55 of 1998
13	Financial Advisory and Intermediary Services Act, No. 37 of 2002
14	Financial Intelligence Centre Act, No. 38 of 2001
15	Income Tax Act, No. 28 of 1997
16	Labour Relations Act, No. 66 of 1995
17	National Environmental Management - Air Quality Act, No. 39 of 2004
18	National Energy Act, No. 34 of 2008
19	National Environmental Management - Waste Act 59 of 2008
20	National Payment System Act, No. 78 of 1998
21	Occupational Health and Safety Act, No. 85 of 1993
22	Preferential Procurement Policy Framework Act, No. 5 of 2000

No	Legislation impacting SA Post Office
23	Prevention and Combating of Corrupt Activities Act, No. 12 of 2004
24	Prevention of Organised Crime Act, No. 121 of 1998
25	Promotion of Access to Information Act, No. 2 of 2000 - Public Bodies
26	Protected Disclosures Act, No. 26 of 2000
27	Post Office License (ICASA)
28	Protection of Constitutional Democracy Against Terrorist and Related Activities Act, No. 33 of 2004
29	Regulation of Interception of Communications and Provision of Communication-related information Act, No. 70 of 2002
30	Short-Term Insurance Act, No. 53 of 1998
31	Skills Development Act, No. 97 of 1998
32	Skills Development Levies Act, No. 9 of 1999
33	Trade Marks Act, No. 194 of 1993
34	Trade Metrology Act, No. 77 of 1973
35	Unemployment Insurance Contributions Act, No. 4 of 2002
36	Value-Added Tax Act, No. 89 of 1991
37	Long-Term Insurance Act, No. 52 of 1998
38	Copyright Act, No. 98 of 1978
39	Constitution of the Republic of South Africa, No. 108 of 1996
40	South African Post Office SOC Limited Amendment Bill
41	Protection of Personal Information Act

- **Annexure C: List of Abbreviations**

Abbreviation	Description	Abbreviation	Description
APP	Application	NCC	National Co-ordination Centre
BBBEE	Broad Based Black Economic Empowerment	NDP	National Development Plan
BDM	Broadcasting Digital Migration	NFPP	National Fraud Prevention Plan
BFN	Bloemfontein	NHI	National Health Insurance
BM	Branch Manager	OHSA	Occupational Health and Safety Act
CAPEX	Capital Expenditure	OT	Operational Technology
CCMDD	Central Chronic Medicine Dispensing and Distribution	PAPU	Pan African Postal Union
CEO	Chief Executive Officer	POC	Proof of Concept
CFG	Courier Freight Group	POD	Proof of Delivery
CFO	Chief Financial Officer	POS	Point of Sale
CIO	Chief Information Officer	PFMA	Public Finance Management Act
CIT	Cash in Transit	PPTe	Permanent Part-Time Employee
CN22	Customs Declaration	RFID	Radio-Frequency Identification
COO	Chief Operations Officer	SAC	Stamp Advisory Committee
CPPs	Cash Pay-Points	SADC	Southern African Developing Countries
CSI	Corporate Social Investment	SAP	Systems Applications and Products
CTN	Cape Town	SAPO	South African Post Office
CVP	Customer Value Proposition	SAPOA	Southern African Postal Operators Association
DBN	Durban	SARB	South African Reserve Bank
DCDT	Department of Communications and Digital Technologies	SARS	South African Revenue Services

Abbreviation	Description	Abbreviation	Description
DOCEX	The Document Exchange (Pty) Ltd	SASSA	South African Social Security Agency
DTT	Digital Terrestrial Television	SCM	Supply Chain Management
DR	Disaster Recovery	SITA	State Information Technology Agency
EXCO	Executive Committee	SMME	Small, Medium and Micro Enterprises
FIC	Financial Intelligence Centre	SMS	Short Message Service
FMC	Financial misconduct Committee	SOE	State Owned Enterprise
FSCA	Financial Sector Conduct Authority	SOC	State Owned Company
FY	Financial Year	SRD	Social Relief of Distress
GDYC	Gender, Disability, Youth and Children	SSC	Speed Services Couriers
HD	High Definition	STB	Set Top Box
HR	Human Resources	STP	Strategic Turnaround Plan
ICASA	The Independent Communications Authority of South Africa	UPU	Universal Postal Union
ICT	Information and Communications Technologies	UPT	Upington
IT	Information Technology	USO	Universal Service Obligation
IPC	International Post Corporation	VAT	Value Added Tax
JHB	Johannesburg	WSP	Workplace Skills Plan
MOI	Memorandum of Incorporation	4IR	Fourth Industrial Revolution
MTEF	Medium Term Expenditure Framework		
MS	Microsoft		
MVL	Motor Vehicle Licence		

This document contains forward-looking statements regarding the outlook and targets of the South African Post Office Group and its subsidiaries. These statements are based on information available when this document was produced, or our expectations derived from projections or assumptions made at the time of producing this document.

Please note that these forward-looking statements are subject to a broad range of risks and uncertainties, including changes in the economic conditions or business trends, and revisions to laws or regulations. As a result, the actual results may vary from such statements. Furthermore, if significant unforeseen external factors arise, the initiatives contemplated in this implementation plan will be adjusted accordingly and all stakeholders will be timeously informed in this regard.
