STATEMENT OF CORPORATE OBJECTIVES (2026-2028)

Submitted to: the Ministry of Finance & Treasury, Ministry of Communication & Aviation

May 2026

Chairman's forward

On behalf of the Board of Directors, I am pleased to present the Statement of Corporate Objectives (SCO) for Solomon Islands Postal Corporation, trading as Solomon Post, for the period 1 January 2026 to 31 December 2028.

The 2026–2028 period is critical for Solomon Post. The Corporation continues to operate in a challenging environment, characterized by declining global mail volumes, rapidly changing customer expectations, and significant technology and infrastructure gaps across our nationwide network. At the same time, Solomon Post remains a vital national institution, providing essential connectivity, facilitating commerce, and supporting services, particularly in rural communities. However, the Corporation continues to operate with a highly constrained capital structure, including negative equity and very high leverage, which limits our capacity to invest without shareholder support.

Over the last three years, the Board and Management have implemented short term reforms that have reduced operating deficits and stabilized performance. Building on this foundation, the Board has approved a new Strategic Development Plan (SDP) 2026–2030, which provides the strategic framework for transforming Solomon Post into a modern, financially sustainable and customer-focused postal and logistics service.

This SCO translates the SDP into clear corporate objectives, key initiatives, performance targets, and financial expectations for the initial three year implementation period. It also sets out the support required from the Solomon Islands Government and development partners to address long standing legacy issues, including the Japan Post debt, and to fund critical digital and infrastructure investments.

The Board is committed to meeting its obligations under the State Owned Enterprises Act 2007, including operating Solomon Post as a successful business, being a good employer, and demonstrating social responsibility. We look forward to working in close partnership with the Accountable Ministers, the Economic Reform Unit, and our stakeholders to implement this SCO and to ensure that Solomon Post continues to serve all people and communities of Solomon Islands.

____

James Apaniai

Chairman of the Board

Solomon Islands Postal Corporation

1. Introduction

This Statement of Corporate Objectives (SCO) is submitted by the Board of Directors of Solomon Islands Postal Corporation, trading as Solomon Post, in accordance with Section 13 of the State Owned Enterprises Act 2007.

The SCO sets out the strategic objectives, operational priorities, performance targets, and financial expectations of Solomon Post for the financial year commencing 1 January 2026 and the following two financial years ending 31 December 2028.

Solomon Post is required by the State-Owned Enterprise Act (2007) to negotiate this Statement of Corporate Objective with its owner, the Solomon Islands Government

2. Solomon Post Corporate Principal Objective

The SOE Act Section 4 requires Solomon Post to provide the best possible service for the people of Solomon Islands and contribute to the long term economic and social development of Solomon Islands.

The principal objective of SOE's as set out under Section 5 of the SOE Act is to "...operate as a successful business and, to this end, to be:

- As profitable and efficient as comparable businesses that are not owned by the Crown...;and
- A good employer; and
- An organization that exhibits a sense of social responsibility by having regard to the interests of the community in which it operates."

To achieve this, Solomon Post has been guided by a five-year Strategic Development Plan, with its Vision, Mission, Values and Strategic Objectives. The current SDP ends in December 2025; accordingly, the Board has approved a new SDP for 2026–2030. This SCO 2026–2028 articulates the first phase of implementing that Plan.

3. Business Scope

3.1 Legal Mandate and Powers under the Act

Solomon Post is a state-owned enterprise established under the Solomon Islands Postal Corporation Act 1996. The key mandate of the Solomon Post is to provide and manage postal services for the Solomon Islands. The Act establishes the Corporation and gives it three core functions:

Solomon Post is a state owned enterprise established under the Solomon Islands Postal Corporation Act 1996. The key mandate of Solomon Post is to provide and manage postal services for Solomon Islands.

Section 7 of the SIPC Act 1996 sets out the functions of the Corporation to:

a) Provide postal services within Solomon Islands and other countries;

b) Carry on any business or activity relating to postal services; and

c) Carry on any business or activity which is incidental to those mentioned in paragraphs (a) and (b).

Section 8 of the SIPC Act 1996 sets out the powers of the Corporation, including to:

a) Determine the prices of all its goods and services;
b) Produce postage stamps and authorize the production of postage stamps on its behalf;
c) Determine the terms and conditions for the provision of any postal services or goods;
d) Enter into contracts and agreements;
e) Appoint agents or attorneys and act as an agent for other persons;
f) Acquire, lease, hold, develop and dispose of real and personal property;
g) Form and participate in the formation of companies;
h) h) Participate in partnerships, trusts, unincorporated joint ventures and other arrangements for the sharing of profits;
i) Borrow from the government or other persons in Solomon Islands and to give securities over assets and pay interest on loans;
j) Invest money not immediately required for postal purposes;

k) Install post boxes on public land and buildings provided that they do not interfere with the ordinary movement of traffic; and
l) Provide telecommunications, value added services including (but not limited to) electronic mail, electronic data, interchange, electronic funds, transfer services and
m) any other appropriate or related services incidental to postal services

3.2 UPU Obligation on Members

The Solomon Islands Government is a member of the Universal Postal Union (UPU) and Solomon Post is the Designated Postal Operator (DO). Under the UPU framework, member countries and their designated postal operators are required to:

- Provide a universal postal service that is accessible and affordable to all citizens.
- Ensure the secure, reliable, and efficient exchange of international mail.
- Comply with international postal conventions, regulations, and operational standards set by the UPU.
- Maintain quality-of-service standards for mail handling and delivery.
- Support cooperation between postal administrations and designated operators worldwide.
- Facilitate customs, security, and safety requirements for international postal items.
- Implement systems for tracking, accounting, and settlement of international mail exchanges.
- Promote modernization, technological development, and sustainability in postal services.
- Protect postal users' rights, including confidentiality and fair treatment.

Accordingly the key mandates and responsibilities of Solomon Post are to:

1) deliver domestic and international mail and parcel services
2) maintain a nationwide postal network and post office infrastructure;
3) support logistics, e-commerce, and related communication and financial services;
4) ensure universal access to affordable postal services for all citizens;
5) maintain secure, timely, and quality mail operations;

6) comply with international standards established by the Universal Postal Union (UPU);
7) strengthen international postal cooperation and mail exchange systems; and
8) modernize postal operations through technology, tracking systems, and improved customer services.

Overall, Solomon Post's operational role is not only to deliver mail, but also to function as a national public service institution that supports connectivity, commerce, government services, and social & financial inclusion across the Solomon Islands.

4. About Solomon Post

4.1 Current Status

Solomon Post is currently guided by its five-year Strategic Development Plan (SDP) 2026–2030, which has been approved by the Board and serves as the principal framework for the Corporation's strategic operations, reforms, and policy decisions.

The Corporation maintains its Head Office at the Honiara General Post Office and continues to operate provincial post offices in Auki, Buala, Gizo, Munda, Kirakira, Tulagi, Lata, and Taro. Several provincial post office facilities, including those in Auki, Kirakira, Buala, Lata, and Munda, have undergone renovation, while the facilities in Taro and Gizo remain in need of refurbishment and rebuilding.

Operationally, Solomon Post continues to face significant modernization challenges. Postal operations in provincial offices remain largely manual, with domestic mail processing, accounting, customer service, reconciliation & reporting systems not yet digitized. This has adversely affected operational efficiency, reporting accuracy, and overall service delivery capability across the network.

Financially, Solomon Post has recorded negative net income over the past six consecutive years, placing considerable pressure on the Corporation's cash flow and long-term sustainability. The unaudited 2025 balance sheet shows negative equity of approximately SBD 63.8 million, an equity-to-asset ratio of -60%, and a debt-to-asset ratio of 160%, indicating that the Corporation is balance-sheet insolvent and more than fully debt-financed. While recent reforms have narrowed operating deficits, the current capital structure severely limits our ability to invest in essential digital, operational and infrastructure upgrades. In this regard, donor support and external financial assistance, including a targeted Government capital injection, will be critical to enable implementation of the SDP and to gradually restore a sustainable balance sheet position.

To sustain this reform momentum, the Board and management have incorporated critical operational and financial issues into the current SDP (2026–2030). Effective implementation of the Plan over the next five years is expected to address the Corporation's key institutional challenges and support its transition towards greater sustainability and financial recovery. However, a major constraint remains the Corporation's weak cash flow position, which poses a significant risk to implementation. In this regard, donor support and external financial assistance through targeted cash injections will be critical to support the successful delivery of the SDP initiatives.

Community Service Obligation (CSO) grants from the Government remain essential to support the continued provision of non-profitable services at provincial post offices, which are currently subsidized by the Honiara General Post Office. The 2026 CSO funding request of SBD1 million was submitted prior to the approval of the current Strategic Development Plan (2026-2030) and therefore only covers existing operational requirements.

The implementation of the reform program outlined in this SCO document for 2026 will require an immediate additional capital injection of SBD6 million to support system upgrades, infrastructure improvements, and enhancements to mail, parcel, and logistics operations.

The Board has approved the acquisition and rollout of the Odoo software, a cloud-based system that will centrally connect all post offices, improve the accounting system, upgrade the organization's website, improve HR records and introduce point-of-sale functionality across all post offices. This project alone is estimated to cost approximately SBD1million and represents a key component of the broader reform of postal communications, logistics, and accounting operations within the Post office network.

5. Key Strategic Issues

The key strategic issues and challenges for Solomon Post through 2026 and beyond are:

5.1 Strategic Plan Implementation

5.1.1 External Cash Injection

Due to ongoing cash flow constraints and an unsustainable capital structure, securing external financial support to fund key reform programmes is a critical priority. The unaudited 2025 balance sheet shows negative equity of approximately SBD 63.8 million and a debt-to-asset ratio of around 160%, confirming that Solomon Post cannot finance the required reforms solely from internal cash generation or additional borrowing.

Solomon Post respectfully requests Government support in facilitating a capital injection of SBD 6 million in 2026. This funding will be directed to income-generating and efficiency enhancing investments (digital systems, mail and parcel processing, network strengthening) that are essential to:

- ✓ Stabilize operations and protect universal service delivery;
- ✓ Reduce operating deficits over the 2026–2028 period; and
- ✓ Begin to repair the Corporation's equity position as part of a longer-term capital structure improvement plan.

5.1.2 Donor Funding support

Modernizing postal operations and complying with UPU security standards requires investment in IT and mailing operations equipment. Solomon Post will pursue funding through the UPU Quality of Service Fund (QSF) and other development partners to secure needed IT and digital security equipment for the PPO and GPO and network. The total estimated cost is SBD0.5 million.

5.2 Global Postal Industry Shifts

5.2.1 Declining Mail Volume

Global trends show a significant decline in traditional mail volumes due to digital communication technologies. As customers shift to faster, more convenient digital alternatives, Solomon Post faces increasing challenges in sustaining revenue from its core mail business.

In response, the SDP prioritizes revenue diversification into: Parcels and e-commerce logistics; Property rental; Digital financial services. A key focus will be on domestic logistics and delivery that will support the rollout of the Government E-commerce national strategy

Investment in technology and operational modernization aims to improve efficiency, reduce costs and enhance competitiveness, thereby strengthening overall financial performance and supporting long term sustainability.

5.3 Inherent Legacy Issues

5.3.1 Debt from Japan Post

Solomon Post has carried a long-standing liability to Japan Post of approximately SBD 72 million for nearly 20 years. This debt has severely weakened the financial position of the Corporation and contributed to a negative balance sheet, limiting the ability to invest in infrastructure, service improvements and innovation.

Solomon Post respectfully requests Government support to address this debt on behalf of the Corporation, including consideration of options to defray, restructure or resolve the liability. Relevant documents and supporting information have been provided to the Japanese Embassy, creating an opportunity for Government to Government engagement to seek an amicable and practical resolution.

5.4 Operational and Technical issues

5.4.1 Lack of Investment in Digital Infrastructure

Limited investment in digital and technological infrastructure has constrained modern postal operations and data driven decision making. The absence of modern systems limits efficiency, competitiveness, and the ability to introduce new products and services.

The Board has approved an investment of SBD1 million towards implementation of the Odoo integrated business management system to centralize accounting, HR, procurement, inventory, sales, CRM and e-commerce on a single platform and integrate the nationwide network. Also the Post Office is working on upgrading its server and its microsoft office license

Without external funding support, this project will not be implemented. The amount was also included in the SBD6 million external cash injection, to enable the successful implementation of Odoo and support the Corporation's broader digital transformation agenda.

5.4.2 Manual Provincial Mail Operation

Provincial mail processing remains largely manual, causing delays, lack of tracking, and reduced customer service. The planned reform is to modernize provincial operations by linking the Honiara Office of Exchange with provincial post offices via the IP.POST system, with supporting equipment (computers, scanners, printers) and reliable internet.

The current CSO contract only supports continuation of existing operations and does not provide for capital investment. An estimated budget of SBD2 million is required to roll out this project in all provinces.

Solomon Post requests that CSO support from Government from 2027 onwards be adjusted to include capital funding for the required IT and communications infrastructure.

5.4.3 Gizo and Taro Post Office Buildings Refurbishment

Due to cash flow constraints, the Taro and Gizo post office refurbishments can no longer be financed internally. The Board has approved a capex budget of SBD 0.5 million for a fabricated building model in Taro.

A public private partnership (PPP) arrangement is proposed for Gizo, given its prime location, guided by the PPP policy already developed by the Corporation. The capex outlay for a modern Gizo building is estimated to be around SBD 20 million.
Upgrading these buildings will not only improve the business working environment but will also strengthen the asset position of the Corporation.

5.5 Financial Issues

5.5.1 Current Financial Position and Capital Structure Ratios (2025 Baseline)

Based on the unaudited 2025 financial statements, Solomon Post is in a balance-sheet insolvent position. Key indicators are: Total asset is SBD 106.0 million ; total liability is SBD 169.8 million and total equity is SBD -

63.8 million , with resulting e*quity to Asset Ratio (*-60%), D*ebt to Asset Ratio* (160%) and *Debt to Equity Ratio* (-2.66)

These indicators confirm that Solomon Post cannot restore solvency and fund the required reforms through internal cash generation and borrowing alone. A targeted capital injection by the Government, combined with liability restructuring, is therefore required to stabilize the Corporation and provide a pathway to financial sustainability.

5.5.2 Financial Sustainability

Board and Management actions have narrowed operating deficits over the last three years. Successful implementation of the SDP 2026–2030 is expected to restore Solomon Post to financial health and sustainability.

Government and development partner support are critical at this stage to bridge the investment gap and enable reforms.

5.5.3 Negative Equity Position

The Corporation's equity position remains negative due to legacy debt. As at the 2025 (unaudited financial statement), the equity-to-asset ratio is approximately -60% and the debt-to-asset ratio approximately 160%, highlighting the extent to which liabilities now exceed assets and the urgency of addressing legacy debt and recapitalization needs.

In addition to addressing these debt issues, the Board and management are developing concepts to upgrade some of the Corporation's properties (buildings) to realise higher values.

Key locations identified are the Gizo land and the GPO properties. It is anticipated that a public-private partnership (PPP) model will be used to implement these building upgrades, guided by the Corporation's PPP Policy. The total building project is expected to require around SBD100 million.

5.5.4 Community Service Obligation (CSO)

Solomon Post appreciates Government's continued support through CSO funding. In 2025, SBD 2 million was requested and SBD 1 million awarded.

The 2026 CSO application has been submitted and the Corporation looks forward to Government's continued partnership.

The current CSO contract focuses primarily on mail services. Under its mandate, however, Solomon Post is empowered to:

- Provide postal services domestically and internationally;
- Carry on businesses or activities related to postal services;
- Undertake activities incidental or connected to postal operations.

To maintain a sustainable provincial network, all three functions must be supported. As traditional mail declines, strengthening and diversifying other mandated services will be increasingly important.

The Board and Management look forward to working with the Economic Reform Unit (ERU) to review the CSO arrangement to better reflect Solomon Post's broader mandate and long-term sustainability objectives.

5.6 Organizational Effectiveness

5.6.1 Accounting and Communication Software

The current MOYB system, used for general ledger functions, does not meet the Corporation's operational needs. It is not integrated with other operational systems. Post shop and counter services are processed manually, with no point-of-sale (POS) system. Financial services systems are not integrated with accounting, leading to manual reconciliations and inefficiencies.

Implementation of an integrated system (Odoo) remains a priority to improve operational effectiveness, strengthen internal controls, and support modernisation.

5.6.2 Organizational Capacity

In 2025, the Board undertook an internal organizational restructuring exercise aimed at realigning the Corporation's organizational hierarchy and improving operational efficiency. This restructure resulted in the abolition of Divisional Head positions and several other key roles as part of efforts to streamline management structures and clarify reporting lines. The Board will continue to support Management in ensuring that the Corporation maintains adequate staffing levels with the appropriate skills and competencies required to achieve its strategic and operational objectives.

A continuing challenge for the Corporation remains the recruitment and retention of suitably qualified and experienced personnel, particularly in specialized and technical areas such as Accounting and Information Technology (IT). Addressing these capacity gaps will be critical to supporting ongoing reforms, strengthening governance, and enhancing service delivery across the postal network.

6. Compliance to Statutory Requirements

6.1 Unaudited Financial Statements

Solomon Post's annual financial statements have been audited up to the 2019 financial year. Draft financial statements for the subsequent years have been prepared and are available; however, the Office of the Auditor-General (OAG) has not yet commenced the audits for these periods.

The continued unavailability of audited financial statements is adversely affecting the Corporation's standing and credibility, particularly in relation to securing external financing and engaging with potential partners and investors.

Discussions have been underway between the OAG and the Corporation regarding the outsourcing of the audit to a third-party firm, with the understanding that the Corporation would bear the outsourcing costs. In light of the Corporation's critical cash constraints, the Board and Management respectfully request that the Government assume responsibility for facilitating and funding the audit activity.

7. Governance

7.1 Role of the Board

The Board is responsible for policy formulation, oversight of operations, and general administration of Solomon Post in accordance with Section 6(4) of the SOE Act 2007. The Board reports to the two Accountable Ministers responsible for Solomon Post: The Minister of Finance and Treasury; and the Minister of Communication and Aviation.

7.2 Board Composition

As at 2025, the Solomon Post Board comprises:

- Mr James Apaniai   Board Chairman

- Mr Joseph Huta — Board Finance Committee Chair / Member
- Mr William Parairato — Board Infrastructure Committee Chair / Member
- Ms Bella Simiha — Board HR Committee Chair / Member
- Mr Gordon Denty — Board Audit Committee Chair / Member
- Mr Corgan Kuare — Member

Directors Bella Simiha, Gordon Denty and Corgan Kuare joined the Board in 2025, while the other members are serving their second term.

The Board is committed to high standards of corporate governance, transparency and accountability in line with the SOE Act and good practice.

8. Objectives, Action Plan and Performance Target (2026–2028)

8.1 Alignment with Strategic Development Plan 2026–2030

This Statement of Corporate Objectives (SCO) represents the first three-year implementation phase of Solomon Post's Strategic Development Plan (SDP) 2026–2030, under the theme "Transforming Solomon Post into a Modern, Sustainable and Inclusive Service Network".

The SCO objectives and initiatives are directly derived from, and aligned with, the SDP's six Strategic Pillars:

1. Digitalisation & Technology Modernisation;
2. Operational Excellence & Service Quality Improvement;
3. Financial Sustainability & Business Diversification;
4. Financial Services Expansion & National Financial Inclusion;
5. Market Expansion: E-Commerce, Logistics & Agent Network Development; and
6. Governance, Compliance, HR Development & Sustainability.

The SCO focuses on priority programmes and investments scheduled for 2026–2028 within these pillars, including digital transformation (Odoo, POS, IP.POST), the UPU Operational Readiness for E-Commerce (ORE+) project, expansion of parcels and logistics, rebuilding the agent network, and strengthening financial services and governance.

8.2 Strategic Objective

Solomon Post will focus on expanding services, strengthening systems, and rebuilding its nationwide reach through branch and agent networks, ensuring value delivery to all citizens.

8.3 Corporate Objectives

(1) Digitalisation and Technology Modernisation

- Implement integrated business systems (e.g. Odoo) and national POS;
- Digitise domestic parcel and mail operations with electronic booking and tracking;
- Strengthen ICT infrastructure, cyber security and data analytics capabilities.

2. Operational Excellence and Service Quality

- Improve national mail and parcel delivery performance;
- Optimise inter island transport and routing;
- Modernise priority post offices and improve over-the-counter service;
- Strengthen EMS quality and cross-border e-commerce and customs compliance.

3. Financial Sustainability and Business Diversification

- Improve operating profitability and reduce reliance on subsidies;
- Diversify revenue through parcels, logistics, retail, government and agency services;
- Optimise costs (transport, energy, processes) and enhance financial management;
- Increase income from property and other commercial assets.

4. Financial Services Expansion and National Financial Inclusion

- Expand domestic and international remittances and wallet services to all provinces;
- Rebuild a nationwide agent network for cash in/cash out and bill payments;
- Enable G2P and C2G payments in partnership with Government;
- Promote financial literacy and responsible financial service use.

5. Market Expansion: e-Commerce, Logistics and Agent Network Development

- Rebuild and expand the multi-service agent network;
- Develop e-commerce logistics partnerships with SMEs and platforms;
- Introduce alternate delivery models and "Post Office Lite" service points;

- Improve end -to-end e-commerce tracking and customer notification.

6. **Governance, HR Development and Sustainability**
   - Strengthen governance, compliance and risk management frameworks;
   - Build workforce capability in digital, financial and customer service skills;
   - Align organisational structure with modern operations and expanded services;
   - Improve infrastructure resilience, environmental sustainability and M&E.

8.4 Key Strategic Initiatives (2026–2028)

2026 Priorities

- ✓ Introduce digital parcel and mail tracking system (IP.POST and related tools);
- ✓ Implement Odoo integrated business management system at Head Office and major branches;
- ✓ Upgrade Honiara postal processing centre (sorting, security, and IT);
- ✓ Open the airport Post Office branch
- ✓ Undertake a nationwide operational review and network optimisation study;
- ✓ Launch a customer service improvement programme and basic digital literacy training for frontline staff.
- ✓ Commence implementation of the UPU Operational Readiness for E-Commerce (ORE+) Project, focusing on mail processing, customs coordination and international e-commerce standards.

2027 Priorities

- ✓ Extend digital tracking and Odoo connectivity to all provincial post offices;
- ✓ Expand provincial logistics services, including parcel and e-commerce delivery;
- ✓ Implement a fleet replacement and maintenance programme;
- ✓ Introduce an online postal service portal (customer enquiries, PO box renewals, basic self-service);
- ✓ Establish strategic regional partnerships with neighbouring postal operators and logistics providers.
- ✓ Continue ORE+ implementation with enhanced cross-border data exchange, customs compliance automation and service quality improvements.

2028 Priorities

- ✓ Achieve operational breakeven at the earnings-before-interest-and-tax (EBIT) level;
- ✓ Complete digitization of major postal operations (mail, parcels, retail, and basic financial services);
- ✓ Expand the e-commerce distribution network and value-added logistics offerings;
- ✓ Improve provincial service coverage and utilisation by at least 20% compared to 2025 baseline;
- ✓ Consolidate governance, risk and compliance frameworks, including internal audit coverage and reporting timeliness.
- ✓ Consolidate ORE+ outcomes and fully integrate e-commerce operational standards into Solomon Post's core processes.

8.5 Performance Targets (Indicative) (Annex 1 - Indicative Performance Target KPIs)

Final numeric targets will be agreed with the Accountable Ministers and ERU during the SCO negotiation process. Indicative targets are set out below to guide that discussion.

➢ **Financial Performance**

✓ **Reduce annual operating deficit by at least:**

- 30% in 2026 compared to 2025;
- 60% in 2027 compared to 2025;

✓ **Achieve at least breakeven EBIT by end-2028.**

✓ **Increase non-mail revenue (parcels, logistics, retail, agency services) to:**

- 45% of total revenue by 2026;
- 55% of total revenue by 2028.

✓ **Maintain positive operating cash flow from 2027 onwards (subject to agreed capital funding).**

- **Service and Operations**
  - ✓ **On-time delivery performance (domestic mail within published standards):**

- ≥85% by 2026;
- ≥100% by 2028.

  - ✓ **Percentage of mail and parcels trackable electronically:**

- ≥30% of domestic items by 2026;
- ≥60% of domestic items by 2028.

  - ✓ **Number of provincial post offices with digital connectivity (Odoo/IP.POST):**

- At least 3 provincial offices by end-2026;
- All 8 provincial offices by end-2028.

- **Network and Access**
  - ✓ Maintain operational post offices in all 9 provinces;
  - ✓ Increase utilisation of provincial postal services (mail, parcels, agency services) by at least 20% by 2028 compared to 2025.

- **Human Resources**
  - ✓ Implement a formal performance appraisal system for 100% of staff by 2026;
  - ✓ Provide at least one relevant training or capacity-building activity per staff member per year;
  - ✓ Maintain zero tolerance for serious workplace health and safety incidents.

- **Governance and Compliance**
  - ✓ Submit statutory financial statements and SOE reports within legislated timeframes;
  - ✓ Maintain unqualified audit opinions, or implement agreed remedial actions within 12 months where qualifications arise;
  - ✓ Implement and update a corporate risk register annually, with Board monitoring.

9. Nature and Scope of Activities

During 2026–2028 Solomon Post will undertake the following activities in line with its mandate and SDP.

9.1 Core Services

- Domestic and international mail services (letters, registered mail, bulk mail, BRP);
- Parcel, courier and EMS/express services, including e-commerce parcels;
- Postal box services and alternate delivery models (e.g. parcel pickup points);
- Philatelic products and post shop retail.

9.2 Commercial and Agency Services

- Logistics and freight support for businesses and SMEs;
- Government and agency services (applications, registrations, bill payments, collections);
- Common Service Centre (CSC) functions at selected post offices;
- Property rental and co-location with partners;
- SME logistics solutions (e.g. COD/pickup, micro-fulfilment, prepaid parcel bags).

9.3 Digital and Financial Services

- Domestic and international remittances in partnership with MoneyGram and others;
- Mobile wallet and digital payment services, including planned wallet–bank integration;
- Cash-in/cash-out and bill payment through post offices and authorised agents;
- Future G2P and C2G payment facilitation in partnership with Government;
- Online customer service systems, tracking and notifications for mail and parcels.

10. Financial Objectives and Capital Structure

Solomon Post aims to:

- Maintain prudent financial management and internal controls;
- Improve liquidity and working capital;
- Increase internally generated revenue;
- Minimise unnecessary expenditure;
- Maintain sustainable debt levels.
- Progressively improve the equity-to-asset and debt-to-asset ratios over the SCO period, supported by targeted capital injection and liability restructuring.

Ratio of Consolidated Shareholders Fund to Total Assets

The estimated capital structure forecast for the next three years as follows:

Capital Structure & Investment	2025 (Unaudited)	2026 Forecast	2027 Forecast	2028 Forecast
Total Assets	106,017,565	107,077,741	108,148,518	109,230,003
Total Liability	169,805,554	97,805,554	92,915,276	88,269,512
Total Equity	**(63,787,989)**	9,272,187	15,233,242	20,960,491
Net profit	**(4,858,239)**	**(3,400,767)**	**(1,943,296)**	582,989
Ratios				
Total Equity to Asset	**-60%**	9%	14%	19%
Return on assets	**-5%**	**-3%**	**-2%**	1%
Return on equity	na	**-37%**	**-13%**	3%
Debt to Asset Ratio	160%	91%	86%	81%

The numbers are management prepared and unaudited.

Note:

ROA - Net Profit/Total Asset

ROE - Net Profit/Total Equity

It was assumed that by 2027, the single Japan Post debt will be resolved

Scenario2: Assumed that the Capital Injection from the Govt

Assume Cash injection of $6m was from Govt Direct Budget support

Capital Structure & Investment	2025 (Unaudited)	2026 Forecast	2027 Forecast	2028 Forecast
Total Assets	106,017,565	107,077,741	108,148,518	109,230,003

Total Liability	169,805,554	103,805,554	104,615,276	105,384,512
Total Equity	-63,787,989	3,272,187	3,533,242	3,845,491
Net profit	-4,858,239	-3,400,767	-1,943,296	582,989
Ratios				
Total Equity to Asset	-60%	3%	3%	4%
Return on assets	-5%	-3%	-2%	1%
Return on equity	na	-104%	-55%	15%
Debt to Asset Ration	160%	97%	97%	96%

Source of Investment Funds

Solomon Post launched an application to UPU for QSF Fund support to acquire Security Cameras for the Honiara based Post Office

Current Capital Structure Constraint

As outlined in the 2025 baseline ratios, Solomon Post's equity-to-asset ratio of approximately -60% and debt-to-asset ratio of around 160% indicate a highly leveraged and unsustainable capital structure. Without corrective action, these ratios will continue to constrain the Corporation's ability to invest, to meet UPU obligations, and to fulfil its mandate under the SOE Act to operate as a successful business.

Capital Structure Target

The Board intends to maintain an appropriate ratio of shareholders' funds to total assets sufficient to support operational sustainability and future investment requirements. The Board will work with the Accountable Ministers and ERU to agree a realistic capital structure path, having regard to the Japan Post debt and any Government decisions regarding its resolution.

11. Accounting Policy

Solomon Post has adopted International Financial Reporting Standards as the basis of its accounting policies in the measurement and reporting of profit, cash flow, movements in equity and financial position.

12. Dividend Policy

Subject to profitability, cash flow requirements, capital investment needs, and Government direction, Solomon Post will seek to provide reasonable dividend returns to the Government while ensuring sufficient reinvestment into infrastructure and service modernisation.

Given current financial performance and the need to fund critical reforms, no dividend is anticipated for the period of this SCO unless sustainable profitability is achieved and agreed with the Accountable Ministers.

13. Risk Management

Key risks identified for 2026–2028 include:

- Declining traditional mail volumes;
- High transportation and logistics costs;
- Geographic dispersion and infrastructure challenges across islands;
- Cybersecurity and digital transition risks;
- Natural disasters and climate-related disruptions;
- Competition from private courier and logistics operators;
- Liquidity and solvency risks associated with legacy debt.

Mitigation measures include:

- Revenue diversification into parcels, logistics, and agency services;
- Digital transformation and systems integration (Odoo, IP.POST, tracking);
- Strengthened internal controls, audit and financial management;
- Strategic partnerships with Government, donors, and regional operators;
- Disaster recovery and business continuity planning;
- Progressive network optimisation and fleet renewal.

14. Human Resource and Good Employer Commitments

Consistent with the SOE Act, Solomon Post commits to being a good employer through:

- Fair and transparent employment practices;
- Equal employment opportunities and non-discrimination;
- Safe and healthy working conditions;
- Performance-based management and clear job expectations;
- Staff development, training, and career progression where feasible;
- Respectful workplace culture, with zero tolerance for harassment.

15. Social Responsibility

Solomon Post recognises its national responsibility to support:

- Rural access and inclusion through maintaining a nationwide network;
- Government outreach programmes, including civic awareness and public information;
- Education and communication access, particularly for remote communities;
- Environmental sustainability initiatives, including responsible waste management and energy-efficient practices where possible;
- Community resilience and disaster response, including acting as a logistics and communication partner in emergencies.

16. Governance Commitments

The Board will ensure:

- Compliance with the SOE Act 2007 and other applicable laws and regulations;
- Timely reporting to the Accountable Ministers and relevant Government agencies;
- Proper financial oversight and accountability;
- Ethical conduct and integrity in all operations;
- Transparency in procurement and contracting.

17. Government Support and Funding Requirements (Summary)

To deliver this SCO and the first phase of the SDP 2026–2030, Solomon Post seeks the following support from Government:

1. **Capital Injection of SBD 6 million (2026)**
   To support critical system upgrades, infrastructure improvements, and operational reforms (including mail and parcel processing, delivery and logistics, and network strengthening). This injection will help address the current negative equity position (equity-to-asset ratio of -60%; debt-to-asset ratio of 160%) and provide the working capital required to implement the SDP 2026–2030 and restore financial sustainability over time.

2. **Digital Transformation Funding (2026–2027)**

For implementation of the Odoo integrated system and related digital infrastructure across the network. This may be provided via donor resources facilitated by Government or direct budget support.

3. **Enhanced and Re-scoped CSO Arrangements (from 2027)**
   To cover not only operating losses in provincial offices but also capital investment in IT, IP.POST connectivity, and refurbishment required to sustain universal service.
4. **Support in Resolving Japan Post Debt (approx. SBD 72 million)**
   Government engagement with Japan and other partners to seek an acceptable resolution, restructuring or relief to restore Solomon Post's balance sheet and enable access to investment funding.

These support measures will be tied to the performance targets and reforms outlined in this SCO, and progress will be transparently reported to Government.

18. Conclusion

This Statement of Corporate Objectives sets out Solomon Post's pathway, consistent with the Strategic Development Plan 2026–2030, to becoming a financially sustainable, modern, customer-focused and nationally important enterprise over the 2026–2028 period.

The Board is committed to balancing commercial performance with public service obligations, while contributing positively to the economic and social development of Solomon Islands. Implementation of this SCO will require strong partnership between Solomon Post, the Solomon Islands Government, and development partners.

Progress against this SCO will be monitored through the Strategic Development Plan's Monitoring and Evaluation framework, including annual corporate plans and mid-term review.

Approved by the Board of Directors

Chairperson: ___________________________

Date: _________________________________

Annex 1: Indicative Key Performance Indicators (KPIs) 2026–2028

No.	Area/Objective	KPI	2025 Baseline	2026 Target	2027 Target	2028 Target
1	Financial - Sustainability	Operating Deficit (vs 2025)	4.7m (2025)	30% reduction	50% reduction	EBIT break even
2	Financial - Revenue Mix	Share of Non Mail revenue in Total	22.3%	45%	50%	55%
3	Financial - Cash Flow	Operating Cash Flow	2.7m (2025)	Improvement vs 2025	Positive from 2027 onwards subject to agreed capex support	
4	Service - Timeliness	On time mail delivery in accordance	90%	95%	100% onwards	
5	Service - Tracking	Domestic mail/parcels electronically trackable	0	30% (only 3 PPOs piloted)	100% onwards (All 8 PPOs)	
6	Network / Digitalisation	Provincial post offices digitally connected by IP.POST	1	4	6	8 all PPOs
7	Networ/Digitisation	GPO and Provincial post offices digitally connected Odoo	0	1 GPO	4 PPOs	8 all PPOs
8	Network / Access	Operational post offices (provinces)	0	4 provinces	Maintain access in all 9 provinces	
9	Network / Utilisation	Utilisation of provincial services (mail, parcels, agency) vs 2025	100%	≥5% increase	≥10% increase	≥20% increase

10	HR – Performance management	Staff with formal annual performance appraisal	Zero performance appraisal	100% of staff	Maintain 100%	
11	HR – Capacity building	Average training / capacity-building events per staff per year	Below 1%	≥1	≥1	≥1
12	HR – Safety	Serious workplace health & safety incidents	zero	Reduction vs 2025	Zero tolerance policy maintained; investigate and address all incidents	As for 2027, with continuous improvement focus
13	Governance – Reporting	Statutory reports submitted on time	Non compliant	100% of SOE reports and financial statements submitted within legislated timeframes	Maintain 100% on-time submissions	Maintain 100% on-time submissions
14	Governance – Audit quality	External audit opinion	Non compliant	Unqualified, or agreed remedial actions implemented within 12 months	Maintain unqualified, or resolve qualifications within 12 months	Maintain unqualified, or resolve qualifications within 12 months

15	Governance – Risk management	Corporate risk register and Board review	Ad-hoc	Risk register updated and reviewed by Board at least annually	Annual review maintained	Annual review maintained
16	Financial Services / Inclusion	Number of operational financial service agents (incl. postal agents)	3 agents	Re-establish at least 5 agents	≥10 agents	≥15 agents, with coverage in all provinces
17	Financial Services - Remittances	Number of post offices offering remittance	1	2	4	All post offices
18	Financial Services - E-wallet	Number of post offices and agents offering e-wallet services	All post offices	All post offices plus 6 agents in Honiara	All Post Offices plus 6 agents	All post offices plus ≥10 agents
19	E-Commerce & Logistics	Growth in domestic and international parcel volumes vs 2025	100%	≥10% increase	≥20% increase	≥30% increase