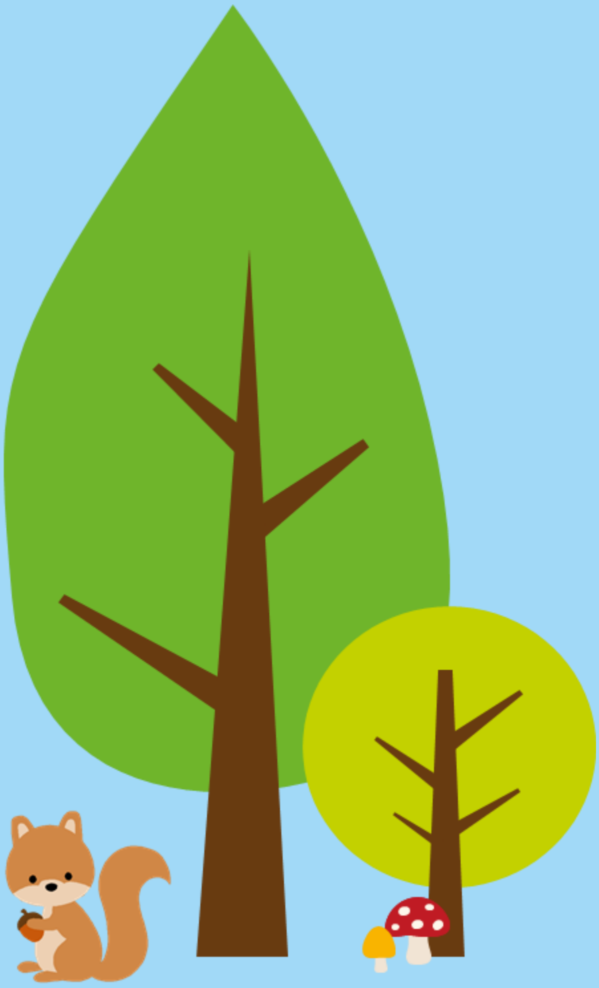
Royal Mail Pension Plan

Report and Financial Statements

For the year ended 31 March 2024

The assets of the Plan are held in trust for members by the Trustee and are managed independently from the finances of the employers

Plan registration number: 100981732



Royal Mail Pension Plan

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Trustee Directors

Joanna Matthews joined the Board as Chair in October 2012. She built her career as a pension lawyer at Sacker & Partners.

Joanna became a full-time professional Trustee in 2006 and chairs a number of other major pension schemes.

Mark Ashworth represents, and is a director of, Law Debenture, which is a professional independent Trustee of pension schemes. He is a Barrister and Chartered Secretary and joined Law Debenture in 2001. He serves on the Trustee boards of a number of major pension schemes. Law Debenture was appointed to the Trustee Board in March 2006 as an Employer Nominated Trustee.

Lionel Sampson is the Senior Policy Advisor to the General Secretary of the Union of Communication Workers ('CWU'). He was previously the Policy Advisor dealing with pensions. Prior to this, he was Divisional Representative for the South-East Division of the CWU, and a member of both and National Executive Councils. He joined the Trustee Board in October 1996 as a Member Nominated Trustee.

Paul Kennedy is the Midlands Divisional Representative for the CWU, a post he has held since its creation in 1992. He joined Royal Mail in 1974 and has held a variety of CWU posts since 1982. He is also a member of the Employment Tribunals. He joined the Trustee Board in August 2006 as a Member Nominated Trustee.

Phil Browne joined Royal Mail in 1980 and was a member of the National and Postal Executive for CWU from 1995 to 2017, prior to which he held various CWU positions. He was elected to the Trustee Board in October 2008 as a Member Nominated Trustee.

Paul Brown spent 17 years at Post Office Ltd, most recently as Head of Commercial Development. Paul has continued to represent Post Office Ltd on the Trustee Board since leaving the Post Office in 2016. Paul Joined the Trustee Board in August 2012 as an Employer Nominated Trustee.

Gary Sassoon-Hales is chair of the National Committee of Unite CMA. He has always been interested in pensions and has been a part of Unite CMA's pensions working group since 2018. Gary joined Royal Mail in 1995 learning the business from the ground up in Delivery in Wales and London, Processing in Cardiff/Swansea. He worked both as an Automation Lead and as a Shift Manager. He joined the Trustee Board in April 2023 as a Member Nominated Trustee.

Karen McKay is the Head of HR Policy for Royal Mail Group and is a Member of the Chartered Institute of Personnel and Development. She joined Royal Mail in 1989 and has worked in a number of roles including Employee Relations, Industrial Relations and Business Partnering. Karen was a trustee for a charity for six years until 2022. She joined the Trustee Board in December 2022 as an Employer Nominated Trustee.

Trustee Board meetings

	Number of Board meetings attended	Number of Board meetings held from 1 April 2023 to 31 March 2024
Ms J Matthews	11	11
Mr P Brown	10	11
Mr P Browne	08	11
Mr P Kennedy	10	11
Law Debenture Trust Corporation plc (Represented by Mr M Ashworth)	11	11
Mr L S Sampson	11	11
Ms Karen McKay	11	11
Mr G Sassoon-Hales	11	11

Gary Sassoon-Hales was appointed as a Member Nominated Trustee Director for a three-year term of office from 1 April 2023 to 31 March 2026.

Trustee
Royal Mail Pensions Trustees Limited
2nd Floor
11 Ironmonger Lane
London
EC2V 8EY

Sponsoring Employers
Royal Mail Group Limited
185 Farringdon Road
London
EC1A 1AA

Post Office Ltd
Finsbury Dials
20 Finsbury Street
London
EC2Y 9AQ

Administration
Pensions Service Centre
PO Box 5863
Pond Street
Sheffield
S98 6AB

Trustee Executive




From left to right, **Richard Law-Deeks,** Chief Executive Officer, resigned 30 June 2024**; Michael Airey,** Head of Funding & Investment to 30 June 2024, Chief Executive Officer from 30 June 2024**; Balvinder Aujla,** Chief Finance & Operations Officer; and **Mark Rugman,** Head of Membership & Benefits.

Advisors

Outsourced Chief Investment Officer
BlackRock Investment Management (UK) Limited

Actuary
Colin Singer FIA,
Willis Towers Watson

Auditor
KPMG LLP

Banker
The Royal Bank of Scotland

Bulk Annuity Provider (POL Section)
Rothesay Life PLC

Custodian
JP Morgan Chase Bank

Financial Advisor
PricewaterhouseCoopers LLP
Penfida Ltd

Investment Consultant
Mercer Investment Consulting

Legal Advisor
Sacker & Partners LLP

Performance & Risk Consultant
Lane Clark & Peacock

Property Valuer
CB Richard Ellis Ltd

Solicitor
CMS Cameron McKenna Nabarro Olswang LLP
Mills & Reeve LLP

Investment Managers
Aberdeen
Allianz Global Investors
AM Squared Investors
Beach Point Capital Management
Black Creek Investment Management
BlackRock
BMO Global Asset Management terminated June 2023
Boussard and Gavaudan
Brevan Howard Asset Management
Capstone Vol (Offshore) Limited
Caxton Associates
Centerbridge Partners
Crescent Capital Group
Elementum Advisors
Empyrean Capital
Hambro Perks
Hamilton Lane
Highbridge Capital Management
Hudson Bay
Insight Investment Management terminated April 2023
Intermediate Capital Group
Glasswing Ventures
Kennedy Lewis Capital Partners
Longchamp Asset Management
LaSalle Investment Management
Loomis Sayles
Macquarie Group
Marshall Wace Asset Management
MetLife Investment Management
Ninety-One European Credit Opportunities Fund
Oaktree Capital Management
Paamco Emerging Absolute Return Fund RM Ltd
PAG Investment Management
Phoenix Property Investors
Polymer Asia (Cayman) Limited
Quantum Energy Partners

Investment Managers
Quinbrook
Rothesay Life
Sandbar Fund Limited terminated December 2023
Schroders
Sculptor Capital Management
Silver Rock
Spouting Rock Asset Management terminated September 2023
TOR Investment Management
True Capital
UOB Investment Management Ltd
Vivo Capital
Walter Scott & Partners terminated February 2024

These particulars are as at 31 March 2024 unless otherwise stated

Trustee's Report

This is the Annual Report and Financial Statements of the Royal Mail Pension Plan ('RMPP' or the 'Plan') for the year ended 31 March 2024.

Plan Governance

Trustee Arrangements

Royal Mail Pensions Trustees Limited ('RMPTL') acts as Trustee for RMPP. The Board of RMPTL is supported by an executive team of pension management professionals who advises the Board on its responsibilities and ensures that Board decisions are implemented.

The Trustee Board has positions for four member-nominated and four employer-nominated Trustee Directors (and one independent Chair). Currently there is a vacancy for one employer-nominated Trustee Director. Of the current Board members two are nominated by Royal Mail Group Limited ('RMG') and one by Post Office Ltd ('POL') and four by nomination and selection process run by the CWU or Unite CMA. The independent Chair is appointed by RMG after agreement with the Unions.

RMG and POL may remove their own nominees at any time. A member nominated Trustee Director can normally only be removed with the agreement of the rest of the Board.

No matter who they are nominated by each Trustee Director is responsible for protecting the benefits of all members. Each Trustee Director contributes his or her own blend of business knowledge and experience when making Trustee decisions.

Trustee Meetings

During the year the Board met formally on 11 occasions and the business matters addressed included:

- Funding
- Investment strategy
- Plan governance
- Administration
- Member engagement

Sub-Committees and Working Groups

The Trustee conducted a structural governance review in 2023 with an independent governance advisor, Isio. Following the review, the Funding and Investment sub-committees were merged into the Strategic Investment & Funding sub-committee. A review of MNT arrangements was also undertaken.

The Board has established the following standing Sub-Committees and working groups (the number of meetings held during the year is shown in brackets).

Sub-Committees:
Administration (4)
Audit, Risk & Finance (3)
Strategic Investment & Funding (4)

Working Groups:
Implementation Working Group (4)
De-risking Working Group (0)

Additionally, the following Sub-Committees conduct business by correspondence and by meeting as required:

- Internal Disputes Resolution (8)
- Discretions (2)
- Emergency events (2)

Trustee Training

The Board follows The Pensions Regulator's Code of Practice on Trustee Knowledge and Understanding. During the year, training has been undertaken by the Board on escrow, member engagement and the Taskforce on Nature-related Financial Disclosures ('TNFD').

All Trustee Directors have completed The Pensions Regulator's training course, the 'Trustee Toolkit'.

Plan Structure

The Plan is divided into six Sections, A, B, C, D, E and F. Sections A, B and E contain the benefit rules and schedules for former members of the Post Office Staff Superannuation Scheme ('POSSS') and Section C contains the rules for former members of the Post Office Pension Scheme ('POPS'). Section D contains the matching AVC arrangement for Section C and F members. With effect from 1st April 2008, Sections A, B, C and E of the Plan were closed to new entrants.

In 2018, Section F was added to enable the Trustee to admit, with effect from 1st April 2018, those members of the Royal Mail Defined Contribution Plan who meet the eligibility criteria of joining the Plan and who choose to do so. With effect from 31st March 2018 Sections B and C ceased accrual of benefits on the previous benefit basis (i.e., Career Salary Defined Benefit) and along with Section F members were able to build up benefits under a new Defined Benefit Cash Balance Scheme ('DBCBS').

In line with the change in status of POL introduced by the Postal Services Act, with effect from 1st April 2012 POL became a principal employer and a distinct RMG Section and POL Section with separate funding and investment arrangements were created within the Plan. At the same time the Plan's accrued liabilities (including the entitlements of all the then pensioners and deferred pensioners) were transferred to a new Government scheme, the entitlements of all the then pensioners and deferred pensioners) were transferred to a new Government scheme, the Royal Mail Statutory Pension Scheme ('RMSPS'). The DBCBS also has its own separate funding and investment arrangements.

For the RMG Section and the DBCBS the principal employer is RMG and the participating employer is RM Property and Facilities Solutions Limited.

The Plan is a registered scheme under Part IV of the Finance Act 2004 and as such certain parts of its income and chargeable gains are free from taxation. The Plan's Pension Scheme Taxation Reference (PSTR) number is 00328877RE. The Plan is also registered with the Pension Schemes Registry with a reference number of 100981732.

Membership Administration

The Board has delegated benefit administration to the Royal Mail Pensions Service Centre ('PCS) in Sheffield under contractual arrangements. These arrangements specify service levels against which the Board monitors performance. The contact details and address for all enquiries is shown on the back page of this document.

Contributions

Contributions to the Plan (excluding AVCs) amounted to £305 million during the year and were received in accordance with the schedules of contributions as shown in the Trustee's Summary of Contributions on page 39.

Following agreement between RMG and the Trustee, RMG's contributions that were previously due to the Plan in respect of accrual benefits from 1st September 2017 to 31st March 2018, have been accumulated in a fund which is not part of the assets of the Plan. A full escrow arrangement was set up in October 2019 which held these assets. In June 2023 the Trustee reviewed the funding position and made a decision to release the escrow, at the request of RMG and the CWU. The RMG Section is well-funded and the additional support offered by the escrow was no longer deemed necessary. £126m was released by September 2023 and used by RMG for a special lump sum to its employees.

In March 2024 the Trustee and RMG agreed a new schedule of contributions where employer contributions in respect of the period from 1st February 2024 to 30 June 2024 will be paid to the existing escrow fund. The Trustee also agreed for the RMG Section to transfer an amount equal to these contributions to the DBCBS.

The escrow assets amount to £89m million as at 31st March 2024 (2023: £196 million).

Pension Increases

Pensions are increased in accordance with legislation and the Trust Deed & Rules. Currently, this means that for Sections A, B and E pensions in payment, the rate of increase is measured by reference to the Consumer Prices Index ('CPI'), and for Section C it is measured by reference to the Retail Prices Index ('RPI'), up to a maximum of 5%.

In April 2024, the increase for Sections A, B & E pensions in payment was 6.7% (2023: 10.1%). For deferred members of these sections, pensions are revalued in the same way. The increase for Section C pensions in payment was 5.0% (2023: 5.0%) For deferred members in Section C, each member's pension is revalued for the period between the date of leaving service and the date the pension commences, by reference to CPI and in accordance with the Pension Schemes Act 1993. No discretionary increases were awarded.

DBCBS increases

Members have been building up benefits in the DBCBS since April 2018. Benefits accrue based on contributions at a rate set by the Company (initially at 19.6% of each year's pensionable pay) with further discretionary increases to the lump sum being targeted, but not guaranteed, each year. Once credited, those increases are guaranteed. At the point of retirement, members receive a lump sum based on their accrued balance including past pension increases awarded. The DBCBS reported its funding update at 31st March 2023 (related to members and their Cash Balance at that date) which led to a discretionary pension increase of 6.7% being awarded at 31st March 2024 (2023: 11.3%).

Transfer Values

During the year, transfer values in respect of withdrawing members were calculated and verified in the manner prescribed by legislation. Where required allowance has been made for discretionary increases. The Plan does not accept transfers from other schemes.

Risk Management and Internal Controls

The Board has established a risk management framework which enables it to review on a regular basis the risks faced by the Plan. Internal control systems are also reviewed regularly by the Board through its Audit, Risk and Finance Sub- Committee. The Board's Statement on Risk Management and Internal Control (Appendix 6) includes a summary of the main risks faced by the Plan. Furthermore, the Trustee has commenced a review of The Pension Regulator's General Code to ensure appropriate governance is in place.

Responsible Investment

The Trustee has a Responsible Investment Mission Statement that reads:

We recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that may increasingly require explicit consideration;

We commit to be an engaged and responsible long-term investor in the assets and markets in which we invest;

We believe that the integration of financially material environmental (including climate change), social and governance ('ESG') factors within our investment process is not detrimental to the Plan's investment risk, Responsible investment does not need to require sacrificing returns. It can, in fact, enhance risk and return characteristics and assist risk management in the sustainable long term expected returns from the Plan's investments;

We aim to continually enhance and develop our approach, in line with our ESG 'roadmap' to ensure the Plan is relatively advanced in its ESG and Climate development;

We will work closely with the BlackRock Outsourced Chief Investment Officer (and other advisers) to ensure ESG factors are integral to investment decisions;

We work closely with the Plan sponsor on ESG issues including communicating the Plan's Net Zero commitment and to manage any key ESG risks identified in the covenant risk review;

We will monitor and review ESG risks (including climate) regularly and where appropriate take actions identified as part of that monitoring and review to mitigate those risks;

We appointed a Trustee Board ESG 'Champion' to develop the Trustee's ESG and climate awareness and to enable Trustee engagement in the Plan's ESG/Climate progress;

We aim to appoint and retain managers whose beliefs and practices are consistent with our beliefs on ESG risks and opportunities (where relevant to their mandate) and we encourage best stewardship practice from our investment managers.

We will actively engage with our investment managers regarding the portfolios' carbon emissions with a view to achieving the Plan's emission reduction targets;

We will communicate ESG and Climate developments to the membership at least annually;

As part of our commitment to Responsible Investment, the Plan is a signatory to the United Nations-backed Principles for Responsible Investment and to Financial Reporting Council ('FRC') UK Stewardship Code.; and

The Plan is a signatory to Climate initiatives such as Climate Action 100+ and the Transition Pathway Initiative ('TPI'). TPI is an initiative is led by asset owners (like pension funds) that assess companies preparedness to the transition to a low carbon economy and supplies efforts to address climate change. Data is provided by FTSE Russell covering over 4000 companies worldwide. TPI provides data for Climate Action 100+ who engage with around 160 companies that are the largest Green House Gas ('GHG') emitters, actively working with these companies to materially reduce their emissions in order to be in line with the Paris Agreement 2015.

The Trustee's policy on Responsible Investment is included in its Statement of Investment Principles.

Environmental (including climate change) Social and Governance policy

The Trustee acknowledges that ESG including climate change is a material risk. The risk is monitored by the Trustee through the Plan's risk management process.

The Plan's Statement of Investment Principles reflects the ESG policy that specifically includes the consideration of climate change.

Through its Strategic Investment & Funding Sub- Committee, the Trustee has:

- received reports from its managers on how they have exercised their voting rights and how they have engaged with investee companies. The Trustee holds the investment managers responsible for their decisions in the use of voting rights on all issues including remuneration policy.
-completed the new UN PRI Reporting Framework in September 2023.
- ensured that those of its investment managers who hold UK listed shares comply with the FRC's UK Stewardship Code; and
- received reports from Sustainalytics who engages with companies in the Plan's equity (including emerging markets) and corporate bond portfolios on ESG issues and makes recommendations. Sustainalytics engage on numerous issues including environment, human rights, labour rights and business ethics.

Furthermore, the Plan has invested in climate-related investments, namely renewable and net-zero carbon energy.

The Trustee recognises that engagement is a key tool in driving change. Investment managers are regularly reviewed and scored on their ESG policies and activities.

Key Events during 2023/24

Investments

Over the past year, inflation has been a concern for pension schemes, with the Bank of England ('BoE') raising interest rates to manage rising prices. This has impacted gilt yields and the value of pension scheme liabilities. The central bank's measures have aimed to bring inflation down towards its target while pension plans grappled with the dual challenge of providing returns to pensioners and managing the cost of future liabilities.

The BoE hiked interest rates to 5.25% in August 2023, which is the highest level they have been since February 2008. BoE has maintained the interest rate at this level since August, similar to the European Central Bank and the Fed in the US. As inflation fell to a two-year low towards the end of 2023, markets began to price interest rate cuts in 2024, with the expectation that inflation will be brought back towards target during the course of the year.

The gilt market has experienced volatility, influenced by both domestic economic policies and global market conditions. Pension schemes have closely monitored these movements, as they directly affect funding levels and investment strategy. The pension scheme landscape has seen a continued emphasis on risk management, with schemes focusing on addressing the challenging task of hedging against inflation and interest rate risks.

Against this macroeconomic backdrop, the RMG Section continued its de-risking journey to align the investment strategy with the risk and return targets needed to achieve the overall investment goals. Among the more significant asset allocation moves during the year were removing exposure to legacy securitised finance investments in Asset-Backed Securities ('ABS') and instructing the hedge funds (in the Absolute Return portfolio) to gradually liquidate all their holdings.

During the year the Trustee increased the DBCBS liability hedge ratios to 100% of nominal interest rates and 60% of inflation (previously 80% rates and 30% inflation).

Since its closure in 2018, the RMG Section's funding position has remained in surplus. This broadly remained unchanged over the course of the year, while a further increase to the guaranteed lump sum was awarded to members of the DBCBS.

The POL Section de-risked in July 2017 when it entered into a buy-in contract with Rothesay Life. At that time, the majority of the Section's assets were liquidated to facilitate the purchase of the buy-in insurance contract.

The latest annual independent fee and costs review conducted by specialist benchmarking company, CEM, showed continued value-add.

ESG developments

Work on ESG compliance has been carried out including the completion of the annual Implementation Statement which discloses significant proxy voting activity and behaviours throughout the Plan year. This Statement is included in the Reports and Accounts, (see Appendix 5).

The Trustee's annual Climate report, including Task Force on Climate-Related Financial Disclosures ('TCFD') disclosures, including the impacts of climate change on the investments held can be accessed from the Plan's website www.royalmailpensionplan.co.uk in the media library section.

The Trustee received a high compliance rating under the new UN PRI Reporting Framework which acts as a framework for investors to take ESG issues into account.

The Trustee continues to explore the merits of joining other climate related initiatives and continues to review its ESG roadmap as it strives to meet its EGS ambition.

During the year Sustainalytics has engaged with a total of 50 companies across 51 cases on behalf of the Plan. 4 new cases were opened during this period focusing on material ESG risk issues and 2 new cases were opened focusing on sustainability and international standards. The following case studies provide examples of engagement activities undertaken.

Case Study 1 – Sustainalytics, Syngenta:
Sustainalytics engaged with Syngenta, a Swiss Biochemical Company, mainly in agrochemicals. They were engaged on addressing environmental and/or health impacts of its products. There had been cases of negative health claims leading to product bans in over 50 countries.

After repeated engagement, the Company confirmed that its products are screened using sustainability criteria which is often more strict than regulatory standards. Tests were being conducted in association with

CropLife, (a respected science based agricultural non-governmental organisation), in order to bring the results to the benefit of the industry as a whole. They have developed aspects of product stewardship, providing clarification on remedy and risk.

Case study 2 - NatWest Group: Aberdeen, one of the Plan's bond managers, engaged with NatWest Group on releasing their 3rd Social Bond where proceeds from €500m issuance will be used to refinance existing and new loans to women-led enterprises. The NatWest Group have also established a target that 25% of its senior debt issuance would be a Green or Social Bond format.

Case Study 3 – UK Government Green Bonds – BlackRock: Blackrock who manages over 75% of the Plan's investments, engaged with the UK Treasury on its issuance of multiple Green Bonds to finance public spending for low-carbon infrastructure and other Green projects. UK Treasury allocation from Green Bond issuance in 2022 was confirmed as being allocated as 47% to clean transport, 14% to renewable energy, 14% to energy efficiency, 13% to climate change adaptation and the remainder to pollution prevention and control.

Case Study 4 – RMPP Short Term Cash – BlackRock Environmental, Social and Governance (ESG) investing:
The Plan's short-term cash holdings are invested in BlackRock's Liquid Environmental Aware Fund ('LEAF'). This fund has ESG consideration factored in. The cash in this fund would not be invested in: controversial weapons (nuclear, cluster munitions, bio-chemical, landmines etc); issuers that derive 5% or more of their revenues from fossil fuel, thermal coal, Tar and Oil Sands and tobacco; and issuers that were UN Global Compact violators, have an MSCI ESG rating of CCC or have an MSCI '0' controversy score.

Liaison with Royal Mail Statutory Pension Scheme ('RMSPS')

The Trustee has continued to work with the RMSPS manager to ensure service to members with benefits in both schemes continues to be as seamless as practicable. There are regular meetings between both schemes and there is regular reporting to the Plan's Trustee on the service provided.

Accounting

The Plan's assets have decreased in value from £9,726 million at 31st March 2023 to £9,324 million at 31st March 2024. There were receipts from contributions, including additional voluntary contributions of £314 million and benefit and transfer payments were £233 million. The decrease in the market value of investments during the year was £519 million (shown in the financial statements in Note 7).

Investment income totalled £61 million and there were expenses of £25 million.

Membership Summary

Total membership marginally decreased from 123,590 to 123,366 during the year. The number of employee members decreased from 66,535 to 59,864 as at 31st March 2024. The number of deferred members has increased from 20,206 to 22,007 and the number of pensioners has also increased from 36,849 to 41,495. A full analysis of membership appears in Appendix 1.

Actuarial Valuation and Funding Update

The table over the page includes the results of the latest funding updates. For the POL Section, POL informed the Trustee, in 2020, that it had found some errors in the salary data provided to the PSC. The Trustee is currently working with POL to finalise the corrections required. The 31st March 2021 actuarial valuation was delayed as a result of the salary correction exercise, but ultimately completed in December 2023. The annual funding updates for 2022 and 2023 were completed in February 2024. The DBCBS reported a surplus of £44m at 31st March 2023 which led to a discretionary pension increase being awarded at 31st March 2024.

The latest results were distributed to members in May this year for the RMG Section and DBCBS, and in March 2024 for the POL Section.

The actuarial certificates confirm that the agreed Schedules of Contributions are in accordance with the Trustee's Statement of Funding Principles (see page 40).

POL Partial Buy-out

The Trustee purchased a bulk annuity insurance contract with Rothesay Life in 2017 to support its strategy to de-risk the POL Section and minimise fluctuations in the funding level. After careful consideration and advice from advisors, the Trustee decided it would be appropriate to move to the next step of converting this bulk insurance policy into individual policies for each member. This process is known as a 'Partial Buy-out' and once complete Rothesay Life will take over responsibility for directly paying the members benefits that the policies cover. The Trustee wrote to members in January 2020 informing them of this decision to proceed with the Partial Buy-out. The Partial Buy-out will be implemented following completion of the POL Section correction exercise referenced earlier in this report. The Executive and Trustee continue to support the PSC with the Partial Buy-out transition.

Valuation of the POL annuity

The valuation of the buy-in contract at 31st March 2024 was £240m (2023: £262m). The assumptions used are stated as being consistent with the Technical Provisions basis adopted by the Plan Trustee for funding purposes, as set out in the most recent Statement of Funding Principles in relation to the 31st March 2021 triennial valuation, adjusted for market conditions (in particular the discount rate and inflation assumptions) to 31st March 2024. The assumptions are considered reasonable under the flexibility provided by the Pensions Statement of Recommended Practice.

Actuarial Valuation and Funding Update by Section (excluding AVCs)

	Actuarial valuation 31 March 2018 £m	Annual funding update 31 March 2019 £m	Annual funding update 31 March 2020 £m	Actuarial valuation 31 March 2021 £m	Annual funding update 31 March 2022 £m	Annual funding update 31 March 2023 £m
RMG Section						
Assets	9,986	10,464	11,183	11,181	11,394	7,611
Liabilities	9,854	10,411	10,664	10,520	10,244	6,550
Surplus	132	53	519	661	1,150	1,061
DBCBS						
Assets	n/a	396	735	1,181	1,543	1,653
Liabilities	n/a	386	717	1,151	1,503	1,609
Surplus	n/a	10	18	30	40	44
POL Section						
Assets	438	455	n/a	507	487	327
Liabilities	414	427	n/a	481	456	301
Surplus	24	28	n/a	26	31	26

Investment

Investment Policy

The Trustee has a Statement of Investment Principles ('SIP') for each principal employer covering: fund governance; investment objective; risk and return; diversification of risks; strategic management; investment managers; cash flow management; AVCs; responsible investment; and compliance with, and review of, the SIPs.

Each Section's spread of investments continues to balance security and growth in order to pay the Plan's benefits when they become due. The SIPs for were updated in March 2024 and are included in Appendix 3. The SIPs can also be accessed on the Plan's website www.royalmailpensionplan.co.uk in the media library section. The SIPs are also available to Plan members on request.

The Trustee confirms that it complies with the updated Myners' Principles which provide guidance on best practice in investment decision-making.

Investment Strategy

The investment strategy of the Plan aims to safeguard the assets and to provide, together with contributions, the financial resource from which benefits are paid. Investing assets inevitably exposes the Plan to risks. These risks can be broadly classified as those inherent in the safe custody and record-keeping of assets and those inherent in the investment markets.

The assets of the Plan are kept totally separate from the finances of the sponsoring employers. In order to control their title and security, the Trustee holds the assets in designated custodian accounts and uses the safekeeping services of the custodian.

The risks inherent in the investment markets for the RMG Section (and DBCB Section) are partially mitigated by pursuing a widely diversified approach across asset classes and fund managers. The majority of POL Section's assets are held under the buy-in policy with Rothesay.

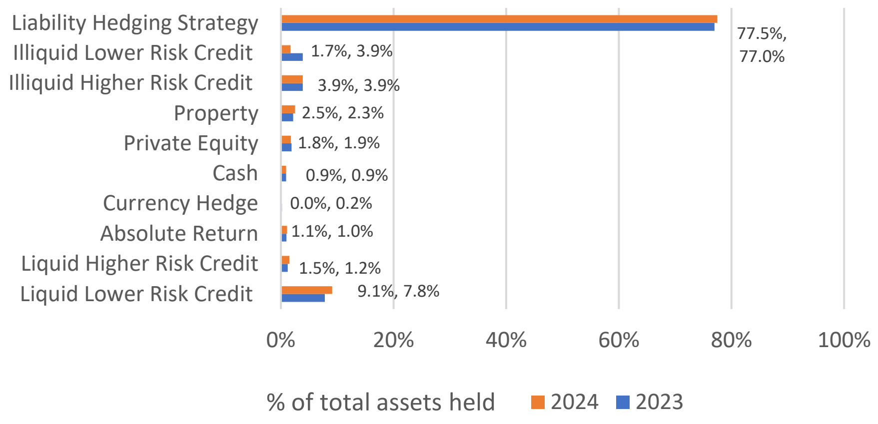
Asset allocation

The charts below show the weightings of the different types of asset held at 31st March 2024 for each of the Sections along with the weightings for the previous year. The charts show assets on an economic exposure basis and include pooled investments which have been redistributed in the chart to reflect the underlying values by asset type (i.e. equities, property, bonds). Therefore, the charts may differ from the analysis of investment values included in the financial statements.

The RMG Section and DBCBS invest in a mix of risk-reducing and return-seeking assets.

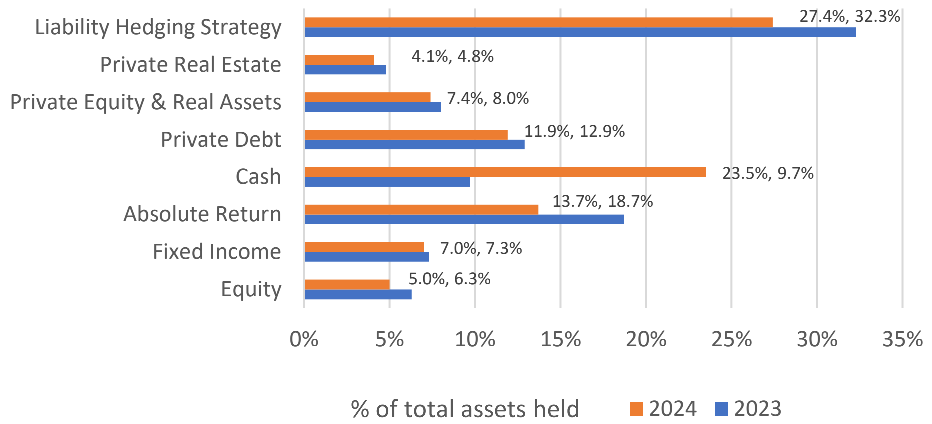
The Plan invests in derivatives (predominantly swaps and options) to reduce interest rate and inflation risk whilst maintaining expected investment returns. Derivatives are included in the charts below in 'liability-hedging strategy'.

RMG Section Asset Allocation



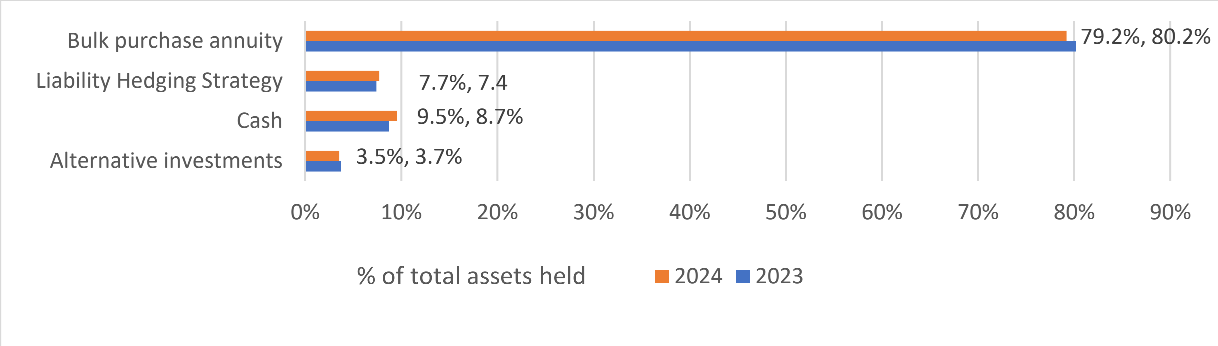
Swaps = 30.0% , Repo = 6.2% i.e. the absolute value of the derivatives' underlying amounts as a percentage of the total asset value of the RMG Section

DBCBS Asset Allocation



Swaps = 11.9%, Repos = 15.2% i.e. the absolute value of the derivatives' underlying amounts as a percentage of the total asset value of the DBCBS.

POL Section Asset Allocation



Asset groupings explained

Asset category	Types of mandate
Liability hedging	Government bonds, swaps and other instruments designed to hedge the interest rate and inflation sensitivity of the liabilities.
Lower risk credit	CLOs, investment grade credit and infrastructure debt and secured finance.
Higher risk credit	High yield, private debt and emerging market debt.
Fixed income	High yield and secured finance.
Equity and Private Equity	Developed market equities with offsetting swaps, to remove the impact of movements in equity markets, and isolate returns solely from manager skill. Private market equities and emerging market equities.
Property and Private real estate	UK and overseas property.
Private Debt	Higher risk credit and emerging market debt.
Absolute Return	Alternative investments designed to provide a positive return in all markets.
Cash	Cash and liquid money market funds.
Currency hedge	Effective currency hedging strategies including forward contracts, futures, and swaps used to eliminate foreign exchange currency risk.
Annuity	Bulk purchase annuity that insures a subset of members for the POL scheme.

Investment Managers

The Plan's assets were managed by several external investment managers as detailed below.

Manager	Mandate	£m
Aberdeen	Global Investment Grade Credit	313
Allianz Global Investors	Private Real Estate	20
AM Squared	Alternatives	61
Boussard and Gavaudan	Alternatives	27
Beach Point Capital Management	High Yield Debt and Fixed Income	188
Black Creek Investment Managament Inc	Global Unconstrained Equities	71
BlackRock*	Liability Driven Investments, Infrastructure Debt, Gilts, MMFs	6,158
Brevan Howard Asset Management	Alternatives	17
Capstone Vol (Offshore) Limited	Alternatives	8
Caxton Associates	Alternatives	50
Centerbridge Partners	Private Debt	38
Crescent Capital Group	Private Debt	85
Elementum Advisors	Alternatives	2
Empyrean Capital	Alternatives	5
Glasswing Ventures	Private Equity	5
Hambro Perks	Private Equity	12
Hamilton Lane	Private Equity	13
Highbridge Capital Management	Private Debt	16
Hudson Bay	Alternatives	45
Intermediate Capital Group	Private Debt, Private Equity	128
Kennedy Lewis Capital Partners	Private Debt	19
LaSalle Investment Management	UK Property and Real Estate Debt	513
Longchamp Asset Management	Emerging Market Equities	24
Loomis Sayles	Global Investment Grade Credit	321
Macquarie Group	Private Equity, Asian Infrastructure	17
Marshall Wace	Alternatives	18
MetLife Investment Management	Infrastructure Debt	53
Ninety One	Private Debt	8
Oaktree Capital Management	Private Debt, Emerging Markets, Private Real Estate	140
Paamco	Absolute Return Emerging Manager	67
PAG	Private Debt, Private Real Estate	62
Phoenix Property Investors	Real Estate Debt	5
Polymer Capital	Alternatives	21
Quantum Energy Partners	Private Equity, Private Debt	76
Quinbrook Infrastructure Partners	Private Equity & Real Assets	104
Rothesay Life	Insurance Contract	240
Schroders Asset Management	Private Debt	10
Sculptor Capital Management	Real Estate Debt	8
Silver Rock	Private Debt	18
TOR Investment Management	Priavte Debt	59
True Capital	Private Equity	5
UOB Investment Mangement Pte. Ltd.	Private Equity	5
Vivo Capital	Private Equity	13
Other	Residual assets	2
Cash and other		111
AVC Investments		142
Other non investment assets and liabilities		1
TOTAL		9,324

*BlackRock managed the RMG Section's liability-driven investment portfolio during the year through a pooled investment vehicle. Although this forms a large proportion of the Plan's assets, risk is mitigated through holding a spread of underlying assets comprising index-linked gilts (backed by Government), swap contracts, repos and cash.

Investment managers receive a fee for the management of mandates. Fees are paid by the Trustee and recharged to the Plan or are taken directly from the fund by the investment manager. Where relevant, a performance fee is also charged which is only payable if a return higher than the specific benchmark return.

Liquidity of Investments

The Trustee regards the majority of the investments as readily realisable, apart from the buy-in policy in the POL Section. Other exceptions include certain pooled investments, private equity, private debt, property and some corporate bonds, which due either to the nature of the investments or current market conditions means they are less liquid than the rest of the investment portfolio.

Investment Returns

The tables below show the Plan's returns for the year ended 31st March 2024 as well as annualised returns for the three years to the same date, split by Section.

RMG Section	Year to 31 March 2024	3 years to 31 March 2024
Return on return-seeking assets (%) p.a.	5.8%	4.1%
Target (3M SONIA +2.7%)	7.9%	5.3%
Return on liability-matching assets p.a.	-8.2%	-16.0%
Total assets	-6.6%	-13.3%

DBCBS	Year to 31 March 2024	3 years to 31 March 2024
Return on return-seeking assets (%) p.a.	4.3%	5.2%
Return on liability-matching assets p.a.	0.2%	-21.7%
Total assets	1.8%	-0.6%
Target (gilts + 3.6% p.a.)	4.3%	-2.3%

POL Section	Year to 31 March 2024	3 years to 31 March 2024
Return on return-seeking assets (%) p.a.*	2.0%	16.2%
Target (3M Libor to 31Dec21 and overnight SONIA thereafter)	5.1%	2.5%
Return on liability-matching assets and cash**	1.8%	-2.9%

* The POL Section's relatively small allocation to return seeking assets are legacy illiquid holdings now in run-off

** Liability matching and cash includes cash account and FX contribution and excludes any contribution from the bulk purchase annuity contracts

All performance figures quoted are calculated on a time-weighted return basis.

Royal Mail Collective Pension Plan (RMCPP)

The Company has been working closely with the CWU and other stakeholders to make the Royal Mail Collective Pension Plan (Collective Plan) a reality for Royal Mail and its people. The Collective Plan launched on 7 October 2024. It contains a Collective Defined Contribution (CDC) section and a Lump Sum section (similar in nature to the DBCBS). The RMCPP will replace the transitional DBCBS.

Conclusion

We have continued to deliver for the members of the Plan despite ongoing volatility in capital markets with concerns focused on high inflation, interest rates and global economic growth.

Following the appointment of its Outsourced Chief Investment Officer, Blackrock, in February 2023, the Plan reviewed its investment strategy and is currently in the process of implementing changes to reduce risk for the RMG Section. Updates to the DBCBS investment strategy are focussed around maintaining a balanced portfolio that meets its return and risk constraints while continuing to provide inflation linked pension increases.

The investment strategy has successfully protected the surplus of the RMG Section, while growing the funding level. At 31 March 2023 the Technical Provisions Surplus was £1,061m and the funding level 116%.

The RMG Section achieved a negative return of 6.6% over the 12 months to 31st March 2024, driven by the liability- hedging portfolio. The return seeking portfolio achieved a positive return of 5.8% over the year. Over the 3-year period the Section achieved a negative return of 13.3% per annum, with the return seeking assets returning 4.1% per annum. Since 1st April 2012, the return-seeking portfolio returned 6.1% per annum.

The DBCBS received £305 million in new contributions. The Plan delivered a pension increase of 11.3% for the DBCB Section last year, with a further increase of 6.7% this year.

Work continues to progress the POL Section Partial Buy-out.

Cyber resilience remains a key area of risk for pension schemes and we continue to develop our strategy and contingency plans in this area.

Similarly, we continue to develop our strategies in relation to ESG, with a view to enhancing the sustainable long term expected returns. Engagement with the Plan's investment managers continues to be a key tool in driving change and ensuring the Plan remains a responsible long-term investor.

Governance remains high on the Trustee's agenda with the merging of the Investment and Funding sub-committees, review of MNT arrangements and the Pensions Regulator's General Code.

With regards to escrow developments, £126m was released to RMG during the year. It was later agreed that employer contributions in respect of the period from February 2024 to 6 October 2024 will be paid to the existing escrow fund. At 31 March 2024 the escrow assets amount to £89m million.

Following the launch date of the Collective Plan on 7 October 2024, the RMG and DBCB sections closed to future accrual whereby no members are permitted to accrue or be credited with further benefits after 6 October 2024, accordingly, no contributions, including additional voluntary contributions are payable to the Plan after 6 October 2024.

Effective from 30 June 2024, Richard Law-Deeks resigned as CEO of the Trustee Executive with Michael Airey taking on the position. The Trustee Board would like to thank Richard for his contribution over the years and look forward to working with Michael in his new role, continuing to deliver great service to the Plan's members.

The Trustee Board would also like to thank the RMPTL Executive, the Royal Mail Pensions Service Centre, the Royal Mail Pensions Strategy Team and our team of external advisors for their assistance throughout the year.

Joanna Matthews – Chair

22 October 2024

Statement of Trustee's Responsibilities for the Financial Statements

The audited financial statements, which are required to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Plan members, beneficiaries and certain other parties, audited financial statements for each Plan year which:

(i) show a true and fair view of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of the Plan year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year; and

(ii) contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice Financial Reports of Pension Schemes.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis It is also responsible for:

- assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless it either intends to wind up the Plan, or has no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee annual report, information about the Plan prescribed by pensions legislation, which they should ensure is fair and impartial.

The Trustee also have certain responsibilities in respect of contributions which are set out in the statement of Trustee responsibilities accompanying the Trustee summary of contributions.

The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Plan and to prevent and detect fraud and other irregularities. The Trustee is responsible for the maintenance and integrity of the Plan and financial information included on the Plan's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Trustee Responsibilities in respect of Contributions

The Plan's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised schedules of contributions showing the rates of contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan and the dates on or before which such contributions are to be paid. The Plan's Trustee are also responsible for keeping records of contributions received in respect of any active member of the Plan and for monitoring that contributions are made to the Plan in accordance with the schedules.

Royal Mail Pension Plan Financial Statements
Fund Account
for the year ended 31 March 2024

	Notes	2024 £m	2023 £m
Contributions and Benefits			
Employer Contributions	1	208	247
Employee Contributions	1	106	110
Benefits	2	(215)	(156)
Payment to and on account of leavers	3	(18)	(19)
		81	**182**
Administrative expenses	4	(13)	(13)
Net additions from dealings with members		**68**	**169**
Return on investments			
Investment income	6	61	73
Change in the market value of investments	7	(519)	(4,071)
Investment management expenses	5	(12)	(16)
Net return on investments		**(470)**	**(4,014)**
Net (decrease) in the fund during the year		**(402)**	**(3,845)**
Net Assets of the Plan			
At start of the year		9,726	13,571
At end of the year		**9,324**	**9,726**

The Accounting Policies and Notes on pages 20 to 33 form an integral part of the financial statements.

Statement of Net Assets (available for benefits) as at 31 March 2024

	Notes	2024 £m	2023 £m
Investment Assets			
Equities	7	78	27
Property	7,9	467	533
Bonds	7	1,617	811
Pooled investment vehicles	7,8	6,729	7,606
Insurance policies	7	240	262
Derivative contracts	7,10	25	26
AVC investment	7,12	142	136
Cash	7,11	212	393
Other investment assets	7,16	134	49
		9,644	**9,843**
Investment Liabilities			
Derivative contracts	7,10	(45)	(7)
Other investment liabilities	7,16	(276)	(96)
		(321)	**(103)**
Net Investment assets			
		9,323	**9,740**
Current assets		65	31
Current liabilities	13	(64)	(45)
Net assets of the Plan			
		9,324	**9,726**

The Accounting Policies and Notes on pages 20 to 33 form an integral part of the financial statements.

The financial statements summarise the transactions of the Plan and deal with the net assets at the disposal of the Trustee. They do not take into account obligations to pay pensions and benefits which fall due after the end of the Plan year. The actuarial position of the Plan, which does take into account such obligations, is dealt with in the Report on Actuarial Liabilities included on page 41 and these financial statements should be read in conjunction with that report.

Approved by the Trustee and signed on behalf of the Directors by:

J Matthews – Chair
22 October 2024

G Sassoon-Hales – Director

M Airey – Chief Executive Officer

Accounting Policies

Basis of Preparation

The financial statements have been prepared in accordance with the Occupational Pension Scheme (Requirement to obtain Audited Accounts and a statement from the Auditor) Regulators 1996, Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice (SORP) (revised 2018).

Basis of Accounting

The Plan is established as a trust under English law. The address for enquiries to the Plan is listed on page 4. The financial statements state the assets at market value. The long-term financial position of the Plan including liabilities for pensions and other benefits which are expected to arise in the future and which are not reflected in the financial statements, is dealt with in the Actuarial Valuation Reports as at 31 March 2021 (RMG Section) and 31 March 2021 (POL Section).

Going Concern

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as it believes that the Plan has adequate resources to realise its assets and meet benefit obligations in the normal course of affairs for at least the next twelve months from the approval of these financial statements. In reaching this conclusion, the Trustee considered the impact of the funding level, investment strategy, portfolio liquidity, cashflow requirements and the employer covenant.

The funding level of the RMG Section of which Royal Mail Group Limited is the sponsoring employer continues to be in a surplus on a technical provisions estimate and buy-out estimate. The Section has a strong funding level and this is not expected to have changed significantly as at the date that these financial statements are approved. As a result the RMG Section is not assumed to be reliant on the employer covenant and no deficit contributions are due to the Plan.

The Plan has sufficient liquidity within its investment portfolio to continue to pay benefits and cashflow requirements as they fall due either through using existing cash holdings or through liquidating investment holdings. Benefits for the POL Section will continue to be funded by the insurance policy that is held by that Section with Rothesay Life Plc.

The employer, Royal Mail Group Limited's financial statements for the year ended 31 March 2024 included a material uncertainty at 28 June 2024 in relation to going concern due to it being dependent on the continued financial support and resources from its ultimate parent IDS plc and this support not being guaranteed. Furthermore, the financial statements of IDS plc included a material uncertainty related to going concern and therefore the availability of support may be in doubt if required. This uncertainty arose on 29 May 2024, when IDS plc, announced that it was recommending an offer of 370 pence per IDS share from EP Group for the entire issued share capital of IDS plc not already owned by EP Group and its affiliates, namely VESA Equity Investment S.a r.l. (Vesa Equity). IDS plc has a number of financial liabilities as well as other contractual arrangements which contain provisions in relation to a change of control of IDS plc. The extent of the uncertainty related to whether existing finance of IDS plc will be recalled following a change in control, together with a lack of visibility or control over the availability of funding following a change in control are conditions that constitute a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. However, IDS plc has concluded that it has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements (the going concern assessment period) and its financial statements have been prepared on this basis. The Trustee considered the implications on the Plan should the employer become insolvent or EP Group acquire the IDS plc Group. As the Trust Deed and Rules do not include a clause which automatically triggers wind up should the employer become insolvent and because the Plan would still continue to operate irrespective of a change of ownership of IDS plc the Trustee is confident that the Plan is a going concern and there is no risk to this status.

Overall, the Trustee has considered the impact of the funding level, investment strategy, portfolio liquidity and cashflow requirements when assessing the Plan's going concern and has assumed no further reliance on the employer covenant. This assessment, together with income and capital growth from its assets, gives the Trustee confidence to prepare the financial statements on a going concern basis.

Basis of Consolidation
The results of subsidiary undertakings are included from the date of acquisition and up to date of disposal using the acquisition method of accounting.

Contributions
Normal contributions from employers and employees are made in accordance with the rates set out in the schedules of contributions in force for the Plan Year. Normal contributions relating to wages and salaries earned in the Plan Year have been recognised in these financial statements and are accounted for when deducted from members' pay. Additional Voluntary Contributions are accounted for on an accruals basis when deducted from payroll. Augmentation contributions are recognised in the financial statements in accordance with the due dates set out in the schedules of contributions.

Benefits
Benefits are accounted for in the period which they fall due for payment. Where there is a choice, benefits are accounted for in the period in which the member notifies the Plan of the decision on the type or amount of benefit to be taken or, if there is no member choice, they are accounted for on the date of retirement or leaving. Benefits taken are reported gross of any tax settled by the Plan on behalf of the member. Opt outs are accounted for when the Plan is notified of the opt out.

Transfers
Individual transfers out of the Plan are accounted for on a cash basis of amounts paid. Group transfers are accounted for when liability is accepted by the receiving scheme, which is usually on the basis of amounts paid.

Expenses
Expenses are accounted for on an accruals basis. The Plan bears all the costs of administration. Direct costs are charged to the section to which they relate. Indirect costs are allocated between sections based on an allocation methodology agreed by the Trustee.

Investment Income
Income from property, bonds and other interest receivable is taken into account on an accruals basis. Income from all other marketable securities is taken into account on the date when stocks are quoted ex-dividend. Investment income is recognised in the financial statements net of associated tax credits which are not recoverable by the Plan. Any overseas withholding tax is recognised as income, but where this is not recoverable by the Plan it is shown separately as a tax charge. Income from other assets, such as pooled investment vehicles, is recognised on a receipts basis. Coupon payments and receipts under swap contracts are included in investment income on a cash basis, as net receipts/(payments) on swaps.

Foreign Currencies
The functional and presentational currency for reporting purposes is Sterling. Foreign currency investments and related assets and liabilities are translated into Sterling at the rates ruling at the year end. Foreign currency income and expenditure is translated at exchange rates prevailing on the appropriate dates, which are usually the transaction dates. Exchange differences arising from translation are dealt with in the Fund Account within the change in market value of investments.

Market Value of Securities
Investments are included at their fair value. The majority of listed securities are valued at the bid price, or the last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the Statement of Net Assets. For Bonds this valuation is shown net of the accrued interest therein; such interest is included in other investment assets.

Stock index and bond futures are included in the Statement of Net Assets under derivative contracts at fair value. For exchange-traded derivatives that are assets, fair value is based on bid prices. For exchange-traded derivatives that are liabilities, fair value is based on offer prices. All gains and losses on open contracts are included within the change in market value of investments.

Open forward foreign currency contracts at the balance sheet date are over the counter contracts and are valued using forward currency rates at that point. The unrealised appreciation or depreciation of open foreign currency contracts is calculated by the difference between the contracted rate and the rate to close out the contract.

Open option contracts at the balance sheet date are over the counter contracts and fair value is calculated taking into account the strike price, maturity date and the underlying asset of the option. The unrealised appreciation or depreciation of open option contracts is calculated by the difference between the premiums paid for the options and the price to close out the options.

Interest rate and credit default swaps are over the counter contracts and fair value is the current value of the future expected net cash flows, taking into account the time value of money and market data at year end.

Unlisted securities, insurance policies and other pooled investment vehicles are valued at the Trustee's valuation using published prices, the latest information from investment managers and actuarial consultants, or at cost less any necessary provisions for impairment.

The insurance policy held by the Plan has been valued on the technical provision basis using membership data as at 31 March 2021 updated for pensions paid, pension increases and revaluation, as well as member options including transfers out and tax free cash at retirement. The financial assumptions used to value the policy have been calculated using the 2021 triennial valuation Technical Provisions basis, updated for current market conditions, as set out in the Statement of Funding Principles dated 18 December 2023.

Securities on Loan
Securities on loan are included in the financial statements within the respective investment classes at the year-end market value of the securities on loan. Collateral received on stock loans is excluded from the financial statements.

Repurchase Agreements
The Plan continues to recognise and value the securities that are delivered out as collateral and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.

Market Value of Properties
Properties are valued on the basis of open market value as at the year-end date, in accordance with RICS Valuations Standards, by independent valuers. The valuer, CB Richard Ellis, is a recognised firm of Chartered Surveyors which has the appropriate expertise within its practice to value these properties.

Commitments
Commitments represent funds to be allocated for future investments by the Plan.

Notes to the Financial Statements

1. Contributions		2024 £m	2023 £m
Contributions by employer	- normal	208	247
Contributions by employee	- normal	97	97
	- additional voluntary	9	13
		314	357

2. Benefits	2024 £m	2023 £m
Retirement pensions	71	58
Lump sum/retirement benefits	131	89
Death benefits	13	9
	215	156

3. Payments to and on behalf of leavers	2024 £m	2023 £m
Individual transfer values	18	19
	18	19

4. Administrative expenses	2024 £m	2023 £m
Administrative expenses	13	13
	13	13

Administration expenses include costs totalling £159,507 in respect of Scheme and Risk Based Levies for the Pension Protection Fund (2023: £167,477). Administration expenses also include fees payable to the Plan's Auditors (KPMG) of £142,007 (2023: £151,175).

5. Investment management expenses	2024 £m	2023 £m
Investment manager's base fees	7	11
Investment manager's performance fees	1	1
Other expenses	4	4
	12	16

6. Investment income	2024 £m	2023 £m
Dividends from equities	1	2
Income from bonds	45	42
Income from pooled investment vehicles	6	4
Net rental income	20	16
Annuity income	7	6
Interest on cash deposits	2	3
Interest on repurchase agreements – net	(7)	-
Net (payments) on swaps	(11)	-
Net gain/(loss) on foreign exchange	(2)	-
	61	73

Net rental income is stated after deduction of £6m (2023: £4m) of property related expenses. The Plan is a registered scheme for tax purposes under the Finance Act 2004. The Plan is therefore exempt from taxation except where there is withholding tax relating to overseas income.

Notes to the Financial Statements continued

7. Reconciliation of investments

This includes profits and losses on investments sold as well as increases and decreases in the value of investments held at 31 March 2024. An analysis of the change in market value of net assets is shown below:

Investment assets	Market value at 31 March 2023 £m	Purchases at cost and derivative payments £m	Sale proceeds and derivative receipts £m	Change in value £m	Market value at 31 March 2024 £m
Equities	27	86	(41)	6	78
Property	533	15	-	(81)	467
Bonds	811	1,318	(559)	47	1,617
Pooled investment vehicles	7,606	1,799	(2,138)	(538)	6,729
Insurance policies	262	-	-	(22)	240
AVC investments	136	8	(14)	12	142
Cash	393	-	(177)	(4)	212
Derivative contracts*	19	207	(307)	61	(20)
	9,787	3,433	(3,236)	(519)	9,465
Other investment assets and liabilities	(47)	85	(180)	-	(142)
Net investment assets	9,740	3,518	(3,416)	(519)	9,323

*Derivative contracts include both derivative assets and liabilities which are shown separately on the face of the Statement of Net Assets.

Note: The "Change in value" column comprises gains and losses on investments sold and increases and decreases in the value of investments held.

Transaction costs are costs that are directly attributable to the acquisition or disposal of an investment and are included in the cost of purchases and sale proceeds. Transactions costs incurred during the year amounted to £444,000 (2023: £40,000). In addition to these transaction costs, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. Further detail on Transactions costs can be found in note 18.

8. Pooled Investment Vehicles	2024 £m	2023 £m
Bond funds	61	84
Equity funds	34	99
Absolute Return funds	239	376
Property funds	6	68
Private Equity funds	204	277
Liability driven investment fund	5,062	6,014
Liquidity funds	516	-
Private Debt funds	533	668
Private Real Estate funds	74	20
	6,729	7,606

The RMG Section of the Plan is currently the sole investor in the pooled Liability driven investment fund
The underlying assets in this pooled investment vehicle are as follows:

Bond	5,319	6,188
Swaps	24	(92)
Repurchase agreements	(416)	(762)
Net cash	135	680
	5,062	6,014

Notes to the Financial Statements continued

9. Property

	2024 £m	2023 £m
UK		
Retail	343	382
Industrial	54	54
Residential	70	97
	467	533

There was no property (2023: £nil) which was leased back to RMG at market rates.

10. Derivative contracts

	2024 £m	2023 £m
Assets		
FX forward contracts	1	13
Swaps	24	13
	25	26

	2024 £m	2023 £m
Liabilities		
Futures contracts	(1)	(3)
FX forward contracts	(12)	(3)
Swaps	(32)	(1)
	(45)	(7)

Objectives and Policies
The Trustee has authorised the use of derivatives by its investment managers as part of its overall investment strategy for the Plan. The main objectives for the use of derivatives are summarised as follows:

Futures contracts
Futures contracts are entered into as a method of balancing the Plan's exposure to a particular market or sector. Derivatives often provide a cheaper and more effective way of modifying portfolio risk to remain within asset allocations governed by the investment strategy of the Plan.

Credit default swaps
Credit default swaps are used to decrease the Plan's credit risk on fixed interest instruments.

Foreign exchange forward contracts
Foreign exchange forward contracts are used to hedge against adverse foreign exchange rate movements on investments denominated in non-Sterling currencies.

Interest rate swaps
Interest rate swaps are used to decrease the Plan's risk to interest rate movements on floating rate instruments.

Disclosures of the derivatives held at year end are set out below:

Futures - exchange traded Type of Future	Expiration	Economic Exposure Value £m	2024 Asset £m	2024 Liability £m
Fixed interest - overseas	June 2024	(166)	-	(1)
			-	(1)

Futures - exchange traded Type of Future	Expiration	Economic Exposure Value £m	2023 Asset £m	2023 Liability £m
Fixed interest - overseas	June 2023	(146)	-	(3)
			-	(3)

Notes to the Financial Statements continued

FX forwards

Currency Bought	Currency Sold	Notional Value £m	2024 Asset £m	2024 Liability £m
GBP	EUR	146	-	-
GBP	USD	1,891	1	(12)
USD	EUR	10	-	-
VARIOUS*	VARIOUS*	2	-	-
			1	(12)

Currency Bought	Currency Sold	Notional Value £m	2023 Asset £m	2023 Liability £m
GBP	EUR	105	1	-
GBP	USD	1,901	12	(3)
USD	EUR	11	-	-
VARIOUS*	VARIOUS*	2	-	-
			13	(3)

FX forward contracts are over the counter settling in less than one year.

The value of the FX forward GBP/EUR assets was £10,000 (2023: £1m) and the value of the FX forward GBP/EUR liabilities was £202,000 (2023: £72,000).

The value of the FX forward USD/EUR assets was £63,000 (2023: £10,000) and the value of the USD/EUR liabilities was £46,000 (2023: £410,000).

The value of the FX forward various assets was £38,000 (2023: £89,000) and the value of the FX forward various liabilities was £348 (2023: 818).

Swaps - over the counter

Type of Swap	Expiration	Economic Exposure Value £m	2024 Asset £m	2024 Liability £m
Interest rate swap - fixed for floating	< 5 years	572	13	(16)
Interest rate swap - fixed for floating	< 40 years	492	11	(16)
			24	(32)

Swaps - over the counter

Type of Swap	Expiration	Economic Exposure Value £m	2023 Asset £m	2023 Liability £m
Interest rate swap - fixed for floating	< 5 years	178	7	(1)
Interest rate swap - fixed for floating	< 40 years	51	6	-
			13	(1)

The value of Interest rate swap liabilities that expire in less than 40 years was £16m (2023 £244,000). The value of collateral held was £48m (2023: £10m).

11. Deposits and short-term investments

	2024 £m	2023 £m
Interest earning deposits		
Sterling	101	377
Foreign currency	111	16
	212	393

Notes to the Financial Statements continued

12. AVC investments

Members' Additional Voluntary Contributions are invested separately from the principal Plan on a money purchase basis with Scottish Widows. There are legacy 'with profits' arrangements with Aviva and Standard Life. Members participating in these arrangements each receive an annual statement confirming the amount held in their account and the movements in the year. The table below details the value held per provider:

	2024 £m	2023 £m
Scottish Widows	135	129
Aviva	1	1
Standard Life	6	6
	142	136

13. Current liabilities

	2024 £m	2023 £m
Accrued benefits	21	25
Other creditors	43	20
	64	45

14. Securities on loan

Securities have been lent to market makers in return for fee income earned by the Plan. Security for the loans is obtained by holding collateral in the form of financial instruments. There were £nil securities on loan at 31 March 2024 (2023: £nil).

15. Commitments and contingent liabilities

	2024 £m	2023 £m
Property	-	10
Others*	376	480
	376	490

*Other commitments represent funds allocated for specific private markets and alternative investments. There were £nil contingent liabilities at 31 March 2024 (2023: £nil).

16. Other investment assets and investment liabilities

'Other investment assets' consists of accrued income of £8m (2023: £9m), amounts due from brokers of £5m (2023: £3m), collateral placed with counterparties of £36m (2023: £37m) and cash in transit of £85m.

'Other investment liabilities' consists of amounts due to brokers of £10m (2023: £56m), collateral held from counterparties of £44m (2023: £40m). Other liabilities also include amounts payable under repurchase agreements of £222m (2023: £nil). At the year-end £224m (2023: £nil) of bonds reported in Plan assets are held by counterparties under repurchase agreements.

Notes to the Financial Statements continued

17. Net assets at the end of the year

The table below shows the net assets of the Plan for each individual Section.

	RMG £m	DBCBS £m	POL £m	Total £m
Equities	7	71	-	78
Property	467	-	-	467
Bonds	762	855	-	1,617
Pooled investment vehicles	5,577	1,090	62	6,729
Insurance policies	-	-	240	240
Derivative contracts	11	(31)	-	(20)
Cash and other assets	131	(61)	1	71
	6,955	1,924	303	9,182
AVC investments	132	-	10	142
Total net assets at the end of the year	7,087	1,924	313	9,324

18. Transaction costs

Included within the purchases and sales are direct transaction costs of £383,942 (2023: £4,572) stamp duty, fees and commissions. Stamp duty relating to property purchasing was £383,000 (2023: nil). There were fees and commissions of £53,240 (2023: £34,226) relating to equities and £11,763 (2023: £6,316) relating to bonds in the current year. Transaction costs are also borne by the Plan in relation to transactions pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately reported.

19. Investment Fair Value Hierarchy

The fair value of financial instruments has been determined using the following fair value hierarchy:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 which are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly;

Level 3: Inputs which are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Notes to the Financial Statements continued

Investment Fair Value Hierarchy

As at 31 March 2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Equities	76	1	1	78
Bonds	751	773	93	1,617
Property	-	-	467	467
Pooled investment vehicles	-	5,682	1,047	6,729
Insurance policies	-	-	240	240
Derivatives	(1)	(19)	-	(20)
AVC investments	-	142	-	142
Cash	212	-	-	212
Other investment balances	80	(222)	-	(142)
Total	1,118	6,357	1,848	9,323

As at 31 March 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Equities	19	2	6	27
Bonds	-	555	256	811
Property	-	-	533	533
Pooled investment vehicles	14	6,166	1,426	7,606
Insurance policies	-	-	262	262
Derivatives	(1)	20	-	19
AVC investments	-	136	-	136
Cash	393	-	-	393
Other investment balances	(47)	-	-	(47)
Total	378	6,879	2,483	9,740

20. Investment Risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: This comprises currency risk, interest risk and other price risk.

Currency risk: This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

Interest rate risk: This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

Notes to the Financial Statements continued

Other price risk: This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Plan has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee's Report. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Plan's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Plan's investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the Plan's exposures to credit and market risks are set out below. This does not include AVC investments as these are not considered significant in relation to the overall investments of the Plan.

(i) Credit risk

The Plan is subject to credit risk as the Plan invests in bonds, over the counter (OTC) derivatives, has cash balances, undertakes stock lending activities and enters into repurchase agreements. The Plan also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

The following tables will recognise assets held in pooled investments required to be disclosed on a look-through basis and thus will differ from other notes in the financial statements.

Analysis of direct credit risk	Investment grade £m	Non investment grade £m	Unrated £m	2024 Total £m
Bonds	6,626	255	54	6,935
OTC Derivatives	(68)	-	-	(68)
Insurance policies	-	-	240	240
Cash	133	-	-	133
Repurchase agreements	(638)	-	-	(638)
PIV's	790	-	652	1,442
Total	6,843	255	946	8,044

Analysis of direct credit risk	Investment grade £m	Non investment grade £m	Unrated £m	2023 Total £m
Bonds	6,705	248	46	6,999
OTC Derivatives	(74)	-	-	(74)
Insurance policies	-	-	262	262
Cash	1,022	-	-	1,022
Repurchase agreements	(762)	-	-	(762)
PIV's	121	-	1469	1,590
Total	7,012	248	1,777	9,037

Notes to the Financial Statements continued

Credit risk arising on bonds is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. The Plan also invests in high yield and emerging market bonds which are non-investment grade. The Trustee manages the associated credit risk by requesting the investment manager to diversify the portfolio to minimise the impact of default by any one issuer. Credit risk arising on other investments is mitigated by investment mandates requiring counterparties to be of at least investment grade credit quality. Credit ratings of counterparties can be monitored via the reports issued from the major credit rating agencies.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Plan is subject to risk of failure of the counterparty. The credit risk for OTC swaps and options is reduced by collateral arrangements which would require the transfer of cash between counterparties when OTC derivative positions are opened and during the life of the open position as the market value of the position changes over time. Credit risk also arises on forward foreign currency contracts. There are no collateral arrangements for these contracts but all counterparties are required to be at least investment grade.

Cash is held within financial institutions which are at least of investment grade credit rating.

The Plan lends certain fixed interest and equity securities under a Trustee-approved stock lending programme. The Trustee manages the credit risk arising from stock lending activities by restricting the amount of overall stock that may be lent, only lending to approved borrowers who are rated investment grade, limiting the amount that can be lent to any one borrower and putting in place collateral arrangements. At the year end, the Plan had lent £nil million (2023: £nil million) of fixed income securities and £nil million (2023: £nil million) of quoted securities and held collateral in the form of cash and fixed interest securities with a value of nil% (2023: nil%) of stock lent.

The Plan’s holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the managers operate and diversification of investments amongst a number of pooled arrangements. For the LDI fund, the Plan is the sole investor and the underlying assets of the funds (see note 8) have been reviewed for credit risk disclosure purposes. The Trustee carries out due diligence checks on the appointment of new pooled managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled manager. This involves the review of internal controls reports which are externally audited, reviews of the audited annual accounts, monitoring and adherence to service level agreements and ongoing discussions and meetings with the pooled fund manager and their custodians.

A summary of pooled investment vehicles by type of arrangement is as follows:

	2024 £m	2023 £m
Qualifying investor fund	5,084	6,014
Open ended investment companies	816	689
Shares of limited liability partnerships	829	902
Other	-	1
Total	**6,729**	**7,606**

Indirect credit risk arises in relation to underlying investments held in the pooled investment vehicles. This risk can be mitigated by investing in pooled funds which invest in investment grade credit rated securities and transact with counterparties of an investment grade credit rating.

Notes to the Financial Statements continued

(ii) Currency risk

The Plan is subject to currency risk because some of the Plan's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee limits overseas currency exposure through a currency hedging policy.

The Plan's total net unhedged exposure by major currency at the year-end was as follows:

	2024 £m	2023 £m
Currency		
Euro	40	35
US dollars	43	64
Japanese Yen	13	2
Other	24	16
Total	120	117

(iii) Interest rate risk

The Plan is subject to interest rate risk on bonds and interest rate swaps held either as segregated investments or through pooled vehicles and cash. At the year-end these comprised:

	2024 £m	2023 £m
Direct		
Bonds	6,935	7,537
Swaps	41	12
Repurchase agreements	(416)	(762)
Cash	212	-
Indirect		
Bond PIVs	61	84
Private debt PIV's	533	668
Liquidity PIV's	516	-
Insurance policies	240	262
Total	8,122	7,801

(iv) Other price risk

Other price risk arises principally in relation to the Plan's return seeking portfolio which includes directly held equities, equities held in pooled vehicles, equity futures, absolute return funds, private equity and investment properties.

The Plan manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

At the year-end, the Plan's exposure to investments subject to other price risk was:

	2024 £m	2023 £m
Direct		
Equities	78	27
Investment properties	467	533
Indirect		
Equity funds	34	99
Absolute Return funds	253	376
Investment property funds	6	88
Private equity funds	205	277
Private real estate funds	74	81
Total	1,117	1,481

Notes to the Financial Statements continued

(v) Concentration of Investments

The following investments account for more than 5% of the Fund's net assets at the year-end:

	2024 £m	%	2023 £m	%
BlackRock Liability Solutions Funds II GBP Long Income Fund	5,062	54	5,521	57
BMO LDI Private Sub-Fund	-	-	540	6

21. Related party transactions

During the year there were transactions with Royal Mail Pension Trustees Limited (RMPTL). RMPTL provides the Plan with comprehensive trustee services including the provision of external supplies. The cost to RMPTL of providing these services is borne by the Plan and allocated between administrative and investment expenses. Contributions received and pension benefits paid in respect of Trustee Directors who are members of the Plan were in accordance with the Schedules of Contributions and Plan rules where appropriate.

There were no employer related investments during the year.

	2024 £m	2023 £m
Fees charged by RMPTL for the year	16	18
Amounts payable to RMPTL at year end	2	3

22. Events after the reporting period

On 29 May 2024, IDS plc, (the ultimate parent company of Royal Mail Group Limited, the Plan's sponsoring employer), announced that it was recommending an offer of 370 pence per IDS share from EP Group for the entire issued share capital of IDS plc not already owned by EP Group and its affiliates, namely VESA Equity Investment S.a r.l. (Vesa Equity). The Trustee considered the implications on the Plan's financial statements should the EP Group acquire the IDS plc Group, in particular the implications as set out in the going concern assessment.

Independent Auditor’s Report to the Trustee of the Royal Mail Pension Plan

Opinion

We have audited the financial statements of Royal Mail Pension Plan (“the Plan”) for the year ended 31 March 2024 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies on pages 20 to 22.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Plan during the Plan year ended 31 March 2024 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Plan in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustee has prepared the financial statements on the going concern basis as it does not intend to wind up the Plan, and as it has concluded that the Plan’s financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

In our evaluation of the Trustee’s conclusions, we considered the inherent risks to the Plan and analysed how those risks might affect the Plan’s financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Trustee’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustee’s assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Plan's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Plan will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Trustee as to the Plan's high-level policies and procedures to prevent and detect fraud, as well as enquiring whether it has knowledge of any actual, suspected or alleged fraud.
- Reading Trustee Board Meeting minutes and the Plan's risk incident report.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Trustee (or its delegates) may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of investments. On this audit we do not believe there is a fraud risk related to revenue recognition because relates to contributions receivable as paid under an agreed schedule or predetermined by the Trustee with limited judgements required.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Plan-wide fraud risk management controls. We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted after the first draft of the financial statements have been prepared and unusual journals to cash.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustee and its delegates (as required by auditing standards) and discussed with the Trustee the policies and procedures regarding compliance with laws and regulations.

As the Plan is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Plan's procedures for complying with regulatory requirements and reading the minutes of Trustee's meetings.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

First, the Plan is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related pensions legislation) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Plan is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the loss of the Plan's registration. We identified the following areas as those most likely to have such an effect: pensions legislation and data protection legislation, recognising the financial and regulated nature of the Plan's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We have reported separately on contributions payable under the Schedules of contributions in our statement about contributions on page 38 of the annual report.

Context of the ability of the audit to detect fraud or breaches of laws and regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing noncompliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Trustee is responsible for the other information, which comprises the Trustee's' report, (including the Trustee's Summary of Contribution and the Report on Actuarial Liabilities), the Actuary's Certification of Schedules of Contributions, the Implementation Statement and Appendices. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in its statement set out on page 17, the Plan Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to wind up the Plan, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. A fuller description of our responsibilities is provided on the FRC's website at. www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Plan Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Plan Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan Trustee, for our audit work, for this report, or for the opinions we have formed.

Gemma Broom
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
24 October 2024

Independent Auditor's Statement about Contributions, to the Trustee of the Royal Mail Pension Plan

Statement about contributions

We have examined the summary of contributions payable under the schedules of contributions to the Royal Mail Pension Plan in respect of the Plan year ended 31 March 2024 which is set out on page 39.

In our opinion contributions for the Plan year ended 31 March 2024 as reported in the summary of contributions and payable under the schedules of contributions have in all material respects been paid;

- in respect of the RMG section from 1 April 2023 until 12 March 2024 at least in accordance with the schedule of contributions certified by the actuary on 17 May 2022 and from 13 March 2024 until 31 March 2024 at least in accordance with the schedule of contributions certified by the actuary on 13 March 2024; and
- in respect of the POL section from 1 April 2023 until 17 December 2023 at least in accordance with the schedule of contributions certified by the actuary on 25 September 2019 and from 18 December 2023 until 31 March 2024 at least in accordance with the schedule of contributions certified by the actuary on 18 December 2023.

Scope of work

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the schedules of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the schedules of contributions.

Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of Trustee Responsibilities set out on page 17, the Plan's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised schedules of contributions showing the rates and due dates of certain contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan.

The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Plan and for monitoring whether contributions are made to the Plan in accordance with the schedules of contributions.

It is our responsibility to provide a statement about contributions paid under the schedules of contributions to the Plan and to report our opinion to you.

The purpose of our work and to whom we owe our responsibilities

This statement is made solely to the Plan's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Plan's Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan's Trustee for our work, for this statement, or for the opinions we have formed.

Gemma Broom
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
24 October 2024

Trustee's Summary of Contributions

The following summary of contributions is designed to show contributions as specified in the schedules of contributions in respect of the RMG section certified by the actuary on 17 May 2022 and 13 March 2024 and in respect of the POL section certified by the actuary on 25 September 2019 and 18 December 2023 and those paid in addition.

Contributions Receivable	**2024 Per Schedules £m**	**2024 Additional £m**	**2024 Total £m**	**2023 Per Schedules £m**	**2023 Additional £m**	**2023 Total £m**
Employers' normal contributions*	208	-	208	247	-	247
Members' normal contributions	97	-	97	97	-	97
Employers' augmentation contributions	-	-	-	-	-	-
Payable under the Schedules of Contributions as reported on by the Plan Auditor	**305**	**-**	**305**	**344**	**-**	**344**
Members' additional voluntary contributions	-	9	9	-	13	13
Total contributions (see Note 1 to the statements)	**305**	**9**	**314**	**344**	**13**	**357**

* The Trustee and RMG agreed to ringfence certain employer contributions in an escrow arrangement in order to give the Trustee and the Company more flexibility over how these assets are best used for the benefit of members in the future.

Approved by the Trustee and signed on behalf of the Directors by
J Matthews Chair

22 October 2024

Actuary's Certification of Schedules of Contributions

Royal Mail Pension Plan – RMG Section

Adequacy of rates of contributions
1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2021 to be met by end of the period for which this schedule is to be in force.

Adherence to statement of funding principles
2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 17 May 2022.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

C G Singer
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited
Watson House
London Road
Reigate
Surrey
RH2 9PQ

11 October 2024

Royal Mail Pension Plan – POL Section

Adequacy of rates of contributions
1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2021 to be met for the period for which this schedule is to be in force.

Adherence to statement of funding principles
2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 18 December 2023.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Plan's liabilities by the purchase of annuities, if the Plan were to be wound up.

C G Singer
Fellow of the Institute and Faculty of Actuaries
Willis Towers Watson
Watson House
London Road
Reigate
Surrey
RH2 9PQ

18 December 2023

Report on Actuarial Liabilities (forming part of the Trustee's report)

Under Section 222 of the Pensions Act 2004, schemes are subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions.

For the RMG Section, this objective relates to the RMG Section as a whole, including both the 2012 Section and the DBCB Section, however, in practice, the liabilities and assets relating to the 2012 Section and DBCB Section are to be valued as if they are in separate arrangements.

The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the employer and set out in the Statement of Funding Principles, which is available to Plan members on request.

The most recent full actuarial valuations of the RMG Section and POL Section of the Plan were each carried out as at 31 March 2021.

The value of the technical provisions 31 March 2021 were:

The value of the Technical Provisions for the Plan was:	The market value of the assets at that date was:
£10,641 million for 2012 Section	£11,302 million for 2012 Section
£1,151 million for DBCB Section	£1,181 million for the DBCB Section
£11,792 million total for RMG Section	£12,483 million total for the RMG Section
£481 million for POL Section	£507 million for POL Section

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Statement of Funding Principles):

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method. For the 2012 Section, the technical provisions will include an explicit margin for prudence as 10% of the liabilities. This prudence is in addition to the implicit prudence adopted in the discount rate.

Significant actuarial assumptions

Where applicable, the significant assumptions for the DBCB Section have been shown separately.

Nominal discount rate:

RMG	DBCB	POL
Term-dependent discount rate equal to the forward yield on UK nominal gilts.	Term-dependent discount rate based on target returns for the RMG Cash Balance Assets less a prudential margin of 0.5% pa.	Term-dependent discount rate equal to the spot yield on UK nominal gilts less a margin of 0.35% per annum for non-pensioners and plus a margin of 0.15% per annum for pensioners.

Price inflation:
Term-dependent RPI inflation rate equal to the UK gilt implied inflation spot yield. Annual CPI inflation to be assumed lower than the assumed annual RPI inflation by 0.8% per annum (2012 Section), by 1.0% per annum (DBCB Section) and 0.7% per annum (POL Section) up to 2030. From February 2030 CPI inflation is assumed to match RPI inflation.

Pensionable pay increases:

RMG	POL
Annual increases are assumed to take place in April each year in line with RPI inflation capped at 5% plus 0.24% per annum allowance for promotions and increments.	Annual increases are assumed to take place in April each year, in line with RPI inflation together with an allowance for promotions and increments of 0.12% per annum of the corresponding liability.. Allowance has been made for actual pensionable pay increases up to and including 31 March 2023.

Pension increases and revaluation:
Index-linked pensions and pensions subject to a maximum increase of 5% per annum are assumed to increase in line with the relevant inflation index (RPI or CPI), according to the provisions of the appropriate section of the Plan Rules, allowing for inflation volatility and the anticipated impact of the caps and floors. For the DBCB Section, cash balance increases are assumed to be at the level which results in DBCB Section Liabilities of equal value to the DBCBS assets, subject to a minimum of nil. For the POL Section, allowance has been made for actual pension increases and revaluation over the period to 31st March 2023.

Mortality:
The mortality tables to be used in deferment and after retirement in respect of a member and the member's dependant are set out in the table below.

	RMG		POL	
	Base Table	**Improvements**	**Base Table**	**Improvements**
Male members	96% S3NMA_H	CMI 2020 with 1.5% trend and smoothing parameter of 7.5, no initial addition and no weighting to 2020 experience	96%S3NMA_H	CMI 2019 with 1.5% trend an additional improvement of 0.25% pa and smoothing parameter of 7.5
Male dependants	109% S3DMA		109% S3DMA	
Female members	113% S3PFA_H		113% S3PFA_H	
Female dependants	103% S3PFA_H		103% S3PFA_H	

Appendices

Appendix 1 – Membership Analysis as at 31 March 2024

RMG Section	**2024**	**2023**
Active Members		
Employee members	41,464	47,926
Dual Status - active members with part benefits in payment	12,635	12,722
Total Active members	**54,099**	**60,648**
Deferred Members		
Deferred members	15,738	14,615
Dual Status - deferred members with part benefits in payment	3,541	2,995
Total Deferred members	**19,279**	**17,610**
Pensioner members		
Pensioner members	38,946	34,562
Total Pensioner members (excluding dual status)	**38,946**	**34,562**
Total Membership – RMG Section	**112,324**	**112,820**

POL Section	**2024**	**2023**
Active Members		
Employee members	783	861
Dual Status - active members with part benefits in payment	199	196
Total Active members	**982**	**1,057**
Deferred Members		
Deferred members	1,613	1,830
Dual Status - deferred members with part benefits in payment	353	334
Total Deferred members	**1,966**	**2,164**
Pensioner members		
Pensioner members	2,549	2,287
Total Pensioner members (excluding dual status)	**2,549**	**2,287**
Total Membership – POL Section	**5,497**	**5,508**

*The POL Section closed to further accrual on 31 March 2017. The benefits of POL employees who are members of the Plan are linked to their salaries and therefore they have been classified above as active members rather than deferred members.

Appendix 1 – Membership Analysis as at 31 March 2024 (continued)

DBCB Section	2024	2023
Active Members		
Employee members	4,783	4,830
Dual Status - active members with part benefits in payment	-	-
Total Active members	**4,783**	**4,830**
Deferred Members		
Deferred members	762	432
Dual Status - deferred members with part benefits in payment	-	-
Total Deferred members	**762**	**432**
Pensioner members		
Pensioner members	-	-
Total Pensioner members (excluding dual status)	**-**	**-**
Total Membership – DBCBS	**5,545**	**5,262**

Appendix 2 – Five Year History of the Fund

	2020 £m	2021 £m	2022 £m	2023 £m	2024 £m
Income					
Employers' contributions	283	279	262	247	208
Member contributions and transfers-in	121	116	124	110	106
Investment income	58	44	46	73	61
Benefits Paid					
Retirement pension	36	43	49	58	71
Lump sum retirement benefits	37	48	64	89	131
Death benefits and leavers	24	34	41	28	31
Assets					
Total Assets	12,496	12,974	13,571	9,726	9,324

Appendix 3 - Royal Mail Group Section Statement of Investment Principles – March 2024

1. Introduction

1.1 This Statement of Investment Principles (the "Statement") has been prepared by Royal Mail Pensions Trustees Limited (the "Trustee"), who acts as Trustee for the Royal Mail Pension Plan (the "Plan").

1.2 Since 1 April 2012, the Plan's assets and liabilities have been sub-divided into two sections (the "Sections") relating to Post Office Limited ("POL") and to Royal Mail Group ("RMG" or the "Company"). The Trustee seeks to maintain good working relationships with POL and RMG. Investment policy is determined separately for each Section and reflects separate consultations with POL and RMG.

1.3 The remainder of this Statement refers primarily to the RMG Section (the "Section") or otherwise, as specified, to the Plan in general.

1.4 As from 1 April 2018, there was a change in the benefits accrued by members of the Section. From that date, members accrued an entitlement to a cash lump sum paid at retirement. The assets backing accrual from 1 April 2018 are managed separately from those relating to accrual prior to that date and are also managed subject to a specific investment rule within the Trust Deed & Rules, which came into effect from 1 April 2019. That specific investment rule does not apply to the management of assets relating to benefits accrued prior to 1 April 2018. This Statement distinguishes between the investment policies adopted for these two parts of the Section where appropriate. RMG has been consulted in preparing this Statement and will be further consulted regarding any proposed changes to the Statement.

1.5 The Statement sets out the principles governing the Trustee's decisions about the investment of the Section's assets. The Trustee refers to this Statement when making investment decisions, to ensure that they are consistent with the principles set out in it.

1.6 The Statement is designed to meet the requirements of Section 35 of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005.

1.7 The Trustee has obtained written professional advice from the Plan's Strategic Investment Consultant in preparing this Statement. The Trustee believes that the Strategic Investment Consultant meets the relevant requirements under Section 35 (3) of the Pensions Act 1995. In matters where the investment policy may affect the Section's funding policy, advice has also been obtained from the Scheme Actuary. The Trustee will obtain similar advice whenever it reviews this Statement.

1.8 The Trustee's investment powers are set out within the Plan's Trust Deed & Rules, subject to applicable legislation. If necessary, the Trustee will take appropriate legal advice regarding the interpretation of these. The Trustee notes that, according to the law, and subject to the constraints set out within the Trust Deed & Rules, the Trustee has ultimate power and responsibility for the Section's investment arrangements.

1.9 In the normal course of events, the Trustee does not expect to revise this Statement frequently because the Statement covers broad principles. The Trustee will review this Statement in response to any material changes to any aspects of the Section, its liabilities, finances and the attitude to risk of the Trustee and the Company that it judges to have a bearing on the Statement. Reviews will occur no less frequently than triennially. All reviews will again be based on written expert advice and will include consultation with the Company.

2. Fund Governance

2.1 The Trustee is responsible for the investment of the Section's assets but is permitted to delegate execution of these responsibilities. When determining which decisions to delegate, the Trustee has taken into account whether it has the appropriate training and is able to secure the necessary expert advice in order to take an informed decision. The Trustee's ability to execute the decision effectively is also taken into account. Details of the Trustee's duties and responsibilities are included in the Appendix.

2.2 The Trustee has established the Strategic, Investment and Funding Sub-Committee ("SIF") to focus on investment issues. Details of the SIF's duties and responsibilities are included in separate Terms of Reference.

2.3 The Trustee has appointed a Strategic Investment Consultant to advise the Trustee and the SIF as to the setting, implementation and monitoring of the investment policy.

2.4 The Trustee has chosen to delegate day-to-day management of the Section's investments to BlackRock Investment Management (UK) Limited ("The Manager") to manage the Plan's assets in line with the Investment Management Agreement between the Trustee and the Manager (the "IMA"), in accordance with Section 34 of the Pensions Act 1995.

2.5 The Trustee has reflected its investment strategy and investment objective in the IMA with the Manager whereby, within certain permitted ranges, the Manager determines an appropriate asset allocation which seeks to achieve the investment objective. In doing so the Manager takes into account the restrictions contained within the IMA, which outlines the parameters the Manager must operate within. The IMA is subject to change over time as the strategy evolves.

2.6 The Custodian is responsible for the safekeeping of the Section's assets and performs the associated administrative duties (e.g. trade settlement, dividend collection, corporate actions, tax reclamation and proxy voting). The details of the Custodian's appointment and duties are set out in the contract between the Trustee and the Custodian.

3. Investment Objective

3.1 Meeting the Section's Liabilities

Assets relating to benefits accrued prior to 1 April 2018

The Trustee recognises that in setting the investment policy to meet the liabilities, it must have regard to both the potential for the investment policy to generate positive returns that would lead to an improvement in the Section's funding position, and to the potential for poor returns that would cause it to deteriorate. The Trustee recognises that there is a natural conflict between improving the potential for positive return and limiting the potential for poor return. The Trustee has specified objectives for the investment policy that balance these requirements.

Assets relating to benefits accrued from 1 April 2018

The investment of assets relating to benefit accrual from 1 April 2018 is subject to specific constraints within the Trust Deed & Rules. These are to the effect that the assets must be invested in a manner which the Trustee considers is reasonably consistent with its best estimate of what is required to achieve in future a long-term return objective. The return objective can range from an excess return over the yield on UK government bonds ("gilts") of +3.6% per annum to +1.4% per annum. Where within this range the objective lies is a function of the anticipated remaining term to payment of the retirement cash lump sum benefits accrued from 1 April 2018. Currently and in the shorter-term, the objective is at or close to the upper end of the range, gilts+3.6% per annum.

4. Risk and Return

4.1 The Trustee recognises that it is not necessarily possible, or even desirable, to select investments that exactly match the Section's estimated liabilities. Specifically for investment of assets relating to benefits accrued from 1 April 2018, the long-term return objective requires an unmatched strategy with gradual de-risking as the arrangement matures, but there is provision within the investment rule for the Trustee to de-risk faster than specified in that objective if it considers that the risks to accrued benefits (excluding potential future discretionary increases) are too great, taking into account the Company's covenant. In addition, there is a risk control specified in the investment rule, which is framed in terms of an upper limit on a forward-looking estimate of return volatility and this limit takes precedence over the return objective, if the two conflict.

4.2 Given the ongoing commitment of the Company to the Section and the current circumstances of the Section, a degree of investment risk can currently be taken, in the expectation of generating excess returns relative to the lowest risk strategy. Specifically for investment of assets relating to benefits accrued from 1 April 2018, the Trustee is currently satisfied that it can invest without diverging from the long-term return objective in the investment rule.

4.3 In deciding to take investment risk relative to the liabilities, the Trustee has carefully considered the following possible consequences:

- Over any time period, the assets might not achieve the anticipated excess return relative to the liabilities. This would result in the deterioration of the Section's financial position and consequently may result in higher contributions than currently expected from the Company.

- There may be a shortfall of assets relative to the liabilities in the event of discontinuance of the Section. This consequence is particularly serious if it coincides with the Company being unable to make good the shortfall.

4.4 The Trustee has taken advice on these issues from the Strategic Investment Consultant, the Manager, and the Scheme Actuary.

4.5 The Trustee's willingness to take investment risk is dependent on the Section's financial position from time to time, on the continuing financial strength of the Company and on its willingness and capacity to contribute appropriately to the Section. The financial strength and perceived commitment of the Company to the Section is monitored by the Trustee and the Trustee will review the level of investment risk relative to the liabilities should either of these change.

4.6 The Trustee will also monitor the Section's financial positions and liability profiles, with a view to reviewing the investment objectives, risk tolerances and/or return targets should there be a significant change in either. This monitoring will be undertaken separately for assets and liabilities relating to pre 1 April 2018 benefit accrual and for assets and liabilities relating to benefit accrual from that date. The investment policies for the two asset portfolios will differ to reflect the differing nature of the benefit arrangements and the liabilities that arise from them.

4.7 There are many different combinations of assets and investment management approaches that could be adopted in targeting a particular level of investment risk and/or expected return. The Trustee's objective is to identify those combinations that it believes are likely to minimise the level of risk taken for the level of return sought.

5. Diversification of Risks

5.1 The Trustee considers a range of potentially financially material factors to which the Section is exposed. In considering the impact and management of these factors, outlined in this section and section 10, the Trustee has taken into account the anticipated lifetime of the assets relating to benefits accrued prior to 1 April 2018 and, separately, to the assets relating to benefits accrued after 1 April 2018.

5.2 To control the risk of deterioration in the financial position of the Section, the Trustee requires the Section's assets to be adequately diversified between different asset classes, especially among those asset classes which represent significant risk relative to the liabilities.

5.3 The principal asset categories used by the Section are set out below.

5.3.1 UK Government bonds ("gilts") – although gilts are the lowest risk asset relative to the Section's liabilities, they are not risk free. *Interest rate risk* exists if the cash-flow profile of the gilts held by the Section differs from that of the Section's projected benefit cash-flows due to members. *Inflation risk* exists if the assets and projected liabilities have different linkages to inflation. A sovereign *credit risk* would exist if the UK government were not certain to make the payments due on the gilts (a default) and/or if markets perceived an increase in the risk of default and the market values of gilts fell as a result.

5.3.2 Non-Government Sterling bonds – carry interest rate risk, inflation risk and credit risk.

5.3.3 Non-Sterling bonds – in addition to the risks listed above, investing in non-Sterling bonds adds *currency risk* as the Section's liabilities are denominated in Sterling. Consequently, changes in exchange rates will impact the relative value of the assets and liabilities. Non-Sterling bonds may be issued by governments and non-governmental borrowers.

5.3.4 All interest bearing assets, including high yield bonds and emerging markets debt as well as cash, share the risk characteristics detailed above to varying degrees. The Trustee uses derivatives in combination with or as an alternative to bonds and as a means of managing currency and equity exposures. In using derivatives, the Section is exposed to the associated *counterparty risks*, a form of credit risk in that the counterparty to the derivative transaction could fail to meet its obligations to the Section. There may also be *basis risks* if the exposures gained through derivatives differ in some way from any liability or physical asset exposures they are designed to hedge.

5.3.5 Equities – equities, whether public or private, represent an ownership stake in a company. The value of this stake is determined by the buyer and seller of the stake and there is no certain value to this investment (unlike the payments contracted under a bond, subject to credit and currency risk). A periodic payment, in the form of a dividend, might be made to an equity holder although the timing and amount of this is uncertain. The uncertainty of the return from equities relative to the liabilities means there is a significant *equity/liability mismatch risk*.

5.3.6 Property – the return generated by an investment in property can be broken down into income and capital. The income component is subject to interest rate risk and inflation risk relative to the liabilities. There is also uncertainty as to the long-term level of the income. The capital value of the property is determined by the buyer and seller of the property and is not certain. These uncertainties, including currency risk in the case of properties outside the UK, constitute a significant *property/liability mismatch risk*.

5.4 The Trustee has chosen to employ active management for a proportion of the Section's assets. The active managers are given asset class benchmarks which it is their objective to outperform. The asset class benchmarks have the risks relative to the liabilities mentioned above (interest rate and inflation risk, currency risk, equity mismatch risk etc.). Active managers will seek to outperform the benchmarks by taking positions against them and this introduces a further *active risk* into the investment policy. Part of this active risk is the risk taken by the Trustee in selecting active investment managers that some or all of the managers selected lack the skill to outperform their benchmarks with a sufficiently high degree of confidence.

5.5 Some of the managers may employ derivatives for the purposes of efficient portfolio management and subject to agreed restrictions. The risks associated with investing in derivatives are largely the same as those of investing in the underlying asset categories.

5.5.1 *Leverage* may be an additional risk introduced if the economic exposure arising from investing in a derivative is greater than the capital committed to the investment.

5.5.2 *Administrative risk* may also be present depending on the terms of the contract governing the derivative.

5.6 A *regulatory risk* arises from investing in a market environment where the regulatory regime may change. This may be compounded by *political risk* in those environments subject to unstable regimes.

5.7 There is a *liquidity risk* attaching to assets which may not always be readily realisable or whose market values may be adversely affected as a direct consequence of the Section seeking to realise them. This risk applies to all the asset categories listed above, albeit to varying degrees. The Trustee believes that the Section's long-term investment horizon justifies a degree of liquidity risk where such risk is rewarded and a proportion of the Section's assets are invested in less liquid investments.

5.8 There is a *Manager risk* arising from the failure by the Manager to achieve the rate of return required by the Trustee. This risk is considered by the Trustee upon the initial appointment of the Manager and on an ongoing basis thereafter (for example by regular monitoring).

5.9 The Trustee acknowledges that it is not possible to monitor all the risks listed above at all times. However, it seeks to take on those risks for which reasonable potential exists to be rewarded over time, in the form of excess returns, and it seeks to expose the Section to a diversified range of risks. The Trustee, with the aid of the Manager and the Strategic Investment Consultant, reviews the overall level of risk periodically and when considering the impact of any proposed change of investment strategy. The resulting combination of assets and investment management approaches has been selected to be consistent with the investment objective.

6. Strategic Management

6.1 The Section's strategic asset allocation is set separately for assets relating to benefit accrual pre 1 April 2018 and for assets relating to benefit accrual from that date. In each case, it has been designed to capture the strategic risks that the Trustee has decided to take, reflecting the differing investment objectives of the two asset portfolios. In each case, the investments are divided into two main categories: the liability-hedging asset portfolio and the return-seeking asset portfolio.

Assets relating to pre 1 April 2018 benefit accrual

6.2 For assets relating to pre 1 April 2018 benefit accrual, the Section's current strategic target for liability-hedging assets is to hedge the interest rate and inflation risks attaching to all accrued liabilities. The allocation to the liability-hedging asset portfolio reflects this strategic target and the requirement for there to be sufficient eligible collateral within the portfolio to support the derivatives used within it. Currently, the liability-hedging asset portfolio accounts for a majority of the Section's pre 1 April 2018 assets, although the allocation is variable as a result of changes in market conditions in particular.

6.3 For pre 1 April 2018 assets, the Section's overall investment objective is to seek a return of c.gilts +0.5% p.a. whilst avioding material downside risk realtive to the reference funding measure'.

6.4 For pre 1 April 2018 assets, the allocation to the return-seeking asset portfolio is also variable as a result of changes in market conditions. There is no systematic rebalancing between the return-seeking asset portfolio and the liability-hedging asset portfolio, but the Trustee will reduce the allocation to one in favour of the other if necessary to ensure the overall strategy is consistent with the Trustee's investment objectives and risk tolerance. Divergences between the investment strategy and the investment objective may arise due to market movements and the practical constraints on increasing or reducing allocations to illiquid assets in the shorter term.

6.5 Overseas currency exposures may be hedged in whole or in part.

Assets relating to benefit accrual from 1 April 2018

6.6 For assets relating to benefit accrual from 1 April 2018, the Trustee sets a strategic target for liability-hedging assets to hedge a majority (or all) of interest rate risks attaching to all accrued guaranteed liabilities (excluding future potential discretionary increases) plus expected accrual of guaranteed benefits for the following year (again excluding potential discretionary increases after that year). Inflation exposure may be incorporated within the portfolio where the Trustee concludes this is appropriate to reduce risks to the real value of potential future discretionary increases, provided this does not represent an unacceptable risk to currently guaranteed benefits. The allocation to the liability-hedging asset portfolio depends upon the required collateral to achieve the target hedge. Subject to the long-term return expectation, and whilst staying within the risk control of the investment rule, the Trustee may hedge less than the strategic target for interest rate risk if there is a constraint on eligible capital.

For assets relating to benefit accrual from 1 April 2018, the Section's current overall investment objective is to seek a return of gilts +3.6% p.a. with a maximum volatility of 9.4% p.a. relative to the liabilities over a one year horizon. The expected return and volatility is anticipated to reduce over time as the Section matures. The return-seeking asset strategy will be managed to achieve a return consistent with the composite benchmark defined by the Trustee from time to time and agreed with the Manager. The Trustees will review the return-seeking asset strategy on a regular basis to ensure that it remains reasonably consistent with its best estimate of what is required to achieve in future the long-term return objective, within the risk control set out in the investment rule within the Trust Deed & Rules.

6.7 For assets relating to benefit accrual from 1 April 2018, the allocation to the return-seeking asset portfolio is a function of the long-term return objective specified in the investment rule within the Trust Deed & Rules. The Trustee will establish a policy from time to time to allocate new contributions and, as necessary, to rebalance the return-seeking asset portfolio to the Trustee's strategic target in order to maintain an allocation consistent with the requirements of the investment rule. To effect such changes on a timely basis, the Trustee may choose to diverge materially from the target return-seeking asset strategy for interim periods of time. Divergences may also arise from market movements and the practical constraints on increasing or reducing allocations to illiquid assets in the shorter-term.

6.8 Overseas currency exposures may be hedged in whole or in part. Strategic equity risk exposures may be managed through the use of equity index derivatives, including options. The strategies within investment grade and high yield credit may include illiquid and less liquid forms of credit, such as infrastructure debt, asset-backed securities (including collateralised loan obligations) and loans as well as more liquid corporate bonds.

7. Investment Managers

Selection and Appointment of Investment Managers

7.1 The Trustee recognises that the arrangements with all the investment managers of the Plan (including the Manager) are important to ensure that its interests are aligned as far as is reasonably practicable. This includes arrangements with the Manager and the appointed investment managers. In particular, the Trustee seeks to ensure that the Manager is incentivised to act in a way which generates the best long-term results for the Plan.

7.2 The investment managers have full discretion to buy and sell investments on behalf of the Section, subject to agreed constraints. They have been selected for their expertise in different specialisations and each manages investments for the Section to a specific mandate, which includes performance objectives, risk parameters, and timescales over which their performance will be measured. Each specified mandate is chosen by the Trustee to implement a part of its strategic asset allocation and, in combination, to implement the Trustee's strategic policy as a whole.

7.3 When selecting and appointing investment managers, the Trustee will take into account how ESG, climate change and stewardship are integrated within the managers' investment processes. This will be balanced against other manager selection criteria such as (but not limited to) idea generation, portfolio construction, implementation, business management and fees and charges.

7.4 Where assets are managed on a segregated basis, the Trustee is able to tailor the nature of the investment mandate and restrictions on how assets are managed to the Section's specific requirements. The precise terms differ between the investment managers depending on the nature of their mandate.

7.5 The Trustee accepts that it is not possible to specify investment restrictions where assets are managed via pooled funds, but nonetheless takes appropriate legal and investment advice regarding the suitability of the pooled fund and its documentation.

7.6 The investment managers are incentivised through remuneration (including, in some cases, via performance related fees) and performance targets. Investment managers are aware that their continued appointment is based on their success in delivering the mandate, which they have been appointed to manage. If the Trustee is dissatisfied, then it will look to replace the investment manager.

Review of Investment Manager Appointments

7.7 The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis.

7.8 For open-ended funds there is no set duration for the investment manager appointments. This is also true for the Manager appointment. The Trustee will therefore retain an investment manager unless:

7.8.1 There is a strategic change to the overall strategy that no longer requires exposure to that asset class or investment manager;

7.8.2 The investment manager appointed has been reviewed and the Trustee has decided to terminate the mandate. This may be on the grounds of sustained underperformance; a change in the portfolio management team; change in the investment approach or processes of the investment manager or the investment management firm that means the mandate is no longer in line with the Trustee's investment principles; or a proposal from the Manager where the investment manager no longer meets the due diligence requirements of the Manager.

7.9 The Plan has invested in private equity, private debt and some property/real estate mandates, which are in closed-ended funds. The Trustee expects to remain invested for the lifetime of those funds, although secondary market sales of fund holdings may take place where changes to strategic policy make such sales appropriate and the sale price is sufficiently attractive. At the time of each fund appointment, the investment managers provided an indication of the expected investment duration of their fund and have the discretion to extend the lifetime of the fund in line with the Investment Management Agreement between each fund and the Plan.

7.10 The Trustee receives and discusses investment performance reports from the Manager on a quarterly basis. Separate reports are made for assets relating to benefits accrued pre 1 April 2018 and for assets relating to accrual from that date. The reports present performance information over 3 months, 1 year and longer periods for the investment managers and at the total portfolio level. The Trustee reviews the absolute performance and the relative performance against any agreed benchmark and against the manager's stated performance target (over the relevant time period). For the liability hedging assets specifically, the focus is on maintaining the portfolio in line with the Trustee's stated hedge ratios relative to a liability benchmark. The Trustee's focus is on long term performance but will put a manager 'on watch' if there are sustained short term performance concerns.

Portfolio Turnover Costs

7.11 The Trustee collects Cost Transparency Initiative (CTI) template information from all non-alternatives managers and equivalent cost information from the absolute return and private markets managers.

8. Cashflow Management

8.1 The Trustee recognises the liquidity risks associated with the level of cashflow required by the Section over a specified period.

8.2 The Section's administrator monitors the monthly benefit outgoings to ensure that sufficient cash balances are available.

8.3 In general, the Section's investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. In the event that the cashflow of the Section is negative, the Trustee will look to the Manager to decide from which asset classes and investment managers assets should be realised to meet the Section's cashflow needs.

9. Additional Voluntary Contributions

9.1 Additional Voluntary Contributions (AVCs) made by members are invested in a range of pooled investment vehicles to provide money purchase benefits. The Trustee's objective in relation to money purchase AVC funds is to provide a reasonable range of appropriate funds, recognising that members can choose to invest outside the Section.

10. Responsible Investment

10.1 Sustainable Investment

10.1.1 The Trustee aims to be an engaged and responsible long-term investor in the assets and markets in which it invests. The Trustee believes that the integration of financially material environmental, social and governance ("ESG") factors within investment managers' investment processes is not detrimental to the overall level of risk and may enhance the sustainable long term expected returns from the Section's investments. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that may increasingly require explicit consideration.

10.1.2 Together with the other factors outlined above in section 5, ESG factors (including climate change) are integrated into the Trustee's investment process. As the Trustee does not directly manage the Plan's assets, it aims to appoint and retain investment managers whose beliefs and practices are consistent with the Trustee's beliefs on ESG risks and opportunities, in so far as relevant to the mandate in question. The Trustee's Manager is asked to, as part of its due diligence, assess current and potential managers in relation their ESG policies and practices, and such assessment is taken into account in relation to investment manager appointment, retention and withdrawal decisions.

10.1.3 The Plan is a signatory to the United Nations backed Principles for Responsible Investment which acts as a framework for investors to take environmental, social and governance issues into account. The Plan has also signed up to multiple climate initiatives, such as Climate Action 100+ and the Transition Pathway Initiative ("TPI"), which commit the Plan to curbing emissions, strengthening climate-related financial disclosures, improve governance on climate change and ensure Responsible Investment is considered as part of decision making.

10.1.4 Non-financial factors are not taken into account in the selection, retention and realisation of investments. This position is reviewed periodically.

10.2 Corporate Governance

10.2.1 The Trustee has given the investment managers full discretion in exercising rights, including voting rights, in relation to the Section's investments. The Trustee monitors a manager voting summary on a quarterly basis.

10.2.2 The Trustee encourages best practice in terms of engagement with investee companies. It therefore seeks to require its investment managers to discharge their responsibilities in respect of investee companies that they invest in accordance with the UK Stewardship Code drawn up by the Financial Reporting Council. On an annual basis, the Plan's investment managers are required to provide the Trustee with a statement of their compliance with the UK Stewardship Code, where applicable. The Plan is a signatory of the UK Stewardship Code.

10.2.3 The Trustee believes that good corporate governance is important and it expects the investment managers to have suitable policies which promote the concept of good corporate governance and, in particular a policy of exercising voting rights. The Trustee holds the investment managers accountable for their decisions in the use of voting rights.

10.2.4 The Trustee uses the services of a third-party specialist to assist with the engagement of individual companies within the equity and corporate credit portfolios that the Section holds on ESG matters. An ESG engagement update is reported to the Trustee quarterly.

10.2.5 the Manager, as part of its ongoing monitoring, reviews the execution of voting and engagement responsibilities and periodically reports back its findings to the Trustee (for example where the Plan invests in pooled funds, the Plan's investment managers are responsible for exercising voting rights and reporting on how they have exercised those rights).

10.3 Investment Restrictions

10.3.1 The segregated portfolio active investment managers have, where relevant, been instructed by the Trustee:

- Not knowingly to invest in:
    - Countries that are on the United Nations trade embargo list;
    - Companies that are involved in terrorism, money laundering, drug trafficking or any other serious crime;
    - Companies that do not take into account the reasonable long-term interests of their stakeholders:
- To use their best efforts to avoid investing in companies that in the investment manager's opinion persistently behave without due regard for the environment or society as a whole.

11. Compliance With and Review of This Statement

11.1 The Trustee will review compliance with this Statement on a regular basis. The regular review will occur no less frequently than triennially to coincide with the Actuarial Valuation, in the light particularly of any changes to the funding position of the Section.

11.2 Each investment manager will provide written confirmation that they have complied with their obligations under the Pensions Act 1995. The Trustee undertakes to advise the investment managers promptly and in writing of any material change to this Statement.

11.3 The Trustee will also periodically review this statement as stated in paragraph 1.9 above. Any review of this Statement will be in response to any material changes to any aspect of the Section, its liabilities, finances and the attitudes to risk of the Trustee and the Company, which it judges to have a bearing on the stated investment policy.

11.4 A copy of this Statement has been provided to the Company, Strategic Investment Consultant, Manager, investment managers, and Custodian.

Signed on behalf of Royal Mail Pensions Trustees Limited (the Trustee of the Royal Mail Pension Plan).

Approved: Joanna Matthews

Position: Chair

Date: 22 October 2024

Appendix A to Appendix 3 – Plan Governance

This appendix sets out a summary of the Plan's current governance structure. It is not a formal part of the Statement of Investment Principles. The responsibilities of the Trustee and its current advisers are set out below.

A1. Trustee

The Trustee is responsible for the investment of the Plan's assets. The Trustee takes some decisions and delegates the balance. An overview of the Trustee's duties and responsibilities is as follows:

- Overall responsibility for the Plan's investments.
- Compliance with legislative and regulatory requirements.
- Define the terms of operation of the Strategic, Investment and Funding Sub-Committee (SIF) of the Trustee.
- Appoint the members of the SIF.
- Appoint the Strategic Investment Consultant.
- Appoint the Manager for the Outsourced Chief Investment Officer role, as defined by the IMA.
- Decide on investment strategy, based on recommendations from the SIF, Strategic Investment Consultant, and Manager.
- Appoint the investment managers and Custodian, based on recommendations from the SIF and the Manager.

The Trustee has established the SIF under written Terms of Reference to focus on investment issues. The SIF has been delegated the responsibility for ongoing monitoring of the current investment arrangements against their agreed objectives and for reviewing and making recommendations to the Trustee for changes to investment policy as necessary from time to time. These include recommendations on the overall strategic benchmark and the appointments of investment managers and advisers.

A2. Administrator

Royal Mail Pensions Service Centre administers the benefits of the Plan and monitors the associated monthly outgoings.

A3. Custodian

In relation to the segregated investments the Trustee has appointed JP Morgan Chase Bank as the Plan's Custodian, responsible for the safekeeping of a part of the Sections' assets and performing the associated administrative duties. The Trustee is not responsible for the appointment of the custodian of the assets contained within pooled fund investments.

A4. Strategic Investment Consultant

The Strategic Investment Consultant is Mercer Limited, regulated by the Financial Conduct Authority.

A5. Outsource Chief Investment Officer

The day to day management of the Section's investments is managed by BlackRock under the terms outlined in the IMA. BlackRock are regulated by the Financial Conduct Authority.

A6. Performance Measurer

The Performance Measurer is BlackRock as Manager, with details of their appointment, including reporting and analysis to be provided is set out in the IMA.

A7. Covenant Adviser

The Covenant Adviser is Penfida.

Post Office Limited Section

Statement of Investment Principles – March 2024

1. Introduction

1.1 This Statement of Investment Principles (the "Statement") has been prepared by Royal Mail Pensions Trustees Limited (the "Trustee"), who acts as Trustee for the Royal Mail Pension Plan (the "Plan").

1.2 Since 1 April 2012, the Plan's assets and liabilities have been sub-divided into two sections (the "Sections") relating to Post Office Limited ("POL") and to Royal Mail Group ("RMG"). The Trustee seeks to maintain good working relationships with POL and RMG. Investment policy is determined separately for each Section and reflects separate consultations with POL and RMG.

1.3 The remainder of this Statement refers primarily to the POL Section (the "Section") or otherwise, as specified, to the Plan in general. POL (the "Company"), has been consulted in preparing this Statement and will be further consulted regarding any proposed changes to the Statement.

1.4 The Statement sets out the principles governing the Trustee's decisions about the investment of the Section's assets. The Trustee refers to this Statement when making investment decisions, to ensure that they are consistent with the principles set out in it.

1.5 The Statement is designed to meet the requirements of Section 35 of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005.

1.6 The Trustee has obtained written professional advice from the Plan's Strategic Investment Consultant in preparing this Statement. The Trustee believes that the Strategic Investment Consultant meets the relevant requirements under Section 35 (3) of the Pensions Act 1995. In matters where the investment policy may affect the Section's funding policy, advice has also been obtained from the Scheme Actuary. The Trustee will obtain similar advice whenever it reviews this Statement.

1.7 The Trustee's investment powers are set out within the Plan's Trust Deed & Rules, subject to applicable legislation. If necessary, the Trustee will take appropriate legal advice regarding the interpretation of these. The Trustee notes that, according to the law, and subject to the constraints set out within the Trust Deed & Rules, the Trustee has ultimate power and responsibility for the Section's investment arrangements.

1.8 In the normal course of events, the Trustee does not expect to revise this Statement frequently because the Statement covers broad principles. The Trustee will review this Statement in response to any material changes to any aspects of the Section, its liabilities, finances and the attitude to risk of the Trustee and the Company that it judges to have a bearing on the Statement. Reviews will occur no less frequently than triennially. All reviews will again be based on written expert advice and will include consultation with the Company.

2. Fund Governance

2.1 The Trustee is responsible for the investment of the Section's assets but is permitted to delegate execution of these responsibilities. When determining which decisions to delegate, the Trustee has taken into account whether it has the appropriate training and is able to secure the necessary expert advice in order to take an informed decision. The Trustee's ability to execute the decision effectively is also taken into account. Details of the Trustee's duties and responsibilities are included in the Appendix.

2.2 The Trustee has established the Strategic Investment and Funding Sub-Committee ("SIF") to focus on investment issues. Details of the SIF's duties and responsibilities are included in separate Terms of Reference.

2.3 The Trustee has appointed a Strategic Investment Consultant to advise the Trustee and the SIF as to the setting, implementation and monitoring of the investment policy. Details of the Strategic Investment Consultant are included in the Appendix.

2.4 The Trustee has chosen to delegate day-to-day management of the Section's investments to BlackRock Investment Management (UK) Limited ("The Manager") to manage the Plan's assets in line with the Investment Management Agreement between the Trustee and the Manager (the "IMA"), in accordance with Section 34 of the Pensions Act 1995.

2.5 The Trustee has reflected its investment strategy and investment objective in the IMA.

2.7 The Custodian is responsible for the safekeeping of the Section's assets and performs the associated administrative duties (e.g. trade settlement, dividend collection, corporate actions, tax reclamation and proxy voting). The details of the Custodian's appointment and duties are set out in the contract between

the Trustee and the Custodian. Summary details of the Custodian's duties and responsibilities are included in the Appendix.

3. Investment Objective

3.1 Meeting the Section's Liabilities

The Trustee recognises that in setting the investment policy to meet the liabilities, it must have regard to both the potential for the investment policy to generate positive return that would lead to an improvement in the Section's funding position and to the potential for poor returns that would cause it to deteriorate. The Trustee recognises that there is a natural conflict between improving the potential for positive return and limiting the potential for poor return. The Trustee has specified objectives for the investment policy that balance these requirements.

4. Risk and Return

4.1 Given the current circumstances of the Section, the Trustee seeks to adopt a low risk investment strategy relative to the Section's liabilities.

4.2 In deciding to take investment risk relative to the liabilities, the Trustee has carefully considered the following possible consequences:

- Over any time period, the assets might not achieve the anticipated excess return relative to the liabilities. This would result in the deterioration of the Section's financial position.
- There may be a shortfall of assets relative to the liabilities in the event of discontinuance of the Section. This consequence is particularly serious if it coincides with the Company being unable to make good the shortfall.

4.3 The Trustee has taken advice on these issues from the Strategic Investment Consultant, the Manager and the Scheme Actuary.

4.4 The Trustee's willingness to take investment risk is dependent on the Section's financial position from time to time, on the financial strength of the Company and on its willingness and capacity to contribute appropriately to the Section. The financial strength and perceived commitment of the Company to the Section is monitored by the Trustee and the Trustee will review the level of investment risk relative to the liabilities should either of these change. On the latest advice received from its Covenant Adviser, the Trustee's investment policy is currently set on the basis that the Company has no capacity to meet a deficit of any magnitude and, as such, there is no covenant to support investment risk within the Section's strategy.

4.5 The Trustee will also monitor the Section's financial position and liability profiles, with a view to reviewing the investment objectives, risk tolerance and/or return targets should there be a significant change in either or there are developments in risk management options available.

4.6 There are many different combinations of assets and investment management approaches that could be adopted in targeting a particular level of investment risk and/or expected return. The Trustee's objective is to identify those combinations that it believes are likely to minimise the level of risk taken for the level of return sought.

5. Diversification of Risks

5.1 The Trustee considers a range of potentially financially material factors to which the Section is exposed. In considering the impact and management of these factors, outlined in this section and section 10, the Trustee has taken into account the anticipated lifetime of the assets of the Section.

5.2 To control the risk of deterioration in the financial position of the Section, the Trustee requires the Section's assets to be adequately diversified between different asset classes, especially among those asset classes which represent significant risk relative to the liabilities.

5.3 The principal asset categories used by the Section are set out below.

5.3.1 UK Government bonds ("gilts") – although gilts are the lowest risk asset relative to the Section's liabilities, they are not risk free. *Interest rate risk* exists if the cash-flow profile of the gilts held by the Section differs from that of the Section's projected benefit cash-flows due to members. *Inflation risk* exists if the assets and projected liabilities

have different linkages to inflation. A sovereign *credit risk* would exist if the UK government were not certain to make the payments due on the gilts (a default) and/or if markets perceived an increase in the risk of default and the market values of gilts fell as a result.

5.3.2 Non-Government Sterling bonds – carry interest rate risk, inflation risk and credit risk.

5.3.3 Non-Sterling bonds – in addition to the risks listed above, investing in non-Sterling bonds adds *currency risk* as the Section's liabilities are denominated in Sterling. Consequently, changes in exchange rates will impact the relative value of the assets and liabilities. Non-Sterling bonds may be issued by governments and non-governmental borrowers.

5.3.4 All interest bearing assets, including high yield bonds and emerging markets debt as well as cash, share the risk characteristics detailed above to varying degrees. The Trustee may use derivatives in combination with or as an alternative to bonds and as a means of managing equity and currency exposures. In using derivatives, the Section is exposed to the associated *counterparty risks*, a form of credit risk in that the counterparty to the derivative transaction could fail to meet its obligations to the Section. The Trustee has also transacted a bulk annuity which provides cashflows matched to specific benefit cashflows. The bulk annuity is in the form of an insurance policy and there is an associated counterparty risk relating to the insurer.

5.3.5 Equities – equities, whether public or private, represent an ownership stake in a company. The value of this stake is determined by the buyer and seller of the stake and there is no certain value to this investment (unlike the payments contracted under a bond, subject to credit and currency risk). A periodic payment, in the form of a dividend, might

be made to an equity holder although the timing and amount of this is uncertain. The uncertainty of the return from equities relative to the liabilities means there is a significant *equity/liability mismatch risk*.

5.3.6 Property – the return generated by an investment in property can be broken down into income and capital. The income component is subject to interest rate risk and inflation risk relative to the liabilities. There is also uncertainty as to the long-term level of the income. The capital value of the property is determined by the buyer and seller of

the property and is not certain. These uncertainties, including currency risk in the case of properties outside the UK, constitute a significant property/liability mismatch risk.

5.4 The Trustee has chosen to employ active management for a proportion of the Section's assets. The active investment managers are given asset class benchmarks which it is their objective to outperform. The asset class benchmarks have the risks relative to the liabilities mentioned above (interest rate and inflation risk, currency risk, equity mismatch risk etc.). Active investment managers will seek to outperform the benchmarks by taking positions against them and this introduces a further *active risk* into the investment policy. Part of this active risk is the risk taken by the Trustee in selecting active investment managers that some or all of the managers selected lack the skill to outperform their benchmarks with a sufficiently high degree of confidence.

5.5 Some of the investment managers may employ derivatives for the purposes of efficient portfolio management and subject to agreed restrictions. The risks associated with investing in derivatives are largely the same as those of investing in the underlying asset categories.

5.5.1 *Leverage* may be an additional risk introduced if the economic exposure arising from investing in a derivative is greater than the capital committed to the investment.

5.5.2 *Administrative risk* may also be present depending on the terms of the contract governing the derivative.

5.6 A *regulatory risk* arises from investing in a market environment where the regulatory regime may change. This may be compounded by *political risk* in those environments subject to unstable regimes.

5.7 There is a *liquidity risk* attaching to assets which may not always be readily realisable or whose market values may be adversely affected as a direct consequence of the Section seeking to realise them. This risk applies to all the asset categories listed above, albeit to varying degrees. The Trustee believes that the Section's long-term investment horizon justifies a degree of liquidity risk where such risk is rewarded and a proportion of the Section's assets are invested in less liquid investments.

5.8 There is a Manager risk arising from the failure by the Manager to achieve the investment objective set by the Trustee. This risk is considered by the Trustee upon the initial appointment of the Manager and on an ongoing basis thereafter (for example by regular monitoring).

5.9 The Trustee acknowledges that it is not possible to monitor all the risks listed above at all times. However, it seeks to take on those risks for which reasonable potential exists to be rewarded over time, in the form of excess returns, and it seeks to expose the Section to a diversified range of risks. The Trustee, with the aid of the Manager and the Strategic Investment Consultant, reviews the overall level of risk periodically and when considering the impact of any proposed change of investment strategy. The resulting combination of assets and investment management approaches has been selected to be consistent with the investment objective.

6. Strategic Management

6.1 The majority of the Section's assets are allocated to a bulk annuity .The Manager is responsible for determining the asset allocation of the remaining assets of the Section based on the objectives and guidelines set out in the IMA. Allocations between asset classes and investment managers will vary over time based on changes in market conditions, distributions and cashflows. The Section's strategic asset allocation has been designed to capture the strategic risks that the Trustee has decided to take. The detail of the strategic target asset allocation for the Section as at 30 September 2021 is set out in the table below:

	POL (%)
Equities (private)	0.7
Property (incl. property-linked debt)	0.4
Private debt	2.1
Liability-hedging assets, bulk annuity and collateral	96.9*
	100

*Comprised mainly of the bulk annuity assets (85.1% of the total assets as at 30 September 2021).

6.2 The strategic target allocation shown in the table is the target as at 30

September 2021. Allocations to private equities, property and private debt are illiquid and their weightings will vary over time in response to changes in their values, including investments and distributions, and those of the other assets. The allocation to liability-hedging assets will also vary according to market movements and will not be rebalanced. Additional investments in private markets funds will be made where prior contractual commitments exist but otherwise it is the Trustee's intention to allow these investments to run-off

over the natural life of the funds unless an attractive secondary market sale can be achieved sooner. Any other available cash will be invested in the liability- hedging asset portfolio.

6.3 The Section's current strategic target for liability-hedging assets consists mainly of a bulk annuity insurance contract.

7. Investment Managers

<u>Selection and Appointment of Investment Managers</u>

7.1 The Trustee recognises that the arrangements with all the investment managers of the Section (including the Manager) are important to ensure that its interests are aligned as far as is reasonably practicable. This includes arrangements with the Manager and the appointed investment managers. In particular, the Trustee seeks to ensure that the Manager is incentivised to act in a way which generates the best long-term results for the Section.

7.2 The investment managers have full discretion to buy and sell investments on behalf of the Section, subject to agreed constraints. They have been selected for their expertise in different specialisations and each manages investments for the Section to a specific mandate, which includes performance objectives, risk parameters, and timescales over which their performance will be measured. Each specified mandate is chosen by the Trustee to implement a part of its strategic asset allocation and, in combination, to implement the Trustee's strategic policy as a whole.

7.3 Other than cash holdings (including via cash funds) and gilt investments, the Section's assets are invested in illiquid, closed-ended private markets vehicles and the bulk annuity policies. The Section's strategic policy is to remove but not replace the private markets assets via run-off or, if feasible and sufficiently attractively priced, via secondary market sales. The Trustee expects that the appointment of new investment managers in future will be restricted to

liability hedging investments in gilt markets, or in cash. The Trustee will take into account how ESG, climate change and stewardship are integrated within the managers' investment processes where there is scope to do so, but this is expected to be limited given the asset classes in which new investments will be made. Other manager selection criteria, such as (but not limited to) idea generation, portfolio construction, implementation, business management and fees and charges are likely to be decisive.

7.4 Where assets are managed on a segregated basis, the Trustee is able to tailor the nature of the investment mandate and restrictions on how assets are managed to the Section's specific requirements. The precise terms differ between the investment managers depending on the nature of their mandate.

7.5 The Trustee accepts that it is not possible to specify investment restrictions where assets are managed via pooled funds, but nonetheless takes appropriate legal and investment advice regarding the suitability of the pooled fund and its documentation.

7.6 The investment managers are incentivised through remuneration (in some cases via performance related fees) and performance targets. Investment managers are aware that their continued appointment is based on their success in delivering the mandate which they have been appointed to manage. If the Trustee is dissatisfied, then it will look to replace the investment manager.

Review of Investment Manager Appointments

7.7 The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis.

7.8 For investments in cash funds and liability-hedging gilt mandates, there is no set duration for the manager appointments. The Trustee will therefore retain an investment manager unless:

7.8.1 There is a change to the overall strategy that no longer requires exposure to that asset class or investment manager;

7.8.2 The investment manager appointed has been reviewed and the Trustee has decided to terminate the mandate. This may be on the grounds of sustained underperformance; a change in the portfolio management team; or a change in the investment approach or processes of the investment manager or the investment management firm.

7.9 The Section is invested in private equity, private debt and some property/real estate mandates, which are in closed-ended funds. The Trustee expects to remain invested for the lifetime of those funds, although secondary market sales of fund holdings may take place where the sale price is sufficiently attractive. At the time of each fund appointment, the investment managers provided an indication of the expected investment duration of their fund and have the discretion to extend the lifetime of the fund in line with the Investment Management Agreement between each fund and the Section.

7.10 Given the assets are very largely invested in a bulk annuity and a significant part of the balance is invested in an illiquid asset portfolio, the performance ofassets is no longer monitored quarterly, but the Trustee does report on performance in its annual report.

Portfolio Turnover Costs

7.11 Given the illiquid and buy-and-hold nature of the Section's investments, the Trustee does not currently actively monitor portfolio turnover costs within the Section. The Trustee will obtain reporting from the gilt portfolio manager on the costs of any changes to that portfolio, but these are expected to be infrequent.

8. Cashflow Management

8.1 The Trustee recognises the liquidity risks associated with the level of cashflow required by the Section over a specified period.

8.2 The Section's administrator monitors the monthly benefit outgoings to ensure that sufficient cash balances are available.

8.3 In general, the Section's investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. In the event that the cashflow of the Section is negative, the Trustee will look to the Manager to decide from which asset classes and investment managers assets should be realised to meet the Section's cashflow needs.

9. Additional Voluntary Contributions

9.1 Additional Voluntary Contributions (AVCs) made by members are invested in a range of pooled investment vehicles to provide money purchase benefits.

For certain eligible members, AVCs may also be used to purchase 'added years' of reckonable service which are invested with the main Section's assets. The Trustee's objective in relation to money purchase AVC funds is to provide a reasonable range of appropriate funds, recognising that members can choose to invest outside the Section.

10. Responsible Investment

10.1 Sustainable Investment

10.1.1 The Trustee aims to be an engaged and responsible long-term investor in the assets and markets in which it invests. The Trustee believes that the integration of financially material environmental, social and governance ("ESG") factors within investment managers' investment processes is not detrimental to the overall level of risk and may enhance the sustainable long term expected returns from the Section's investments. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that may increasingly require explicit consideration. All of the Section's investment managers are encouraged to take these factors into account within their respective investment processes. The Trustees note that as the majority of the Section assets are invested in liability hedging assets, the integration of ESG factors will only apply to less than 10% of the Section's assets.

10.1.2 The Trustee considers, amongst other factors, including those outlined in section 5, how ESG, climate change and stewardship is integrated within investment processes in appointing, monitoring and

withdrawing from investment managers. The Manager is asked to take these factors into account as part of its due diligence.

10.1.3 The Trustee has not set any ESG-related investment restrictions on the appointed investment managers.

10.1.4 Non-financial factors, such as member views, are not taken into account in the selection, retention and realisation of investments. This position is reviewed periodically.

10.1.5 The Plan is a signatory to the United Nations backed Principles for Responsible Investment which acts as a framework for investors to take environmental, social and governance issues into account. The Plan has also signed up to multiple climate initiatives, such as Climate Action 100+ and the Transition Pathway Initiative ("TPI"), which commit the Plan to curbing emissions, strengthening climate-related financial disclosures, improve governance on climate change and ensure Responsible Investment is considered as part of decision making.

10.2 Corporate Governance

10.2.1 The Trustee has given the investment managers full discretion in exercising rights, including voting rights, in relation to the Section's investments, where applicable.

10.2.2 The Trustee encourages best practice in terms of engagement with investee companies. It therefore seeks to require its investment managers to discharge their responsibilities in respect of investee companies that they invest in accordance with the UK Stewardship Code drawn up by the Financial Reporting Council. The Plan is a signatory of the UK Stewardship Code.

10.2.3 The Trustee believes that good corporate governance is important and it expects the investment managers to have suitable policies which promote the concept of good corporate governance and, in particular a policy of exercising voting rights, where applicable. The Trustee holds the investment managers accountable for their decisions in the use of voting rights.

11. Compliance With and Review of This Statement

11.1 The Trustee will review compliance with this Statement on a regular basis.

The regular review will occur no less frequently than triennially to coincide with the Actuarial Valuation, in the light particularly of any changes to the funding position of the Section.

11.2 Each investment manager will provide written confirmation that they have complied with their obligations under the Pensions Act 1995. The Trustee undertakes to advise the investment managers promptly and in writing of any material change to this Statement.

11.3 The Trustee will also periodically review this statement as stated in paragraph

1.6 above. Any review of this Statement will be in response to any material changes to any aspect of the Section, its liabilities, finances and the attitudes to risk of the Trustee and the Company, which it judges to have a bearing on the stated investment policy.

11.4 A copy of this Statement has been provided to the Company, Strategic Investment Consultant, Manager, investment managers and Custodian.

Signed on behalf of Royal Mail Pensions Trustees Limited (the Trustee of the Royal

Mail Pension Plan).

Signed: Joanna Matthews

Position: Chair

Date: 22 October 2024

Appendix A to Appendix 3 – Plan Governance

This appendix sets out a summary of the Plan's current governance structure. It is not a formal part of the Statement of Investment Principles. The responsibilities of the Trustee and its current advisers are set out below.

A1. Trustee

The Trustee is responsible for the investment of the Plan's assets. The Trustee takes some decisions and delegates the balance. An overview of the Trustee's duties and responsibilities is as follows:

- Overall responsibility for the Plan's investments.
- Compliance with legislative and regulatory requirements.
- Define the terms of operation of the Strategic, Investment and Funding Sub-Committee (SIF) of the Trustee.
- Appoint the members of the SIF.
- Appoint the Strategic Investment Consultant.
- Appoint the Manager for the Outsourced Chief Investment Officer role, as defined by the IMA.
- Decide on investment strategy, based on recommendations from the SIF, Strategic Investment Consultant, and Manager.
- Appoint the investment managers and Custodian, based on recommendations from the SIF and the Manager.

The Trustee has established the SIF under written Terms of Reference to focus on investment issues. The SIF has been delegated the responsibility for ongoing monitoring of the current investment arrangements against their agreed objectives and for reviewing and making recommendations to the Trustee for changes to investment policy as necessary from time to time. These include recommendations on the overall strategic benchmark and the appointments of investment managers and advisers.

A2. Administrator

Royal Mail Pensions Service Centre administers the benefits of the Plan and monitors the associated monthly outgoings.

A3. Custodian

In relation to the segregated investments the Trustee has appointed JP Morgan Chase Bank as the Plan's Custodian, responsible for the safekeeping of a part of the Sections' assets and performing the associated administrative duties. The Trustee is not responsible for the appointment of the custodian of the assets contained within pooled fund investments.

A4. Strategic Investment Consultant

The Strategic Investment Consultant is Mercer Limited, regulated by the Financial Conduct Authority.

A5. Outsource Chief Investment Officer

The day to day management of the Section's investments is managed by BlackRock under the terms outlined in the IMA. BlackRock are regulated by the Financial Conduct Authority.

A6. Performance Measurer

The Performance Measurer is BlackRock as Manager, with details of their appointment, including reporting and analysis to be provided is set out in the IMA.

A7. Covenant Adviser

The Covenant Adviser is Penfida.

Appendix 4 - The Principles for Responsible Investment

The Plan has signed up to the United Nations backed Principles for Responsible Investment. The Principles are reproduced below.

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
Possible actions:
1.1 Address ESG issues in investment policy statements.
1.2 Support development of ESG-related tools, metrics, and analyses.
1.3 Assess the capabilities of internal investment managers to incorporate ESG issues.
1.4 Assess the capabilities of external investment managers to incorporate ESG issues.
1.5 Ask investment service providers (such as financial analysts, consultants, brokers, research firms, or rating companies) to integrate ESG factors into evolving research and analysis.
1.6 Encourage academic and other research on this theme.
1.7 Advocate ESG training for investment professionals.
Learn how the PRI can support signatories implement Principle 1

2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
Possible actions:
2.1 Develop and disclose an active ownership policy consistent with the Principles.
2.2 Exercise voting rights or monitor compliance with voting policy (if outsourced).
2.3 Develop an engagement capability (either directly or through outsourcing).
2.4 Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights).
2.5 File shareholder resolutions consistent with long-term ESG considerations.
2.6 Engage with companies on ESG issues.
2.7 Participate in collaborative engagement initiatives.
2.8 Ask investment managers to undertake and report on ESG-related engagement.

3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
Possible actions:
3.1 Ask for standardised reporting on ESG issues (using tools such as the Global Reporting Initiative).
3.2 Ask for ESG issues to be integrated within annual financial reports.
3.3 Ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives (such as the UN Global Compact).
3.4 Support shareholder initiatives and resolutions promoting ESG disclosure.

4. We will promote acceptance and implementation of the Principles within the investment industry.
Possible actions:
4.1 Include Principles-related requirements in requests for proposals (RFPs).
4.2 Align investment mandates, monitoring procedures, performance indicators and incentive structures accordingly (for example, ensure investment management processes reflect long-term time horizons when appropriate).
4.3 Communicate ESG expectations to investment service providers.
4.4 Revisit relationships with service providers that fail to meet ESG expectations.
4.5 Support the development of tools for benchmarking ESG integration.
4.6 Support regulatory or policy developments that enable implementation of the Principles.

5. We will work together to enhance our effectiveness in implementing the Principles.
Possible actions:

5.1 Support/participate in networks and information platforms to share tools, pool resources, and make use of investor reporting as a source of learning.
5.2 Collectively address relevant emerging issues.
5.3 Develop or support appropriate collaborative initiatives.

6. We will each report on our activities and progress towards implementing the Principles.
Possible actions:

6.1 Disclose how ESG issues are integrated within investment practices.
6.2 Disclose active ownership activities (voting, engagement, and/or policy dialogue).
6.3 Disclose what is required from service providers in relation to the Principles.
6.4 Communicate with beneficiaries about ESG issues and the Principles.
6.5 Report on progress and/or achievements relating to the Principles using a comply-or-explain approach.
6.6 Seek to determine the impact of the Principles.
6.7 Make use of reporting to raise awareness among a broader group of stakeholders

Appendix 5 - Implementation Statement

1. Introduction

Under the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, the Trustee is required to produce an annual Engagement Policy Implementation Statement ("EPIS"). This statement outlines how, and the extent to which, the policies relating to stewardship, voting and engagement as outlined in the Statement of Investment Principles ("SIP") have been followed.

This statement covers the Plan's accounting year to 31 March 2024. It is intended to meet the updated regulations and will be included in the Plan's Report & Accounts. In preparing this statement, the Trustee has taken advice from their professional advisers.

This statement details some of the activities taken by the Trustee and the investment managers during the period, including voting statistics, and provides the Trustee's opinion on the stewardship activities over the period. This statement excludes Annual Voluntary Contributions.

2. Policies

The Trustee's relevant policies regarding stewardship, voting and engagement are outlined in the SIP. During the year to 31 March 2024 the Trustee updated the SIP, and this was agreed by the Trustee on 12 April 2024. It was however the policies contained in the previous SIP, September 2022, which are relevant to this Statement and can be accessed at:

Royal Mail Section SIP:

https://www.royalmailpensionplan.co.uk/wp-content/uploads/2023/03/2022-Statement-of-Investment-Principles-RMG-Section_FINAL_September-2022.pdf

Post Office Section SIP:

https://www.royalmailpensionplan.co.uk/wp-content/uploads/2023/03/2022-Statement-of-Investment-Principles-POL-Section_FINAL_September-2022.pdf

Since 1 April 2012, the Plan's assets and liabilities have been sub-divided into two sections (the "Sections") relating to Post Office Limited ("POL") and to Royal Mail Group ("RMG"). Investment policy is determined separately for each section and reflects separate consultations with POL and RMG, and this Implementation Statement covers both sections.

The Trustee has appointed BlackRock as the adviser and Outsourced Chief Investment Officer ("the Manager") for the Plan. The Trustee delegates the day-to-day investment decisionsto the Manager. The Trustee retains responsibility for the strategic investment objective and oversight of the Manager.

The Trustee notes the guidance issued by the DWP relating to "Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement" in June2022. The Trustee plans to develop its policies and build more elements of this guidance into future iterations of this statement.

3. Scope of this statement

The Trustee acknowledges that the extent to which the policies in relation to stewardship, voting and engagement can be applied varies across the portfolios. For example, in general, voting rights are not attached to fixed income securities, while the applicability to the LDI (liability-driven investment) portfolio is limited. Nonetheless, the Trustee and the Manager expect all investment managers to take an active role in the stewardship of investments where relevant.

4. Scheme activity

The SIP includes the Trustee's policy on Environmental, Social and Governance ("ESG") factors and stewardship. This policy sets out the Trustee's beliefs on ESG and the processes followed by the Trustee in relation to voting rights and stewardship.

The Trustee recognises that the Manager is engaging with the underlying managers to ensure they work to further improve their ESG policies and actions over time.

The Trustee expects the Manager to continue to work with underlying managers in order to ensure those on the weaker side of voting and engagement take action to make improvements. The Manager has acknowledged that all managers have been taking steps to improve both their voting and engagement and "best in class" continues to evolve. The Trustee will be closely monitoring developments over the coming years.

5. Voting and Engagement

With regards to voting and exercise of rights, the Trustee gives full discretion for these decisions to the investment managers hired for each mandate. The Trustee has delegated to the Manager the responsibility of collecting the stewardship and engagement reports of the underlying managers and to monitor that each manager's voting behaviour is consistent with the SIP. The Trustee also expects the Manager to monitor the underlying manager's activity to ensure compliance and confirm that it remains a suitable investment for the Plan. The Trustee is comfortable that under the governance structure the responsibility sits with the Manager to communicate with the underlying managers and on a regular basis collect information as required.

The Manager has noted that there is variability between managers in the extent of their engagement and voting policies, with equity managers generally having made more progress than fixed income. This Implementation Statement focuses on the Plan's equity managers. It is intended that in future years there will be greater focus on other asset classes, in particular the fixed income managers.

The section below details the investment managers' approach to voting and engagement as well as detailing the votes these managers consider most significant the 12 months in respect to the funds in which the Plan is invested. In addition, summary voting statistics in respect of the Plan's equity funds over the year to 31 March 2024 have been included.

Whilst it is important to monitor the activities of the underlying managers at a high level through this publicly available information, it is also important to monitor the voting and engagement activities undertaken on behalf of the Trustee by the Manager on a more granular level.

The underlying manager's approach to voting is described in the table below, along with summary voting statistics for the Plan's equity funds.

Investment managers

The approach to voting and engagement of the Plan's equity managers, Black Creek, Dalton Longchamp and Spouting Rock are detailed below. Spouting Rock were not invested for the full reporting period, but we have reported the material votes while still invested in this mandate.

Black Creek (segregated global equity):

Approach	One of the most important rights that Black Creek Investment Management Inc. ("BCIM") exercises as a fiduciary on behalf of our clients is the right to vote on our publicly traded shares. BCIM has chosen a guideline approach to allow for flexibility and reserves the right to vote on a case-by-case basis to ensure that all votes are in the best interest of shareholders. Our clients may also choose to vote their own proxies or state their own guidelines, in which case BCIM guidelines may not apply. We think and act as long-term owners of the companies in which we invest and will vote to create value in accordance with this philosophy. The vote decision resides with the portfolio management team that has taken the decision to invest in a company on behalf of our clients. Prior to investing in a company, the portfolio managers perform a rigorous analysis which includes an assessment of the corporate governance practices. BCIM believe that the portfolio manager is therefore in the best position to judge the merits of each of the ballot items and whether they should be supported. A decision to invest in an issuer is based in part on the quality of an issuer's disclosure, the performance of its management and its corporate governance practices. Since a decision to invest is generally an endorsement of management of the issuer, BCIM will usually vote with management on routine matters. BCIM does not rely on any external third-party proxy voting service provider nor subscribe or endorse any standard voting guidelines prescribed by any external organization. BCIM relies solely on their proxy voting guidelines as a foundation for making their own voting decisions.
Stericycle Inc (Medical Waste Disposal)	16th May 2023 – 3.3% of portfolio value. Shareholders proposed a policy that would result in a change in control situation, senior execs would not receive the accelerated/full vesting of their unvested stock options and performance stock units at target level. The main argument in support of this resolution outlined that the potential vesting would be unrelated to the executive's performance, however we believe this reduces the attractiveness of Stericycle when competing for talent. The officers of Stericycle are required to own multiples of their base salary in stock and options, and executives at competing firms are often not subject to similar vesting restrictions in the event of a change in control. Allowing for accelerated vesting would bring the compensation of Stericycle executives in line with peers, and would allow them to focus on the company with less stress for their own financial safety in the event of a change in control. Black Creek voted against a significant shareholder proposal and the result was 27% for, 73% against. The intention to vote against was communicated to the company ahead of the vote.
DS Smith PLC (Packaging and recycling company)	5th September 2023 – 3.0% of portfolio value. Proposal was made to authorise Directors' powers to disapply pre-emption rights up to 10% of the issued share capital. BCIM will generally vote against proposals to issue share capital of 10% or greater when there is not a clear, justifiable need for this dilution to occur. In this case,

	BCIM did not deem it to be justifiable for this dissolution to occur and voted against the resolution. The result was 92% for, 8% against. The intention to vote against was communicated to the company ahead of the vote.
Bureau Veritas SA (Testing, inspection and certification services)	22nd June 2023 – 4.1% of portfolio value. Proposal was made to authorize the Board to increase the share capital with preferential subscription rights up to a combined 30% of the issued share capital. We will generally vote against proposals to issue share capital of 10% or greater when there is not a clear, justifiable need for this dilution to occur. In this case, we did not deem it to be justifiable. Black Creek voted against the Board recommendation and the result was 98.5% for, 1.5% against. The intention to vote against was communicated to the company ahead of the vote.
ConvaTec PLC (Testing, inspection and certification services)	18th May 2023 – 3.6% of portfolio value. Proposal was made to unconditionally authorise Directors to allot shares or grant subscription rights up to maximum of 66.6% of the company's ordinary share capital. Black Creek will generally vote against proposals to issue share capital of 10% or greater when there is not a clear, justifiable need for this dilution to occur. In this case, they did not deem it to be justifiable. Black Creek voted against the proposal and the result was 91% for and 9% against. The intention to vote against was communicated to the company ahead of the vote.
Bureau Veritas SA (Testing, inspection and certification services)	22nd June 2023 – 4.1% of the portfolio value. Proposal was made to approve the compensation of the CEO to a maximum of 1.5 million Euros. Black Creek believes a maximum compensation of 1.5 million Euros reduces BVI's competitiveness with respect to attracting talent to lead the company, especially compared to US peers who often pay their CEOs up to 3-5x more than BVI's proposed cap. BVI's is a complex business and we believe the proper incentives should be in place to attract high-performing officers. Black Creek voted against the proposal and the result was 96% for and 4% against. The intention to vote against was communicated to the company ahead of the vote.

Black Creek Developed Global Equities

	Year to 31 March 2024
Votable proposals	509
% of resolutions voted	100%
% of resolutions voted against management	5%
% of resolutions abstained	0%

Dalton Longchamps (pooled global emerging market equity):

Approach	Dalton seeks to take an active approach to ownership of its portfolio companies, in an effort to maximize risk adjusted returns for clients and fulfill its fiduciary duties. Dalton vote on all their portfolio companies, directly or via proxy. Where possible and when deemed appropriate, Dalton will engage companies seeking to promote positive change on ESG matters. Dalton believe that dialogue with investee companies and proxy voting are ways to add value to the investment process and that stronger ESG practices will be reflected in better company and stock performance. Through constructive engagement with company management, from a medium to long-term perspective, we believe that we can help promote an investee company's sustainable growth. Additionally, we seek to enhance ESG practices at investee companies through proxy voting. Dalton utilizes ISS to help manage and provide proposals for its proxy voting and implementation and reporting. From time to time, Dalton will collaborate with other institutional investors for collective engagement with investee companies. Dalton has documented its voting principles within its firmwide sustainability policy. For additional information please see https://www.daltoninvestments.com/our-firm/sustainable-investment-policy/ Dalton views "most significant" votes as those where the Dalton team voted against management or ISS recommendations on material issues, where the company is a material portfolio position and/or where the company operates in an industry where ESG issues have heightened materiality. We also consider occasional systematic issues, such as last year's votes on establishing Chinese Communist Party Committees within Chinese listed companies, to be highly significant.
Klabin (Brazillian paper and recycling)	5th April 2023 – 1.0% of portfolio value. The proposed Board's level of independence failed to meet the expectations of institutional investors. Dalton will continue to engage with the management about Board structure and composition, given the preference for majority independent Boards. Dalton voted against the recommended Directors proposed by management. The result was the proposal was passed. The intention to vote against was not communicated to the company ahead of the vote.
Ternium (Americas Steel manufacturing company	2nd May 2023 – 1.3% of portfolio value. Dalton voted against a proposed Director election. Dalton's vote against was warranted because the board lacked gender diversity among its members (25 percent). Furthermore, the company bundles the reappointment of directors. Dalton will continue to engage with the management about board structure and composition given their preference for sufficient gender diversity on the Board. Dalton voted against the Director election and the result was the election was passed. The intention to vote against was not communicated to the company ahead of the vote,
TSMC (Taiwan semi-conductor manufacturing company)	7th April 2023 – 5.5% of the portfolio value. Dalton voted against a proposal to amend Procedures for Endorsement and Guarantees. A vote against was warranted because the proposed endorsement and guarantee provision may expose the company to unnecessary risks; and the company failed to provide a compelling rationale for such changes. Dalton will continue to engage companies as to what it believes is appropriate capital allocation policies.

	Dalton voted against the proposal to amend procedures and the result was the proposal was passed. The intention to vote against was not communicated to the company ahead of the vote.
Fu Shou Yuan International Group (Death care service provider in China)	19th May 2023 – 1.3% of portfolio value. A proposal was made to approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights. A vote against the resolutions was warranted given the aggregate share issuance limit was greater than 10 percent of the relevant class of shares for issuance for cash and non-cash consideration. The company has not specified the discount limit for issuance for cash and non-cash consideration. Dalton will continue to engage the company on best market practice for share awards, vesting periods and key performance indicators. Dalton voted against the proposal and the result was the proposal was passed. The intention to vote against was not communicated to the company ahead of the vote.
GDS Holdings Limited (Asian Data Centers)	22nd May 2023 – 0.6% of portfolio value. An election took place for proposed Directors. A vote against was warranted as the recommended director appointments were not independent. Dalton will continue to engage with the management about board structure and composition. Dalton voted against the proposed Directors and the result was the resolution was passed. The intention to vote against was not communicated to the company ahead of the vote.

Dalton Longchamps Emerging Market Equity

	Year to 31 March 2024
Votable proposals	109
% of resolutions voted	100%
% of resolutions voted against management	21%
% of resolutions abstained	0%

Spouting Rock (segregated global small capitalisation equity, terminated 29 September 2023):

Approach	Spouting Rock will fully participate in the proxy voting process as part of our broader engagement initiatives, which they believe is important to maximize long-term value for all shareholders. Spouting Rock believe proxy voting is an important tool to convey their feedback about a company's strategy, disclosure and more broadly progress toward ESG and climate initiatives and hold management accountable. They utilize third-party advisory services from providers, such as Broadridge Proxy Edge, but are not bound by those recommendations. Our voting history is available upon request. We will vote against management where we feel there are areas that are falling short, or support shareholder proposals that we believe will facilitate or accelerate improvements in disclosure or adoption of climate initiatives.

	We will typically vote against management's recommendations in the following instances: Insufficient director independence Insufficient board diversity by experience, gender or ethnicity Director "overboarding" Excessive pay proposals that are either too generous versus their peers or too easy to attain Related party dealings Any proposals which infringe on minority investor rights Controlling shareholder super-voting shares Spouting Rock uses Broadridge Financial Solutions' ProxyEdge web-based platform, an independent third-party proxy voting platform, to provide data driven guidelines based on meeting information and historical vote results. Spouting Rock will consider the data driven guidelines from Broadridge as part of its ultimate decision-making process, but will exercise its independent judgment in making voting decisions. Spouting Rock reserves the right to vote contrary to the data driven guidelines in the event that Spouting Rock determines that such vote is in the client's best interest.
Teladoc Health Inc (Telemedicine and virtual healthcare)	24th May 2023 – 1.7% The proposed resolution language may result in a bylaw amendment that is both overly restrictive of the board's ability to amend the bylaws, and not necessarily in the interest of shareholders. Further, there does not appear to have been any problematic bylaw amendment unilaterally adopted by the board that would suggest that support for this proposal is warranted. Spouting Rock voted against the proposal and the result was Against. This was a shareholder proposal and not a vote against management recommendation.

Spouting Rock Small Cap Global Equity

	Year to 29 September 2023*
Votable proposals	530
% of resolutions voted	100%
% of resolutions voted against management	21%
% of resolutions abstained	0%

*Mandate was terminated at this date

6. Stewardship

While specific voting rights are broadly confined to the realm of listed equities, the Trustee expects the Manager to ensure all managers engage in stewardship activities, regardless of asset class. Below are two brief case studies on how the Manager has engaged with government bodies, and integrated ESG factors into cash investing for the Plan.

Engagement with issuers/government bodies

BlackRock has been and continues to be an active participant and leader in the evolution of the green bond market. An example of Blackrock's involvement on defining the evolving green bond market is its role on the issuance of the inaugural green gilt.

The UK has issued multiple Green Gilts to finance public spending for low-carbon infrastructure and other green projects. Post BlackRock's initial engagement with UK DMO in October 2021 when they first announced their green gilt framework, BlackRock has since re-engaged on multiple occasions. In March 2023, BlackRock discussed with the UK Treasury and DMO their inaugural green gilt allocation report that was issued in September 2022. 47% of proceeds were allocated to clean transport, 14% to renewable energy, 14% to energy efficiency, 13% to climate change adaptation, and the remainder across pollution prevention and control, and living and natural resources management, and other climate financing initiatives. BlackRock favourably views the mitigation heavy focused project allocations thus far in UK's green gilt program. BlackRock provided guidance and direction in terms of best practices for impact reporting. The UK DMO office has recently released their inaugural impact report in September 2023. Many of the elements of best practices for impact reporting including outlining a clear methodology for impact metrics data reporting, selection of impact metrics and accounting in accordance with ICMA Harmonized Framework for Impact Reporting, clear attributability of project allocations to impact metrics, among other recommendations for best practices. BlackRock re-engaged with the issuer in October 2023 to discuss in depth the UK green gilt impact reporting methodology, delved into programs and reporting details for categories like clean transport, energy efficiency, and eligible UK expenditures in Official Development Assistance (ODA)-eligible countries, among others.

ESG integration in cash investing

In addition to the BlackRock Sustainable Investing baseline screens which are applied broadly across the ICS platform, the BlackRock ICS LEAF fund (in which the Plan invests) also applies an additional Environmentally tilted screen. Issuers of Money Market Fund instruments will be excluded from direct investment if (at the time of investment) they have below average Environmental practices as viewed by MSCI or such other external ESG research provider used by the Manager from time to time. This attributes to an investment universe reduction of around 300 parent issuers, or a 54% reduction. Tangibly this means LEAF reports a higher E score at a fund level. For instance the Sterling Liquidity fund reported an MSCI Environmental score of 7.7 as at month end in April 2024 vs Sterling LEAF which recorded an Environmental score of 7.9.

The Trustee continues to believe strongly in the principles set out in the SIP and has been demonstrably committed to good stewardship for many years. The Plan became a signatory to the United Nations Principles of Responsible Investment (UNPRI) in 2009, and after having adopted the Financial Reporting Council's (FRC's) UK Stewardship Code in 2011 was accepted as a signatory to the updated code in 2023.

In furtherance of the Sustainable Investment and Corporate Governance sections of the SIP, this year the Trustee has:

- Updated and reviewed the ESG roadmap action tracker outlining and tracking actions to support the Trustee to achieve its ESG ambitions, across the short, medium and longer term. The roadmap sets out a number of actions across Governance, Investment Strategy, Risk Management, Engagement, and Reporting and Transparency to be undertaken over varying time periods;
- Has had quarterly ESG and Climate Steering Group meetings to track and update the ESG roadmap;
- Continued and expanded the Carbon Measurement project with ICE. The results of the project are laid out in the Plan's publicly available TCFD reporting;
- Continued with the appointment of Sustainalytics to engage across all the Plan's equity and corporate bond holdings on ESG issues where required and to make recommendations.
- Continued engagement with Climate Action 100+, a body that engages with one hundred plus companies to take action to reduce their carbon intensity and to align themselves with the TCFD recommendations to substantially reduce greenhouse gases; and
- Continues to explore the merits of joining other climate related initiatives and is working with the Employer to help ensure that Royal Mail as a company is properly aligned with compliance and reporting on TCFD

7. Concluding remarks

The Trustee is comfortable that the policies in the SIP have been followed over the year to 31 March 2024. The Trustee expects that the format and content will continue to evolve over time, in line with guidance and to reflect any future changes in the SIP.

The Trustee recognises the responsibility that institutional investors have to promote high standards of investment stewardship and will continue to use the influence associated with the Plan's assets in order to positively influence the Plan's investment managers.

Appendix 6 - Statement on Risk Management and Internal Controls

Oversight of risk management and internal controls within RMPP has been delegated by the Trustee Board to the Audit, Risk and Finance (ARF)' Sub-Committee. The ARF Sub-Committee is responsible for agreeing the framework for assessing, monitoring and managing the key risks within RMPP and provide recommendations on these risk matters to the Board.

Risks identified and action plans for their management are recorded in the Risk Register. The Trustee and ARF have oversight of all risks, with controls for each delegated to a risk-owner within the Executive team and a relevant sub-committee. Through support from the Executive, the sub-committees provide continuous monitoring of the risks in the register.

It should be borne in mind that the system of internal control and risk management is designed to manage rather than eliminate the risk of failure to achieve the Trustee's objectives. Summarised below are the most important risks currently faced by the Plan. They are being managed to support the long-term objectives of the Trustee Board.

1. Membership data is incorrect
Inaccurate or missing data can cause errors in Plan administration or incorrect information being sent to members. RMPP's administrator, the Pensions Service Centre "PSC" has a dedicated data integrity team working on verifying data. The Scheme Actuary helps the PSC in setting out the calculations processes that should be followed. Independent audit is used to check data quality and ensure that the correct calculation processes are well documented and followed.

2. Cyber attack
A cyber-attack may result in the theft of data or the Plans assets and delays to the services provided. RMG's IT security is used to protect data, and their IT security team keep the Executive informed of potential threats. Training was provided to the Trustee and the Executive this year to help mitigate fraud from a cyber-attack. The Executive holds a business continuity plan that is used to minimise delays to services as a result of an IT issue or other issues that impact the office used by the Executive.

3. Covenant risk
Covenant risk relates to the strength of the sponsoring employer and the risk that it is unable to provide financial support to the Plan when it is required. While the Plan has a strong funding level and contributions are not expected to be required, deterioration in the Sponsor could lead to a disruption in the running of RMPP. Royal Mail Group Limited had a loss for FY23/24, which was broadly in line with Management expectations, driven by parcel and letter volumes and price. The Trustee continues to closely monitor the covenant strength and ongoing developments with the company.

4. Investment strategy risk
This is the risk that the assets do not achieve the plans strategic target investment return, leading to an impairment to the funding position. For the Defined Benefit Cash Balance Section, this could result in the target discretionary pension increase not being achieved. To mitigate this risk the Trustee appoints investment professionals to its Investment Sub-Committee and takes professional independent advice to ensure it has the right level of knowledge and understanding to take the necessary decisions. The strategy is suitably diversified and fully documented in the Plan's Statement of Investment Principles.

Appendix 6 - Statement on Risk Management and Internal Controls (continued)

5. Climate/ESG risks

Climate change as a risk may have material adverse consequences for the Plan due to transition as well as physical risks. Transition risks include changes in climate and energy policies (i.e. the inevitable policy response), such as a shift to low carbon technologies and liability issues, potentially leaving heavy emitters of carbon unprofitable (stranded assets). Physical risks such as flooding, droughts and wildfires can impact water availability, food security, supply chains and employee safety, and consequently financial stability. Physical risks are relevant for all time horizons, although their impact is expected to increase over time as climate conditions become increasingly volatile. Transition risks are likely to be most relevant over short and medium-term horizons.

The Trustee has established a low-risk appetite related to climate and seeks to reduce the risk wherever possible.

The Trustee's initial risk assessment was it was likely that Climate/ESG risks would have a Moderate impact on the Plan (Inherent Risk). The Trustee put in place a series of business operation, independent assurance, and oversight controls to mitigate the risks. The subsequent risk assessment was that it was likely that ESG risks would have a minor impact on the Plan (Residual Risk). The controls are assessed on at least an annual basis. The Trustee also monitors a number of metrics on at least a quarterly basis. In addition, they assess the metrics set out in the next section on an annual basis.

6. Longevity risks

Longevity risk is the risk that members live for longer than is currently expected. That results in pensions being paid for longer than expected, thus costing the Plan more than has been assumed in the actuarial valuation. Over recent years there has been a general trend for longevity expectations and hence longevity risk to increase. In-depth analysis is completed as part of the actuarial valuation to understand the expected mortality of RMPP's membership. However, there is uncertainty as to whether past mortality trends will continue into the future, or whether there will be a step change in mortality, for instance due to improvements in healthcare. The plan currently incorporates prudence into the assumptions, such that the plan has sufficient funding, in case the longevity of RMPP's membership is greater than expected. Longevity risk is one of the more significant risks facing the plan, and the Trustee will consider whether there are alternative means of mitigating this risk, for instance through insurance.

Appendix 7 - Governance Policy

Trustee Mission and Key Objectives
The mission and key objectives of the Trustee Board of the Royal Mail Pension Plan ('the Plan') are:

Mission:

- **To pay all of the benefits as they fall due under the Plan, in accordance with the Trust Deed and Rules.**

Key objectives:

- **To administer the Plan to a high standard for its members**
- **To educate and engage with the Plan's members and ensure effective communications**
- **Maintain and, subject to risk constraints, enhance, over time, the security of accrued benefits in the 2012 Section whilst keeping under review the various ultimate 'endgame' options***
- **Aim to manage the investment strategy of the 2018 Section with an expected return of gilts+3.6% per annum and a modelled volatility level of less than 9.36% p.a.****
- **To be committed to advancing ESG issues, including climate and a high level of compliance with relevant legislation, regulation, industry codes and standards as well as internal policies and sound corporate governance principles.**

These key objectives are to be achieved in a cost-effective manner.

*Be it self-sufficiency or settlement with insurance or some combination.
**Gradually migrating over time to gilts+1.4% and maximum modelled volatility of c3.64% p.a. as the Plan matures.

Plan Governance
The Trustee has a responsibility to ensure that the Plan is managed and administered in accordance with its Trust Deed and Rules and in accordance with all relevant laws and regulations. The Trust Deed and Rules stipulate primarily:

- How the Trustee conducts business including powers and discretions.
- The contributions payable by the participating employers and Plan members.
- The investment powers of the Trustee.
- The benefits payable to Plan members.

The Trustee has ultimate responsibility for funding decisions – the procedure for agreeing scheme funding is stipulated in Part 3 of the Pensions Act 2004.

The Trustee governs the Plan through a number of policies and procedures. These are shown in the Annex A on pages 83 to 84.

Appendix 7 - Governance Policy (continued)

Delegation of powers and duties
Under the Trust Deed and Rules the Trustee may delegate the powers, duties and responsibilities of managing the Plan. The administration of the Plan is carried out by Royal Mail Group (the 'Pensions Service Centre') but the Trustee retains the ultimate responsibility for ensuring its effectiveness. The Trustee has delegated limited powers with regard to certain discretionary benefits to the Trustee Executive and Pensions Service Centre.

Royal Mail Pensions Trustees Ltd ('RMPTL')
RMPTL is a wholly owned subsidiary of Royal Mail Group Ltd. Its sole purpose is to act as corporate Trustee to the Plan. It does not trade but it is a registered company and therefore it must act in accordance with the Companies Act and with its Memorandum and Articles of Association. The Memorandum states the principal purpose of the Company and its objects, whilst the Articles stipulate how business is conducted including proceedings at meetings, structure of the Board, appointment and removal of directors, voting and delegation of powers.

Trustee Board composition
The Trustee Board has an equal number of member and employer nominated Trustee Directors, together with an independent Chair. Three of the Board members are nominated by RMG of which two are currently independent, one by POL and four by the Royal Mail Unions overseen by the Trustee. The independent Chair is appointed by Royal Mail after agreement with the Unions. RMG and POL may remove their own nominees at any time. A member nominated Trustee Director can normally only be removed if all his or her co-Directors agree. No matter who they are nominated by, each Trustee Director is responsible for protecting the benefits of all members. Each Trustee Director contributes his or her own blend of business knowledge and experience when making Trustee decisions.

Sub-Committees
The Board has established the following standing Sub-Committees:

- Administration
- Audit, Finance & Risk
- Strategic Investment & Funding

Additionally, the following Sub-Committees conduct business by correspondence and by meeting as and when required:

- Internal Disputes Resolution
- Discretions
- Emergency events

Other Sub-Committees are established on an ad hoc basis as and when required. The Trustee Board has established a De-risking Working Group which considers and evaluates strategic steps which could be taken to de-risk the RMG Section. The Strategic Investment & Funding Sub-Committee has also established an Implementation Working Group which monitors progress of investment strategy.

All the Sub-Committees of the Trustee Board have approved terms of reference which include details of how they operate, their duties and powers. In general terms, Sub-Committees monitor the services provided by key external service providers, have limited delegated powers of appointment, carry out scrutiny of reports and make recommendations for action to the Trustee Board.

The Trustee Executive
The Board of RMPTL is supported by an executive team of pensions management professionals who advise the Board on its responsibilities and ensure that Board decisions are fully implemented.

Appendix 7 - Governance Policy (continued)

Trustee Training
The Board follows The Pensions Regulator's Code of Practice on Trustee Knowledge and Understanding, which was introduced by the Pensions Act 2004. All Trustee Directors are required to complete The Pensions Regulator's training course, the 'Trustee Toolkit'.

Assessment and Benchmarking
The Trustee carries out regular self-assessments of its Board's effectiveness. It also participates in governance surveys and is represented in several benchmarking groups of pension schemes.

Relationship with Royal Mail Group Limited (RMG) and Post Office Limited (POL)
The Plan has distinct RMG (2012 and Cash Balance) and POL Sections. The Trustee engages with RMG and with POL on investment strategy and funding arrangements through the Trustee's Investment and Funding Sub-Committees and its Investment Working Groups for each Section. The Chair and Chief Executive of RMPTL present an annual report on the affairs of the Plan to the Board of Royal Mail Group.

Other Stakeholders
The Trustee engages with its other stakeholders, including the following:

- His Majesty's Government
- Members of the Plan
- Representative bodies of the members of the Plan, namely the Communication Workers Union, and the Communication Managers Association section of UNITE
- The Pensions Regulator
- Ofcom

Annex A to Appendix 7 - Key Policies and Procedures

	Date last reviewed
Policy/Procedure	
Triennial Valuation Report	POL Dec2023 RMG May2022
Statement of Funding Principles	POL Dec2023 RMG May2022
Summary Funding Statement	POL Dec2023 RMG May2022
Annual Actuarial Report	POL Feb2024 RMG Jan24
Schedule of Contributions	POL Dec2023 RMG Mar2024
Recovery Plan (if required)	N/A
Investment	
Statement of Investment Principles	Mar 2024
Responsible Investment Policy	Sept 2020
Myners' Compliance Report	Mar 2018
Quarterly Investment Reports	Mar 2024
Rebalancing Policy	Sept 2023
Administration	
Pensions Service Centre ('PSC') Pricing and Service Level Agreement	Mar 2018
Internal Dispute Resolution Procedure	Dec 2018
PSC Compliance Statements	Jul 2023
Member Communications Strategy	Jul 2020
Review of Discretionary Powers	Mar 2018
Governance	
Trust Deed and Rules	Mar 2018
RMPTL Memorandum and Articles	Jan 2018
Trustee Board and Sub-Committee Meetings Schedule	Jun 2023
Business Plan	Jun2022
Business Continuity Plans for RMPTL and Key Service Providers	Jan 2019
Member Nominated Trustee Nomination and Selection Process	Mar 2023
Induction Process for new Trustee Directors	Oct 2022
Conflicts of Interest Policy	Jul 2017
Risk Register	Sept 2023
Notifiable Events Whistle-blowing Report	May 2021
Review of Compliance with The Pensions Regulator's Codes of Practice	Sept 2018
Board Effectiveness Review	Mar 2023
Structural Governance	Mar 2023
Trustee Knowledge & Understanding Review	Jul 2022
Anti-Bribery Policy	Jun 2023
Data Protection, Data Retention, Data Breach, Equipment Use	Dec 2019
Business Travel, Hospitality and Gift Policy	Jun 2023
Taxation Strategy	Mar 2020

Annex A to Appendix 7 - Key Policies and Procedures (continued)

		Date last reviewed
Sub-Committees' Terms of Reference		
Strategic Investment & Funding		Mar 2024
Audit, Risk & Finance		Jan 2018
Administration		Jan 2018
Discretions		Sept 2012
Internal Dispute Resolution		Sept 2012
Working Groups' Terms of Reference		
Implementation Working Group ('IWG')		Mar 2024
De-risking Working Group ('DWG')		Mar 2024
Assessment of Advisors:		
Lawyer:	Sackers & Partners LLP	Jun 2023
Actuary:	Willis Towers Watson	Jun 2023
Covenant Reviewer:	Penfida Ltd	Jun 2023
Auditor:	KPMG LLP	Dec 2021
Investment Consultant:	Mercer Investment Consulting	Jun 2023
Custodian:	JP Morgan Chase Bank	Jun 2022

Glossary of Terms

Actuarial Valuation
A valuation of a pension scheme which compares the scheme's assets to its liabilities. Economic and demographic assumptions are made to value the scheme's liabilities.

Additional Voluntary Contributions (AVCs)
Contributions made by active members to purchase additional defined contribution benefits.

Asset Allocation
The proportions in which the Plan's assets are distributed between different classes of investment.

Contingent Liability
A potential obligation which depends on whether or not some future event occurs.

Corporate Trustee
The Plan is managed by a corporate trustee company, acting as the Plan's Trustee.

Credit Default Swap
A financial swap agreement that transfers the credit exposure of fixed income products between parties.

Collateralised Loan Obligations (CLOs)
A form of securitisation where payments from multiple middle sized and large business loans are pooled together and passed on to different classes of owners in various tranches.

Custodian
A financial institution that holds and manages a client's securities or other assets on their behalf so as to reduce the risk of the client losing those assets or having them stolen.

Deferred Members /Deferred Pensioners
Members of the Plan who have ceased contributing (and may have left the employ of the Plan sponsor). They each have a benefit preserved in the Plan, payable at normal retiring age or on earlier death or ill health based on their period of service.

Derivatives
Financial contracts which derive their value from some other underlying asset. Examples include futures, options and swaps.

Emerging Market Equities/Debt
These are overseas asset classes which cover countries with developing economies. This asset class currently covers certain countries in Asia, Latin America, Europe and Africa.

Employer Covenant
The ability of a pension fund's sponsoring employer(s) to fund its pension scheme and underwrite investment risk.

Equities
Shares in UK and overseas companies.

Fair Value
A rational and unbiased estimate of the market value of goods, services or assets.

Fixed Interest Securities
Investments on which a fixed rate of interest is received.

Glossary of terms (continued)

Foreign Exchange ('FX' Forward)
A contract in the foreign exchange market that locks in the exchange rate for the sale or purchase of a foreign currency at an agreed future date.

Futures and Options Contracts
A futures contract is a firm agreement to buy or sell a security or quantity of securities at an agreed price and future date. An option contract confers the right without the obligation to complete a similar transaction at an agreed price and future date. In particular, stock futures and options are used by the Plan as a means to buy or sell, with a single transaction, the equivalent of a wide range of shares that are the constituents of stock market indices. Similarly, bond futures and options contracts relate to future transactions in UK and overseas bonds.

Gilt Repurchase Agreements (Repo)
The practice of selling gilts and simultaneously entering into an agreement to repurchase them at a fixed time and price. A technique used to fund temporary cash shortfalls, to fund long gilt positions, or to gear portfolios by borrowing against gilts. Buying gilts with a resale agreement is called a reverse repo and is a means of lending cash on a collateralised basis.

Hedge
A hedge is an investment position intended to offset potential losses/ gains that may be incurred by an organisation. Liability hedging typically involves investing in assets which mitigate against the adverse impact of changes to interest rates and inflation rates.

Liability-Driven Investment (LDI)/ Liability Hedging
Liability-driven investment is an investment in assets that can generate the cash to pay for the Plan's financial liabilities. Assets include government bonds, swaps and other instruments designed to hedge the interest rate and inflation sensitivity of the liabilities.

Index-Linked Securities
Stocks of which the capital value is linked to the rate of inflation.

Internal controls
Processes for assuring achievement of an organisation's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies.

Investment Return
The return achieved by the Plan's investments in respect of both income and capital gains (realised and unrealised) normally expressed as an equivalent annual rate.

Money Purchase
Pensions and lump sums which are based on the accumulated value of contributions together with investment returns. Benefits on a money purchase basis are not related to either the member's salary or period of service.

Myners' Principles
A set of high level principles compiled by a committee headed by Lord Myners' relating to investment decision making and governance, recommended by The Pensions Regulator.

Options
An options contract is an agreement between a buyer and seller that gives the purchaser of the option the right to buy or sell a particular asset at a later date at an agreed upon price.

Over The Counter (OTC) Contracts
Contracts traded directly between the two parties rather than those which take place on a public regulated exchange.

Glossary of terms (continued)

Pooled investments
Funds from many investors that are aggregated for the purpose of investment.

Private Equity
Equity capital that is not quoted on a public exchange as investors put capital directly into private companies.

Realised Gains
The net gain on investments sold, calculated by comparing the selling price with the price at which they were purchased, or with the value which they were transferred to the Plan at inception.

Royal Mail Statutory Pension Scheme
The pension scheme established by Government which took over responsibility to pay all benefits earned by members of RMPP up to 31 March 2012.

Sections A, B, C, D E and F
Section A essentially mirrors the provisions of the Principal Civil Service Pension Scheme and only those who became members of the Plan before 1 December 1971 have an opportunity to elect for Section A benefits.

Section B provides benefits for members of the Plan who joined after 30 November 1971.

Section C provides benefits for members of the Plan who joined since 1 April 1987 as members of Section C and Section C Supplementary Plan.

Section D contains the matching AVC arrangement for Section C members.

Section E replicates the provisions of Section A and B but without the enhanced pension benefits on redundancy.

Section F provides Cash Balance benefits the members joining the Plan on or after 1 April 2018.

Section C Supplementary Plan
A Plan to which full-time employee members may contribute £150 per annum (scaled down for part-timers). For most employee members, the employer matches these contributions; for higher earners there is a lower employer contribution or no contribution.

Short-term Investments
Examples are bank deposits, deposits in the interbank market, certificates of deposit and Treasury bills.

Swaps
Swaps are derivative contracts between two parties in which they agree to exchange one set of cash flows for another.

The Pensions Regulator
A statutory body in the UK which regulates workplace pension schemes.

Transfer Value
The cash equivalent or present value of a deferred pensioner's preserved benefit which can be used to purchase benefits in a new employer's scheme or a personal pension.

Unrealised Gains
The net increase in the market value of investments held, but not yet realised.

Contact Details

Members' queries about the Plan generally or about individuals' entitlement to benefits should be addressed to:

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Royal Mail Pensions Trustees Limited
Published October 2024 © Royal Mail Group Ltd
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Royal Mail Pension Plan