ROYAL MAIL DEFINED CONTRIBUTION PLAN

A MEMBER OF THE DC PLAN

The Royal Mail Defined Contribution Plan

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

PSR 12000324

ROYAL MAIL DEFINED CONTRIBUTION PLAN

CONTENTS

Trustees and their Advisers – year ended 31 March 2019

Trustees	Law Debenture Pension Trust Corporation – Chair (represented by Michael Chatterton until July 2019 and Venetia Trayhurn from July 2019) Capital Cranfield Pensions Trustees Limited - Independent Trustee (represented by Allan Course) Jon Millidge – Employer Nominated George Hiscocks – CWU Member Nominated Anne Turrell – Employer Nominated Nicholas Stinton – CWU Member Nominated Andy Aston – CMA Member Nominated
Secretary	Ben Piggott BA IMC Royal Mail Defined Contribution Plan 2nd Floor, 11 Ironmonger Lane London EC2V 8EY
Plan Administrator	Zurich Assurance Ltd (until 30 June 2019) Scottish Widows Ltd (from 1 July 2019) PO Box 1073 Cheltenham Gloucestershire GL50 9NN
Auditor	KPMG LLP
Banker	Lloyds TSB Bank plc
Investment Consultant	Lane Clark & Peacock LLP (" LCP")
Insurer	Zurich Assurance Limited
Investment Managers (Accessed via an Insurance policy with Zurich Assurance Ltd)	Legal & General Investment Management HSBC (UK) Investment Limited BlackRock Investment Management (UK) Ltd Lazard Asset Management Ltd Fulcrum Asset Management LLP Kames Capital Plc Newton Investment Management Ltd Dodge & Cox Worldwide Investments Ltd
Governance Consultant	JLT Benefit Solutions Limited
Legal Adviser	Hogan Lovells International LLP

Communications Consultants	Concert Consulting (UK) Ltd Cosan Consulting Ltd ITM Ltd Quietroom Ltd
At Retirement Consultants	HUB Financial Solutions Ltd

Trustee details

Michael Chatterton MA FIA – Chair (until July 2019)

Michael Chatterton stepped down as Chair of the Trustees in July 2019. He represented and is a director of Law Debenture Pension Trust Corporation, which is a professional independent trustee of pension schemes. Michael has over 25 years' professional services experience of working with pension funds. During that time he has acted as Trustee, Scheme Actuary, corporate adviser, client relationship manager and chief executive. Michael is a Fellow of the Institute of Actuaries.

Venetia Trayhurn MA PGDL – Chair (from July 2019)

Venetia Trayhurn joined as Chair of the Trustees in July 2019. She represents and is a director of Law Debenture Pension Trust Corporation. Venetia is a pensions lawyer by background, providing advice to trustees and employers with large occupational pension schemes (including Royal Mail and its trustee boards). Prior to joining Law Debenture she worked for a number of years as a Pensions and Investments Ombudsman at the Financial Ombudsman Service.

Allan Course BSc AKC

Allan Course provides professional independent trustee services to occupational pension schemes on behalf of Capital Cranfield Pension Trustees. Capital Cranfield was appointed as a Trustee in April 2009. Allan Course was an actuary and has worked in pensions for over 30 years. Prior to joining Capital Cranfield, he was a partner at Watson Wyatt, a worldwide firm of actuaries and consultants.

Jon Millidge MBE BA FCMA FCIPD

Jon Millidge is Director of Pension Reform of Royal Mail Group. He is one of the original Trustees from the commencement of the Plan in April 2008. He joined the Company directly from university in 1985, and has held a wide range of senior management positions across the businesses of the Group. He is a Fellow of the Chartered Institute of Management Accountants.

George Hiscocks

George Hiscocks joined the Trustees as a CWU administered member nominated trustee in November 2018. He joined Royal Mail from school in 1971 as an engineering apprentice and has had a range of roles within engineering. George is currently the Maintenance Team Leader in Birmingham mail centre, supporting the engineering team. George has also previously taught plumbing and heating at a local night school.

Anne Turrell FCIPD

Anne has worked for Royal Mail for the past 25 years and was appointed as an employer nominated Trustee on 25 June 2014. She has wide senior management experience and has held both large operational leadership roles and more recently key Human Resources roles. She has experience of working in the Regions and her current role is that of Director of Organisational Development. As well as her main role, for the past 2 years Anne has also acted as the RM Liaison for our reserved occupation employees.

Nicholas Stinton BSc (Hons)

Nic has worked for Royal Mail as a Postman for the last 6 years and was appointed as the second CWU administered member nominated trustee in September 2015. He was based in the Ilkley delivery office in West Yorkshire. Prior to joining Royal Mail Nic had been employed by a number of High Street retailers purchasing sports and fashion ranges for their UK and European shops. Nic stepped down from his Trustee role on 30 September 2018.

Andy Aston MSc FCMI MCIPD RAF (Retired)

Andy joined Royal Mail on the Senior Talent Entry Programme in 2010 and was appointed as a CMA Unite administered member nominated Trustee on 1 September 2016. During his Royal Mail career Andy has worked in operational roles and then as the Head of Workforce Planning for Logistics. Prior to joining Royal Mail Andy served for 23 years in the Royal Air Force undertaking a wide variety of tours of duty from operational flying to personnel focused and change management roles. Andy has also previously acted as Trustee for a Charity. Andy stepped down from his Trustee role on 31 March 2019.

Trustees' Report – year ended 31 March 2019

Introduction

This is the Annual Report of the Royal Mail Defined Contribution Plan (the Plan) for the year ended 31 March 2019. The Plan was established on 1 April 2008.

The Plan provides retirement and death-in-service benefits for eligible employees of Royal Mail Group Limited (the principal employer) (RMG). The assets of the Plan are held in trust and are managed independently from the finances of RMG by the Trustees. The Plan is a defined contribution plan and is administered by Scottish Widows in accordance with the Trust Deed and Rules, solely for the benefit of its members and other beneficiaries. The Plan is registered with HMRC as a tax-exempt pension scheme and is the employer's auto enrolment compliant vehicle.

Key Events during 2018-19

- Implemented the investment strategy review, increasing the risk and reward profile for members a long way off retirement;
- Undertook training for ethical, social and governance issues within the investment strategy;
- Updated agreements and processes to comply with the new General Data Protection Regulations;
- Implemented changes for RMG's Pensions Reform programme;
- Conducted a cyber security review and implemented an incident response plan;
- Assessed and increased resources provided from the Executive given the growing size of the Plan;
- Further work on branding and awareness of the value of the Plan, including a new Plan website for members;
- Monitored the administration owner, now Scottish Widows; and
- Assessed the services to be provided by Scottish Widows following their purchase of the Zurich business.

Management of the Plan

Four of the Trustees have been nominated by RMG, including the independent Chair, and three were nominated by members. All Trustees are appointed by RMG. No matter who nominates them, each Trustee is responsible for protecting the benefits of all members. Each Trustee contributes his or her own blend of business knowledge and experience when making decisions relating to the Plan. The Trustees have introduced an annual strategy day to separately assess and evaluate the strategic and business plans and structure of the Board to ensure the continued appropriateness of the running of the Plan.

The Trustees are supported by the Secretary to the Trustees and other appropriate advisers who advise the Trustees on their responsibilities and ensure the Trustees' decisions are fully implemented.

Trustees' Meetings

Individual Trustees	Trustee meetings attended	Meetings could have attended
Mr M Chatterton Chair	5	5
Mr A Course	5	5
Mr J Millidge	5	5
Ms A Turrell	5	5
Mr I Brookfield	-	1
Mr N Stinton	2	2
Mr A Aston	5	5
Mr G Hiscocks	3	3

The business matters addressed included:

- Annual Business Plan and review of the Strategic Plan and Board structure and meetings;
- Investment Monitoring and review of the fund performance;
- Trustee training and review of Trustee effectiveness;
- Risk Management including review of the Risk Register and internal controls;
- Renew the Trustees' liability insurance;
- Regular review of the Administration, Governance and Compliance reports;
- Scheme return for the Pensions Regulator;
- Review of the Plan against the Regulator's DC Code of Practice 13;
- Review of the dispute procedure following changes to regulatory bodies;
- Assess Data quality report;
- Assessment of Advisers and Service Providers;
- Agreed the budget for the 2019/20 Plan year; and
- Audit of the Plan and its financial statements.

Discretions Committee

The Trustees have established a Discretions Committee. It has delegated authority to take appropriate decisions regarding discretionary benefits, such as death in service lump sum and ill-health benefits, on behalf of the Trustees in accordance with its Terms of Reference. The Committee conducts business by email correspondence and by meeting as and when required.

Communications Committee

The Trustees have established a Communications Committee. It has delegated authority to take appropriate decisions regarding the Plan's communication materials and its overall communications strategy, on behalf of the Trustees in accordance with its Terms of Reference. The Committee conducts business by meeting at least quarterly.

Trustee Training

The Trustees follow the Trustee Knowledge and Understanding Code of Practice which was introduced by the Pensions Act 2004. There is a formal policy for the training of newly appointed Trustees and on-going Trustee training requirements. All Trustees are required to complete the Pensions Regulator's training course, the "Trustee Toolkit". During the year, the Trustees received Plan specific training on investment strategies and beliefs; internal controls and risk management; ethical, social and governance matters; effective member communications; cyber security; Plan documentation; pension legislation and industry updates. The Trustees also completed a self-assessment on their own effectiveness as Trustees, to help identify ways to make the running of the Plan more effective.

Plan Administration

The Trustees have delegated member and accounting administration to Zurich under contractual arrangements. These arrangements specify service levels against which the Trustees monitor performance. The Trustees migrated their administration service in November 2017 to the Zurich Corporate Savings Platform with a view to providing a more efficient service and a better member experience. Scottish Widows completed the acquisition of Zurich Workplace Savings business (Part VII) on 1st July 2019.

Contributions

Contributions to the Plan, received from members and RMG, were in accordance with the Payment Schedule as shown in the Trustees' Summary of Contributions (pages 47 and 48) and totalled £135.6 million during the year.

Transfer Values

Members leaving service with more than 3 months qualifying service can normally transfer the value of their benefits under the Plan to another plan.

Risk Management and Internal Controls

The Trustees have established a risk management framework which enables them to review on a regular basis the risks faced by the Plan. Internal controls systems are reviewed as part of every meeting by the Trustees. A high risk item this year relates to cyber security and a review of the

Plan's arrangements has been conducted. Management of the investment strategies also carries high risk and therefore the Trustees spend considerable time and resources in monitoring the existing investment strategy and options and assessing these on a regular basis to ensure they remain appropriate for the members of the Plan.

Voluntary Contributions

There is provision for members to pay additional voluntary contributions in order to increase their benefits under the Plan. Members can start making voluntary contributions or increase their contributions at any time. Full details are available on request from the Plan Administrator, Scottish Widows at the address shown on page 3 or details can be found on the Plan website www.scottishwidows.co.uk/save/royalmaildcplan

Expression of Wish Forms

Lump sums payable in the event of a member's death are paid under "discretionary trust" and generally they will not be liable to Inheritance Tax.

Members can indicate to the Trustees the persons to whom they wish any benefits to be paid in the event of their death. The Trustees will then be able to take members' wishes into account, although they are not obliged to do so. Members are also urged to review their Expression of Wish Form from time to time, especially if their circumstances change.

Expression of Wish Forms are available on request from the Plan Administrator, Scottish Widows, at the address shown on page 3 or can be downloaded from the Plan website www.scottishwidows.co.uk/save/royalmaildcplan

Internal Dispute Resolution Procedures

Disputes are dealt with in a two stage process. Initially any matter of dispute should be referred to the Secretary. If the complainant is not satisfied with the decision made by the Secretary, the member may ask the Trustees to reconsider the decision.

The procedures described above are in addition to members' rights to contact the Pensions Ombudsman if not satisfied with the answer given to the complaint. Further information about the procedures and contact details are provided in the Plan Guide, which is available on request from the Plan Administrator, Scottish Widows, at the address shown on page 3 or can be downloaded from the Plan website www.scottishwidows.co.uk/save/royalmaildcplan

Further Information

Individual benefit statements are provided to active and deferred members annually. They were redesigned to help members see their key information more clearly. In addition to the information shown on these statements members can request details of their Member Account by contacting the Plan Administrator, Scottish Widows, or by logging on to the Member Access website www.scottishwidows.co.uk/save/royalmaildcplan

If members have any queries or complaints concerning the Plan in general or their own position, or wish to obtain further information, they should contact the Plan Administrator, Scottish Widows.

Codes of Practice

The regulator issued Code of Practice 13 underpins the previously published quality features to help deliver good member outcomes and represents the standards expected of trustees to attain, and help demonstrate that the Trustees are complying with the legal requirements.

The Trustees have reviewed and assessed the Plan's administration on the administration Platform. The systems, processes and controls across key governance functions are consistent with those set out in the regulator's Code of Practice 13 and regulatory guidance for DC schemes.

Plan Membership

Changes to the membership of the Plan during the year are set out below:

Membership as at 1 April 2018			
	Active members	47,521	
	Deferreds	11,255	
Membership as at 1 April 2018			58,776
New entrants during the year			12,898
Deduct:	Refunds	255	
	Opt Outs	1,403	
	Retirements	773	
	Transfers out	277	
	Deaths	76	
			(2,784)
Membership as at 31 March 2019			**68,890**
Active members			50,620
Deferred			18,270
Membership as at 31 March 2019			**68,890**

An additional 3,942 members were covered for life assurance only benefits under the Plan as at 31 March 2019. (2018: 3,083).

During the year ended 31 March 2019, 13 members of the Plan retired and purchased annuities with external insurance companies (2018: 17). The other factor in the increase of deferred members over the year is due to eligibility for members with five years' contributions to the DB Cash Balance Scheme which was part of the Pensions Reform programme from Royal Mail.

HM Revenue & Customs approval

The Plan is a 'registered pension scheme' in accordance with the Finance Act 2004. This means that the contributions paid by both the Company and the members qualify for full tax relief, and enables income earned from investments by the Trustees to receive preferential tax treatment.

Other Information

The Trustees are required to provide certain information about the Plan to the Pension Tracing Service. This has been forwarded to:

The Pension Tracing Service
The Pension Service
Tyneview Park
Whitley Road
Newcastle Upon Tyne
NE98 1BA

The Pensions Ombudsman may investigate and determine any complaint or dispute of fact or law in relation to an Occupational Pension Scheme. Any such complaints should have gone through the internal disputes resolution procedure before being referred to the Ombudsman. Enquiries should be addressed to:

The Pensions Ombudsman
10 South Colonnade
London
E14 4PU

The Pensions Advisory Service Limited is available at any time to assist members and beneficiaries in making improved decisions. The Pensions Advisory Service Limited may be contacted at:

The Pensions Advisory Service Limited
11 Belgrave Road
London
SW1V 1RB

The Pensions Regulator (TPR) was established with effect from 6 April 2005 to regulate occupational pension schemes,

TPR's role is to act to protect the interests of pension plan members and to enforce the law as it applies to occupational pensions.

The regulations set out clearly the areas that TPR covers and the powers that are vested in it. For example, TPR can prohibit or disqualify trustees for acting unlawfully, and can impose fines on wrongdoers. TPR can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

The Trust Deed and Rules, the Plan details and a copy of the payment schedule are available for inspection free of charge by contacting the Secretary to the Trustees at the address shown on page 3.

Any information relating to the members' own pension position should be requested from the Plan Administrator, Scottish Widows at the address detailed on page 3 of this report or details can be found on the Plan website www.scottishwidows.co.uk/save/royalmaildcplan

Investment Report

Background

The Trustees are responsible for the investment of the Plan's assets and have prepared a Statement of Investment Principles (SIP) in accordance with Section 35 of the Pensions Act 1995. The SIP outlines the investment objectives and strategy for the assets of the Plan and is available on the Plan website.

The Trustees have delegated the day-to-day investment management to professional external investment managers. The Trustees set the investment strategy for the Plan after taking advice from the Plan's investment consultant. The Trustees have arranged administration and investment services through an insurance policy with Zurich. Under this arrangement contributions are invested in a range of pooled pension funds managed by a number of underlying managers.

Charges for administering the Plan and for providing investment and communication services depend on the fund(s) selected by the member. All charges are calculated on a daily basis as a percentage of the underlying assets. Further details of the charges are detailed in the Guide to Fund Charges which can be obtained from the Plan Administrator, Scottish Widows, at the address shown on page 3 or can be downloaded from the Plan website. www.scottishwidows.co.uk/save/royalmaildcplan

The Trustees' objective is to make available to members of the Plan an appropriate range of investment options designed to generate income and capital growth, which together with new contributions from members and their employer, will provide a Member Account at retirement with which members can make their retirement choices.

Members can choose from the following investment funds:

- Blended Equity
- Diversified Assets
- Diversified Bond
- Cash
- Active Global Equity
- Active Emerging Market Equity
- Inflation Linked Bonds
- Annuity Bonds
- Ethical
- Shariah
- Passive Global Equity
- Growth

In addition to the range of funds listed above, the Trustees also provide three "Lifecycle" options to members. The Lifecycle options are described in the SIP.

The Trustees annually assess the investment managers' policies on social, environmental and governance issues and the actions they take, and are satisfied with them. The Trustees have delegated to the investment managers responsibility for taking social, environmental and governance policy into account in the selection, retention and realisation of investments and for exercising the rights attaching to investments. In particular, the Trustees are supportive of the Financial Reporting Council's UK Stewardship Code and are mindful that the Plan's investments are managed in accordance with it.

Commentary on Investment Markets for the year ended 31 March 2019

Economic overview

The Returns were affected by significant market falls in the final quarter of 2018. Most equity markets produced negative returns due, in the main, to political instability and an uncertain economic outlook caused by, amongst other things, increased trade tensions between the US and China, rising central bank rates and uncertainty around the outcome of Brexit. However, markets rallied in the first quarter of 2019, as concerns over US-China tensions eased and major banks grew more accommodative.

Global growth prospects deteriorated over the period with both the International Monetary Fund and Organisation for Economic Co-operation and Development revising their 2018-19 and future global growth projections down. Trade tensions, the Chinese economic slowdown and global political malaise are cited as the root causes behind the expected slowed growth.

In July 2018, the UK economy was sufficiently healthy for the Bank of England to raise rates to 0.75%, the highest since 2009. Manufacturing hit a 13-month peak in March 2019, mostly due to companies stockpiling ahead of Brexit. Whilst the employment rate and rising real wages were more positive and for a record 9th consecutive quarter, UK households outspent their earnings.

Equities

Global equities produced positive returns over the year as a whole. Trump's tax cuts, a healthy economy and strong US corporate profitability supported the US market over the year to 31 March 2019. The US market suffered from technology specific issues; a sector which comprises a large part of the US equity market. The first quarter of 2019 saw a sharp rise in US equities led by energy stocks on the back of higher oil prices. There was also an air of positivity surrounding a resolution to the US-China trade war. Against this backdrop, the Plan's Active Global Equity Fund returned 5.8%, underperforming the benchmark return by 6.2% mainly as a result of an overweight position to Financials, which underperformed the wider benchmark return over the period. However, the Trustees are satisfied with the 3-year relative return. The Ethical Fund returned 12.2%, in line with its benchmark return, whilst the Shariah Fund returned 18.2%, similar to the benchmark return. Finally, the new Blended Equity Fund, introduced in October as part of the new investment strategy, returned 9.8% and in line with the benchmark return for the first quarter of 2019.

The trade tensions and a rise in the US Dollar put pressure on emerging market equities. Over the year the Plan's Active Emerging Markets Equity Fund returned -2.4%, against a benchmark return of -0.2%. The underperformance was largely a result of the investment style of the manager, which has provided outperformance for members over a longer timeframe.

Bonds

Gilt yields remained close to historical lows and continued to be volatile, despite the Bank of England raising interest rates from 0.5% to 0.75%. The rate increase was already largely anticipated by investors, therefore having a minimal impact on markets. The Inflation Linked

Bonds Fund returned 7.1% over the year while the Annuity Bonds Fund returned 5.2%. The Trustees have been assessing the underperformance of the Diversified Bonds Fund and aim to take action later in the year.

UK corporate bonds produced positive returns over the year, particularly during the first quarter of 2019. Global bonds also produced positive returns over the year with the Diversified Bonds Fund returning 1.1% against a benchmark return of 2.5%.

Alternative assets

The Diversified Assets Fund delivered a positive return of 4.0% over the year.

The content of the above investment market commentary was provided by Lane Clark & Peacock LLP ("LCP").

Investment Performance

The table below shows twelve-month performance after fees of each of the Plan's fund options to 31 March 2019 apart from the Blended Equity fund, a new fund to the Plan since 1 October 2018. Performance for this fund is shown for the period 1 January – 31 March 2019. Those funds shown in bold are components of the default investment lifestyle.

Fund Name	1 year		3 year	
	Fund %	Target %	Fund %	Target %
Blended Equity	9.8	9.8	-	-
Diversified Assets*	4.0	4.0	5.2	3.8
Diversified Bond*	1.1	2.5	1.6	2.3
Cash	0.7	0.5	0.5	0.3
Active Global Equity	5.8	12.0	14.8	14.4
Active Emerging Market Equity	-2.4	-0.2	15.2	14.4
Inflation Linked Bonds	7.1	7.0	9.8	9.5
Annuity Bonds	5.2	4.8	5.8	5.9
Ethical	12.2	12.3	14.6	14.5
Shariah	18.2	18.7	16.1	16.4
Passive Global Equity	6.6	6.5	11.3	11.3

*these funds are measured against a cash-plus benchmark.
Source: Zurich and LCP.

Royal Mail Defined Contribution Plan Chair's Statement

This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Administration) Regulations 1996. It explains how the Royal Mail Defined Contribution Plan is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits.

Default arrangements

Members of the Plan who do not make an explicit choice regarding the investment of their contributions will be invested in the Default strategy arrangement.

The objectives of the Default strategy arrangement are to cater for the majority of members and be a class leading investment strategy with excellent risk adjusted returns given the constraints of the charge cap.

Following close monitoring of the performance of the Default investment strategy in the previous Plan year, the Trustees questioned the expected returns of the diversified funds relative to their stated targets. Alongside advice from their investment advisor, it was concluded that the managers' stated targets appear optimistic in the view of the Trustees and the Active Diversified strategy, which forms part of the Diversified Assets Fund, was terminated. The subsequent strategic review of the Default investment strategy concluded that members below 55 years old who cannot access their benefits can tolerate more risk in their strategy to help improve outcomes.

The result of detailed quantitative and qualitative analysis was that a new strategy was implemented in October 2018, moving to a three-stage lifecycle rather than two. Members now invest in a higher-risk strategy when they are younger (equities), then moving to a more stable growth strategy (diversified growth), and moving to a lower-risk bond strategy as they approach their selected retirement age. The previous 'Growth Fund' ceased as part of this review. Considerable further work was undertaken to formulate those sub-components of the default strategy and select investment funds appropriate for the appointed mandates. This included Trustee training on, and selection of, private market (partly illiquid) strategies. However, constraints around fund structures prevented the current implementation of such a strategy and the Trustees look forward to developments in the DWP's consultation for DC schemes on the HM Treasury's Patient Capital review.

Details of the Default investment arrangements can be found in the Investment Policy Implementation Document ("IPID"), which forms part of the Plan's Statement of Investment Principles ("SIP"). The SIP is reviewed at least every three years or as soon as any significant developments in investment policy or member demographics take place and was last updated in December 2015. The current review, which commenced in October 2018, has included: updating the new investment strategies and funds available; the results of training on the Trustees' investment beliefs; and training on ethical, social and governance issues including how the Plan's investments might be affected by climate change. As part of their investment governance, the Trustees annually table the Plan's investment managers' governance reports and ask their investment advisor to highlight any issues with the Plan's investments. The new SIP and IPID was published in September 2019. A copy is attached as Annex D to this statement.

The Trustees monitor the performance and continued appropriateness of the selected investment funds and lifecycle strategies at each quarterly meeting. More detailed analysis is provided at least annually on each fund, or on request from the Trustees. Fund performance can be found on page 19 of this document.

Processing Financial Transactions

The Trustees have a specific duty to secure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Plan, transfers between different investments within the Plan and payments to and in respect of members) are processed promptly and accurately.

These transactions are undertaken on the Trustees' behalf by the Plan administrator, Scottish Widows Ltd. The Trustees have reviewed the processes and controls implemented by them, and have concluded that they are suitably designed to achieve these objectives. The Trustees have also agreed service levels and reporting of performance against those service levels, which are set out in a services agreement. These include member requests. The Trustees pay particular attention to tasks which are time critical processes, but also monitor non- time critical and manual administration type requests. Time critical processes include transfers in, investment switch requests, retirement claims and transfer out claims. All service levels are in line with industry requirements and in many cases, much faster. The items listed above would take a maximum of two days to complete. Our administrator provides the Trustees with quarterly governance reports which break down: the service delivery activity; movements in membership such as transfers out; UFPLS and partial UFPLS; opt outs; payment increases and decreases; analysis of the membership with changes over time to spot changes in member profile of the Plan.

With the aim of helping to improve the member experience when dealing with the Plan, the administrator and the Trustees have been reviewing the end-to-end timescales to ensure that an entire member request is completed in a reasonable timeframe, not just that each step required for the request is completed within a regulatory timeframe. To also help improve the member experience, the administrator details in their reporting all complaints made and state whether they were upheld or not. The Trustees consider these in detail to understand if there is a recurring theme or if part of the operations and processes of the administrator are not in line with the general expectations of the membership. To date, the majority of complaints have not been upheld.

A review of the complete bundled administration service was carried out in the summer of 2017 when the provider requested a move to their newer administration platform. The

Trustees' addressed an IT issue of the automated loading of contribution files with a manual work-around after considering that the risks were being managed and mitigated satisfactorily. No errors arose because of this manual work-around.

The Trustees will also receive periodic assessments of methods and efficiency of the Plan's administrators and will challenge them in terms of efficiency using available facilities including technological functionality. This includes daily monitoring of bank accounts and a dedicated contribution processing team.

No significant issues have been reported in the year under review. In light of the above, the Trustees consider that the requirements for processing core financial transactions specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996) have been met.

Calculation of Charges and Transaction Costs Requirements

The law requires the Trustees to disclose the charges and transactions costs borne by DC scheme members and to assess the extent to which those charges and costs represent good value for money for members. In preparing this statement, the Trustees have considered statutory guidance, including the guidance published by the Department for Work & Pensions entitled "*Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes*".

Within the default strategy, the maximum fee occurs around three years before retirement and peaks at 0.65% pa. The accumulation fund, the RMDCP Blended Equity Fund, which most members are invested in, has a fee of 0.50% pa. This is below the charge cap of 0.75% pa. The Trustees accept that this is not the cheapest strategy available but have analysed the potential to add value and improve member outcomes and believe the strategy, which includes the bundled administration charge, offers members good value.

To help demonstrate this, a table of illustrative examples of the cumulative effect on a member's savings of costs and charges incurred over time is provided in Annex A to this statement on page 25. It provides examples of different age members showing what their savings could have been before those charges and costs are deducted. The first table highlights the default lifecycle strategy and shows how the charges change as the investment strategy changes as members approach retirement. Given the use of Absolute Return Bond strategies before retirement age, the charges increase relative to the earlier stage blended equity strategy which makes greater use of passive management components. However, these bond strategies offer greater protection for members which take cash at retirement but still provide some potential for growth to help keep pace with inflation. The second table shows the effect of charges on potential growth for the more common self-select funds.

The Trustees also make available a range of funds which may be chosen by members as an alternative to the default arrangement. The details of all the current fund charges are available within the table in Annex B on page 26 of this document and are split by bundled administration charge; investment annual management charge; and investment fund additional expenses, showing a total member borne charge per fund. The level of fund charges are made available to members on factsheets via the Plan Infosite provided by the administrator.

The Trustees have used a fee study from their investment advisors, LCP, to help ascertain how the costs identified for the Plan's funds compare with other pension schemes engaged with LCP, which is shown as the second chart within Annex B. The chart shows the results of the fee study showing average management charges and ranges for a range of LCP's clients, relative to what the Plan members pay. The blue dot is the Plan's fund, the black diamond is the average of the schemes in the survey, and the blue and red lines are the upper and lower quartile ranges for each asset class. These are not total costs, only the quoted annual management charges. It is comforting to see that the management charges are either significantly below or in line with other pension schemes. Indeed, some of the funds have a zero management charge for members. This is where the management charge is subsidised by the Bundled administration provider.

There is a separate table in Annex C to this statement which shows the transaction costs for each of the Plan's funds, which is split by implicit and explicit costs and includes any anti-dilution levies. This is where a fund manager has made a price adjustment to protect existing investors in the fund. This analysis gives the Trustees a clear idea of the costs of buying and selling units in each of the fund and helps provide information for investment decision making when changing or implementing any of the Plan's investment strategies. The Trustees find the transaction costs (by asset class) of the Plan's funds to be reasonable. This table is available on page 27.

Going further than this, the Trustees have engaged with ClearGlass. They are an independent group set up by the FCA to provide a standard framework to help asset owners collect costs and charges data from their asset managers. The data collected is in accordance with the cost transparency initiative supported by the pension body, the Pension and Lifetime Savings Association. This work is on-going and we aim to share the results in the next Report and Accounts.

Following various member research initiatives, the Trustees have a good understanding of the membership demographics of the Plan and as such have a view as to what good member outcomes should look like for the Plan's members in aggregate. The Trustees have assessed the fees disclosed above and they are satisfied that they have negotiated a good deal for members and that the stated explicit charges for the Plan's funds represent good value for money in the context of the outcomes targeted by such funds and the current market rates for similar investments levied on members of schemes with a similar membership profile.

In line with the Administration Regulations, the Trustees carried out an assessment of the Plan and whether, and to what extent, it offers value for money for members. An external independent consultant was brought in to carry out this assessment for the Trustees. The assessment took place in July 2019.

The Trustees decided to go beyond the statutory requirements and look in further detail at the following areas of assessment for value for members:

- Governance
- Design
- Investment
- Administration
- Communication
- Costs

The full results of the assessment can be obtained from the Plan Secretary (details are on page 3). The Trustees are pleased to state that the findings showed that the Plan offers value for money for members. The Trustees are committed to ensuring that members receive value for money from the Plan and also monitor key expenditure ratios per member, with a view to improving efficiencies as the Plan grows in both size of membership and assets.

Trustees' Knowledge and Understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Plan assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Codes of Practice 07 and 13. In exercising their powers in practice, this is aided by the use of a Trustee portal which is used at meetings and available to the Trustees at all times. It is used to confirm the powers by which decisions can be made by sub-committees or working groups, such as referring to the Discretions Committee's principles document or delegated authorities, specific details and definitions within the Trust Deed and Rules, and identifying how risks are managed or if new risks have arisen by referring to the Plan's Risk Register as a few examples of using the Plan documents. All of the Plan documents are available to the Trustees at the touch of a button within the portal.

The Trustees have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up-to-date with relevant developments and carry out a self-assessment of training needs. The Secretary to the Trustees reviews the self-assessments annually and arranges for training to be made available to the Board of Trustees as appropriate at the quarterly Trustee meetings. In addition, the Trustees receive advice from professional advisors, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors. Advisors will be invited to present to the Trustees as dictated by the agenda, set according to the Business Matters and Key Developments arising over the Plan year as proposed by the Plan Secretary and agreed by the Chair. The Trustees also receive an industry update at each quarterly meeting to keep them abreast of developments and have an independent consultant provide them with a mid-year health check to ensure that they are aware of and can act on any regulatory changes as and when they arise. During the year, the Trustees received Plan specific training on investment strategies and beliefs; internal controls and risk management; ethical, social and governance matters; effective member communications; cyber security; Plan documentation; pension legislation and industry updates.

Alongside the Trustee training, the Trustees also annually undertake a Trustee Effectiveness questionnaire which helps assess how they put that knowledge and understanding into practice and highlights if the Board as a whole acts effectively, to help identify ways to make the running of the Plan more effective.

All the existing Trustees have completed the Pension Regulator's Trustee Toolkit and new Trustees are required to complete this within six months of taking up office. New Trustees are also provided with a familiarisation session run by the Plan's legal advisor and this is supplemented by sessions run by the Plan Secretary and other members of the Executive. Trustee meetings are presented via a portal which alongside the meeting papers, contains all the Plan's key documents such as the Trust Deed and Rules, the SIP, terms of reference for working parties and sub-committees, amongst others. This helps the Trustees make quorate and effective decisions in a timely manner. The Strategic Plan and objectives are tabled at the start of each meeting as a reminder to the Board of what they are trying to achieve.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to them, the Trustees consider that they are properly enabled to exercise their functions as Trustees of the Plan. Details of the training undertaken during the year can be found on page 9 of this report.

Other Plan Matters

The Trustees continue to make Plan communications a priority. A new website has been set up, www.rmdcp.uk which will help members make better choices about their retirement savings and inform them of the design of the Plan and the options available for them. They are also offered a forum for raising any issues or concerns with the Trustees via a "Ask the Trustees" page. The last member survey and research took place in February 2018 to assess what members thought of Royal Mail's Pension Reform programme and how well they had been communicated to and understood by members. The Trustees' objective with communications is to inspire members to actively make appropriate choices about their retirement outcomes by highlighting the value of the Plan.

To help members make the most out of the Government's Freedom and Choice innovation, the Trustees now provide a new retirement advice service. The service is paid for by RMG and gives members regulated advice with a clear recommendation and implementation of that advice. Take up has been minimal and the Trustees' investigations led to re-writing the 'wake-up' letters as members approach retirement. They aim to make it as clear as possible that this service is available. Further research continues into member behaviour before, at, and after retirement age.

Another significant area of governance undertaken was a cyber security review. This included two training sessions and analysis was undertaken of the risks posed to the Plan relating to cyber security. The outcome of this work was the formulation of an incident response plan with key personnel identified and a suite of pre-prepared letters which can be sent to relevant stakeholders in a timely fashion in the event of a data breach.

Governance statement

As Trustees of the Plan, we have reviewed and assessed our systems, processes and controls across key governance functions and we are satisfied that these are consistent with those set out in The Pensions Regulator's:

- Code of Practice 13: Governance and administration of occupational defined contribution trust-based schemes, underpinned by the DC quality features; and
- Regulatory guidance for defined contribution schemes.

Based on our assessment we believe that we have adopted the standards of practice set out in the DC code and DC regulatory guidance. These help demonstrate the presence of DC quality features, which we believe will help deliver better outcomes for members in retirement. The Trustees carried out a formal assessment against the code of practice in November 2018 and following some minor follow up work, were pleased to have been given a 'green' assessment in all areas by their independent governance consultant. The 2019 assessment will commence in the autumn.

The Trustees would like to thank all those who have helped during this year's Plan operations.

For and on behalf of the Trustees,
Venetia Trayhurn, Chair of Trustees:
Date: 31/10/2019

V. Trayhurn, Director for
The Law Debenture Pension Trust Corporation p.l.c.

Royal Mail Defined Contribution Plan Chairman's Statement – Annex A

Scheme: **Royal Mail Defined Contribution Plan**

Projected pension pot in today's money: Starting Fund £10,000. Starting Contributions £330pm. Invested in the Default Lifestyle strategy.
This table shows the development of the projected pot size over time for a sample of ages assuming the pension pot is invested in the Default Lifestyle Strategy.
For the Default Lifestyle Strategy the development of the projected pension pot depends on the member's current age because the funds change as the member approaches retirement.
For non-lifestyle investments the projected pension pot does not depend on the starting age and develops as shown in the first table.

Years	Age Now 60		Age Now 55		Age Now 45		Age Now 35		Age Now 25	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	13,900	13,800	14,100	14,100	14,200	14,200	14,300	14,200	14,300	14,200
3	21,800	21,400	22,600	22,300	23,200	22,900	23,300	23,000	23,300	23,000
5	29,200	28,500	31,000	30,300	32,700	32,000	32,900	32,300	32,900	32,300
10			50,100	47,900	58,300	56,000	60,000	57,700	60,000	57,700
15					83,400	78,600	91,100	86,100	91,900	86,900
20					102,000	94,100	125,000	115,000	129,000	120,000
25							156,000	141,000	172,000	156,000
30							174,000	154,000	217,000	194,000
35									256,000	223,000
40									274,000	232,000

Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 65
3. The starting pot size is assumed to be £10,000.
4. Inflation is assumed to be 2.5% each year.
5. Gross contributions of £330 per month are assumed from the start of the projection to retirement and are assumed to increase in line with inflation at 2.5% per year.
6. Values shown are estimates and are not guaranteed.
7. For the default lifestyle strategy the projected growth rate varies over time as the funds invested in change.

The table below shows the average projected growth rates for the lifestyle strategy for a sample of terms to retirement:
Lifestyle approaches aim to provide a balance of growth opportunities in the early years and a degree of de-risking as you approach retirement. The actual return will depend on the funds chosen for each stage and the actual timing of any changes. When comparing possible returns from different funds, it is noted that higher risk funds will provide higher illustrative returns.

Years to Retirement	Projected Growth Rate (Average)	
1	1.00%	Below inflation
3	0.70%	Below inflation
5	0.40%	Below inflation
10	0.30%	Above Inflation
15	0.90%	Above Inflation
20	1.30%	Above Inflation
25	1.60%	Above Inflation
30	1.80%	Above Inflation
35	2.00%	Above Inflation
40	2.20%	Above Inflation

8. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

Fund choice

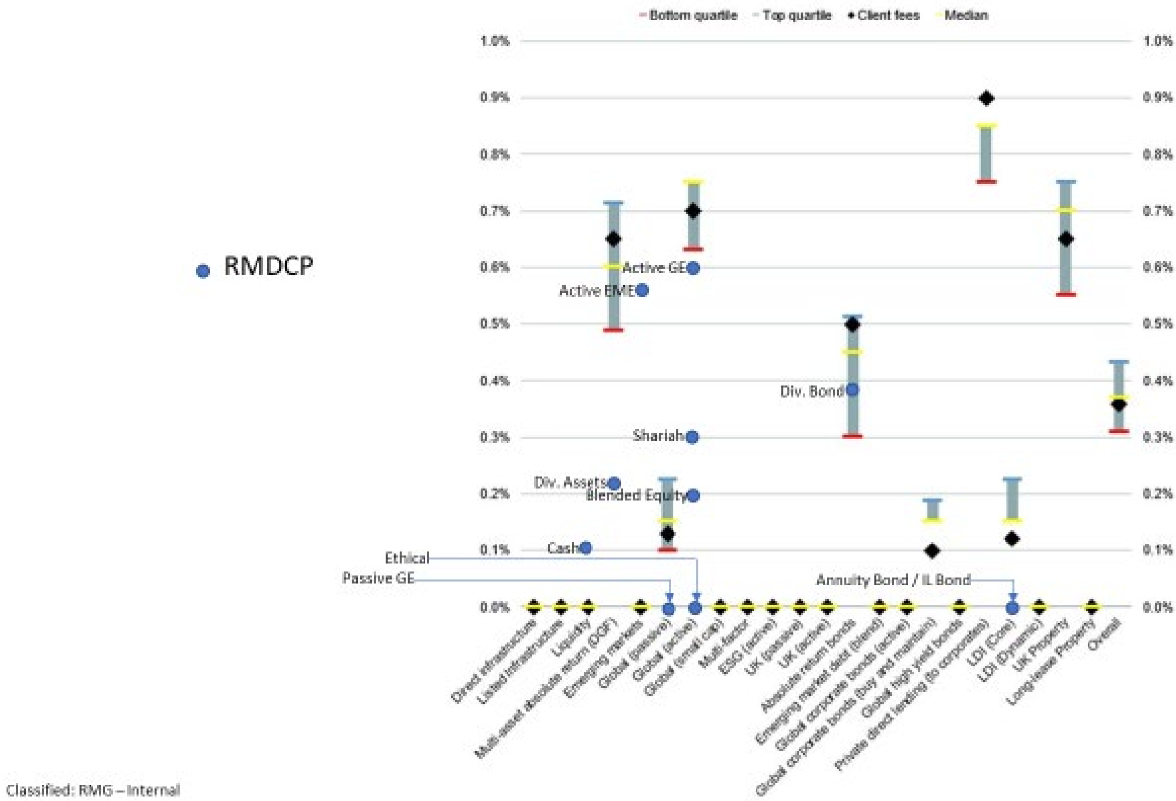
Years	Annuity Bonds		Cash		Ethical		Passive Global Equity	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	13,800	13,700	13,600	13,600	14,200	14,200	14,200	14,200
3	21,300	21,200	20,800	20,700	23,200	23,100	23,300	23,100
5	28,800	28,500	27,700	27,500	32,800	32,500	32,900	32,500
10	46,800	46,100	44,000	43,200	59,600	58,500	59,800	58,600
15	64,300	62,900	58,700	57,400	91,100	88,600	91,500	88,800
20	81,000	78,800	72,200	70,100	127,000	123,000	128,000	123,000
25	97,200	94,000	84,500	81,500	171,000	163,000	172,000	163,000
30	112,000	108,000	95,700	91,800	221,000	209,000	223,000	210,000
35	127,000	122,000	105,000	101,000	281,000	263,000	284,000	264,000
40	142,000	135,000	115,000	109,000	350,000	324,000	354,000	326,000

The projected growth rates for each fund are:

Annuity Bonds: 0.8% below inflation
Cash: 1.9% below inflation
Ethical: 3.2% above inflation
Passive Global Equity: 3.2% above inflation

Royal Mail Defined Contribution Plan Chairman's Statement – Annex B

ROYAL MAIL DEFINED CONTRIBUTION CHARGE					
Fund Based Charges					
Fund Name	**Zurich Bundled Charge %**	**Management Charge %**	**Fund Expenses %**	**Total Expenses Ratio %**	**Total Member Borne Charge %**
Active Emerging Market Equity	0.27	0.58	0.21	0.79	1.06
Active Global Equity	0.27	0.60	0.09	0.69	0.96
Annuity Bonds	0.24	0.00	0.00	0.00	0.24
Blended Equity	0.27	0.20	0.02	0.22	0.49
Cash	0.17	0.10	0.00	0.10	0.27
Diversified Assets	0.27	0.22	0.00	0.22	0.49
Diversified Bond	0.27	0.39	0.04	0.43	0.70
Ethical	0.29	0.00	0.00	0.00	0.29
Inflation Linked Bonds	0.24	0.00	0.00	0.00	0.24
Passive Global Equity	0.27	0.00	0.00	0.00	0.27
Shariah	0.22	0.30	0.00	0.30	0.52



Royal Mail Defined Contribution Plan Chairman's Statement – Annex C

ROYAL MAIL DEFINED CONTRIBUTION PLAN
Transaction Costs

Report Date: 31/03/2019

		Transaction Costs						
Fund Name	**Total (bps)[5]**	**Transaction Taxes (bps)**	**Fees & Charges (bps)**	**Implicit Costs (bps)**	**Indirect Costs (bps)[2]**	**Anti Dilution Offset (bps)[3]**	**Lending & Borrowing (bps)[4]**	**Guidance Notes**
Blended Equity	**11.5**	0.0	4.4	0.0	6.6	3.5	1.1	*1,8*
Active Emerging Market Equity	**27.7**	N/A	N/A	N/A	N/A	N/A	N/A	
Active Global Equity	**17.0**	5.0	4.0	8.0	0.0	0.0	0.0	
Annuity Bonds	**1.6**	0.0	5.5	0.0	0.4	4.3	0.0	
Cash	**1.7**	0.0	0.0	1.7	0.0	0.0	N/A	
Diversified Assets	**14.8**	0.0	0.0	0.0	14.8	0.0	N/A	
Diversified Bond	**14.0**	0.0	0.3	14.5	0.0	1.2	0.4	*1,8*
Ethical	**0.9**	0.0	3.1	0.0	0.3	3.1	0.5	*8*
Passive Global Equity	**5.4**	0.0	2.8	0.0	3.1	1.2	0.6	*8*
Growth	**12.6**	0.0	3.0	0.0	8.9	2.4	0.7	*1,8*
Inflation Linked Bonds	**4.5**	0.0	0.0	4.5	0.0	0.0	0.0	
Shariah	**3.4**	1.8	1.3	0.3	0.0	0.0	0.0	

Guidance Notes

1 For funds with more than one component, transaction cost calculations are based on blended fund-level holdings at the report date given.
2 Indirect Costs relate to transaction costs incurred within an underlying investment vehicle within the fund manager's fund.
3 Anti Dilution Offset (where provided) reflects the price adjustments the fund manager has made to protect existing investors from dilution effects resulting from investors buying or selling units. This reduces the total transaction cost incurred by existing investors and so is deducted from the costs incurred.
4 Lending & Borrowing (where provided) reflects transaction costs associated with short term loans of securities that the fund manager may undertake to increase investment returns.
5 Transaction cost totals represent annualised transaction costs incurred by the fund manager within the underlying fund. Figures do not currently contain impacts of dilution adjustments incurred at the Zurich fund level when Zurich deals in the underlying funds.
6 Reporting cycles may differ between fund managers, and so data provided may not align completely with the overall report date. The latest available annualised information has been used in each case.
7 Fund managers may use different methodologies to calculate their transaction costs; therefore overall transaction cost figures may not be directly comparable, or may exclude some elements or breakdowns of the total cost.
8 Transaction costs have not been provided by the fund manager(s) for some components of the fund. The percentage of assets reported on has been stated above. If no data on percentage coverage was provided by the fund manager, it is assumed that 100% coverage was achieved for these funds/fund components.

Statement of Trustees' Responsibilities for the Financial Statements

The audited financial statements, which are 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 trustees. Pension scheme regulations require the trustees 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 trustees have supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. They are 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 they either intend to wind up Plan, or have no realistic alternative but to do so; and
- making available each year, commonly in the form of a trustees' annual report, information about the Plan prescribed by pensions legislation, which they should ensure is consistent with the financial statements it accompanies.

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

The trustees are responsible for such internal control as they determine 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 them to safeguard the assets of the Plan and to prevent and detect fraud and other irregularities.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

Fund account for the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Contributions & Benefits			
Employer contributions	2	134,041	90,792
Employee contributions	2	1,579	1,132
Total contributions		135,620	91,924
Transfers in from other plans	3	2,358	1,073
Other income	4	8,869	7,833
		11,227	8,906
Benefits	5	(15,848)	(12,941)
Leavers	6	(10)	(145)
Transfers out to other plans	7	(4,739)	(2,557)
Other Payments	8	(60)	(963)
Administration expenses	9	(898)	(632)
		(21,555)	(17,238)
Net additions from dealings with members		**125,292**	**83,592**
Returns on investments			
Investment income	10	22	9
Change in market value of investments	11	16,699	16,230
Investment management expenses	12	(1,404)	(1,072)
Net returns on investments		**15,317**	**15,167**
Net increase in fund during the year		**140,609**	**98,759**
Net assets of the Plan at 1 April		**477,043**	**378,284**
Net assets of the Plan at 31 March		**617,652**	**477,043**

The notes on pages 34 to 43 form part of these financial statements.

Statement of Net Assets (available for benefits) as at 31 March 2019

	Notes	2019 £'000	2018 £'000
Allocated to members			
Pooled investment vehicles	11	610,322	472,709
Current assets	13	7,508	5,240
Current liabilities	14	(2,883)	(3,472)
		614,947	**474,477**
Not allocated to members			
Current assets	13	2,780	2,633
Current liabilities	14	(75)	(67)
		2,705	**2,566**
Net assets available for benefits		**617,652**	**477,043**

The financial statements summarise the transactions of the Plan and deal with the net assets at the disposal of the Trustees. They do not take into account obligations to pay benefits which fall due after the Plan year end.

The notes on pages 34 to 43 form part of these financial statements.

The financial statements on pages 32 to 33 were approved by the Trustees and were signed on its behalf by:

Trustee: Venetia Trayhurn (Chair)

V. Trayhurn, Director for
The Law Debenture Pension Trust Corporation p.l.c.

Trustee: John Millidge

Date: 31/10/2019

Notes on the Annual Financial Statements

Accounting policies

1.1 Basis of preparation

The Financial Statements have been prepared in accordance with 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 November 2014).

Where the financial statements refer to 31 March (no year stated), these dates are applicable to both financial years ended 31 March 2018 and 31 March 2019 (as per relevant column).

1.2 Valuation of investments

The investment assets of the Plan comprise units allocated to accounts held in members' names under the insurance policy issued to the Trustees.

These units are included at market value and are stated at the prices provided by the Plan administrator.

1.3 Change in market value

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value of investments held at year end.

1.4 Contributions

Normal contributions from employers and employees are made in accordance with the rates set out in the Payment Schedule in force for the Plan year. Contributions, including voluntary contributions, are accounted for on an accruals basis when deducted from payroll.

1.5 Benefits

Single cash sums on retirement or death are accounted for on an accruals basis based on the date of retirement or death.

The purchase of annuities is the means by which the Trustees discharge their full liability to pay the pension of a retiring member of the Plan. The purchase of annuities is accounted for on an accruals basis.

Pension Funds are exempt from taxation except for certain withholding taxes.

1.6 Transfer values

Transfer values represent the capital sums either received in respect of members from previous pension arrangements or paid to new pension arrangements for members who have left service or opted out. They take account of transfers where the receiving pension arrangement has agreed to accept the liabilities in respect of the transferring members.

1.7 Opt Outs

Refunds of contributions in relation to members who opt out are accounted for on an accruals basis when invoiced by Royal Mail.

1.8 Investment Income

Investment income arising from the underlying investments from the pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles. This is reflected in the unit price and reported within the change in market values which are provided on a daily basis.

1.9 Expenses

The expenses of the Plan are accounted for on an accruals basis.

2 Contributions

	2019 £'000	2018 £'000
Employers		
normal	134,041	90,792
Employees		
normal	1,266	902
additional voluntary contributions	313	230
	135,620	**91,924**

The total employers' contributions include Pension Salary Exchange contributions.

3 Transfers in

	2019 £'000	2018 £'000
Individual transfers	2,358	1,073
	2,358	**1,073**

4 Other income

	2019 £'000	2018 £'000
Claims on life assurance policies	8,862	7,828
Other income	7	5
	8,869	**7,833**

5 Benefits payable

	2019 £'000	2018 £'000
Purchase of annuities	334	472
Lump sum death benefits	8,832	7,991
Commutations and lump sum retirement benefits	6,682	4,478
	15,848	**12,941**

The Trustees have an insurance policy which is held with Zurich Assurance Limited at year end to cover the Plan against the lump sum payment in the event of a member's death in service.

6 Leavers

	2019 £'000	2018 £'000
Refunds to members leaving service	10	145
	10	**145**

7 Transfers to other Pension Schemes

	2019 £'000	2018 £'000
Transfers to other schemes	4,739	2,557
	4,739	**2,557**

8 Other payments

	2019 £'000	2018 £'000
Group life assurance premium	-	669
Employer trustee reserve refund	-	292
Opt outs - return of contributions	60	2
	60	**963**

The Trustees paid nil (2018: £669,206) from the Employer Reserves towards the Plan Life Assurance Premium for the year ended 2019. The remaining balance of the premium is paid by RMG.

As with the Life Assurance premium, some administration expenses below are paid directly by RMG and some are paid from the Employer Reserve. The Trustees only include expenses paid from the Employer Reserve in these financial statements.

9 Administration expenses

	2019 £'000	2018 £'000
Professional charges	478	332
Other payments	419	298
Levies	1	1
Bank charges	-	1
	898	**632**

10 Investment income

	2019 £'000	2018 £'000
Bank Interest	22	9
	22	**9**

11 Investments

	2019 £'000	2018 £'000
Insurance policy - pooled investment vehicles:		
Market value at 1 April 2018	470,899	372,443
Purchases at cost	626,917	102,310
Disposals	(504,518)	(20,084)
Change in market value	16,699	16,230
Market value at 31 March 2019	**609,997**	**470,899**
Cash deposits	325	1,810
	610,322	**472,709**

The companies operating the pooled investment vehicles are all registered in the United Kingdom. Investments purchased by the Plan are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment managers hold the investment units on a pooled basis for the Trustees through a policy of insurance with Zurich Assurance Limited. The Plan administrators allocate investment units to members. The Trustees may hold investment units representing the value of employer contributions that have been retained by the Plan that relate to members leaving the Plan prior to vesting.

The investments held as at 31 March were split as detailed below:

Fund name	Market value at 06/04/18 £'000	Purchases at cost £'000	Disposals £'000	Change in market value £'000	Market value at 31/03/19 £'000
Blended Equity	520	481,273	(8,587)	16,450	489,656
Active Emerging Market Equity	408	281	(113)	(8)	568
Active Global Equity	261	265	(90)	17	453
Active Global Equity Fund (SSF)	-	1	(1)	-	-
Annuity Bonds	2,684	326	(270)	140	2,880
Cash	4,196	3,898	(2,615)	34	5,513
Diversified Assets	678	53,866	(3,065)	1,935	53,414
Diversified Bond	29,966	16,806	(5,724)	438	41,486
Emerging Market Equity Fund (SSF)	17	-	(17)	-	-
Ethical	2,533	593	(448)	300	2,978
Passive Global Equity	7,264	1,043	(850)	462	7,919
Growth	418,017	67,519	(481,918)	(3,618)	-
Inflation Linked Bonds	2,349	668	(590)	164	2,591
Shariah	2,006	378	(230)	385	2,539
Total	**470,899**	**626,917**	**(504,518)**	**16,699**	**609,997**

There were no direct or material indirect employer-related investments at the reporting date 31 March 2019 (2018: nil).

Members' additional voluntary contributions are invested along with normal contributions and are included in the values shown above.

Transaction Costs

Transaction costs are borne by the members in relation to the transactions in pooled investment vehicles. Such costs are taken into account in the calculating of the single priced units and are not separately reported.

Investment Fair Value Hierarchy

The fair value of financial instruments has been disclosed using the following hierarchy.

Level (1): The unadjusted quote 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 (ie 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.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

The Plan's investment assets and liabilities fall within the above hierarchy categories as follows:

At 31 March 2019	Level 2 £'000	Total £'000
Pooled investment vehicles	610,322	610,322
	610,322	**610,322**

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 rate 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.

- 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 Trustees' Report. The Trustees manage 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 Trustees by regular reviews of the investment portfolios.

Further information on the Trustees' approach to risk management and the Plan's exposures to credit and market risks are set out below. This does not include annuity insurance policies as these are registered and purchased by the individual members and not the Plan. The AVC investments are considered as part of the overall investments of the Plan.

i. Direct credit risk

The Plan invests in pooled investment vehicles and is therefore exposed to direct credit risk in relation to the instruments it holds in unit linked insurance funds provided by Zurich Assurance Ltd.

Scottish Widows Ltd is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. The Trustees monitor the creditworthiness of Scottish Widows Ltd by reviewing published credit ratings. Scottish Widows Ltd invests all the Plan's funds in its own investment unit linked funds and it does not use any other investment funds or reinsurance arrangements. In the event of default by Scottish Widows Ltd, the Plan is protected by the Financial Services Compensation Scheme.

ii. Indirect credit and market risks

The Plan is also subject to indirect credit and market risk arising from the underlying investments held in the Zurich Assurance funds.

12 Investment management expenses

	2019 £'000	2018 £'000
Member fund based charges	1,404	1,072
	1,404	**1,072**

13 Current assets

	2019 £'000	2018 £'000
Allocated to members		
Contributions due from employer		
Employer	4,766	1,912
Employee	50	16
AVC	9	9
	4,825	1,937
Cash at bank	2,683	3,294
Sundry Debtors	-	9
	2,683	3,303
	7,508	5,240
Not allocated to members		
Cash at bank	2,778	2,627
Sundry Debtors	2	6
	2,780	2,633

Contributions due from the employers for the Plan year ended 31 March 2019 were received and invested in accordance with the Plan rules and the payment schedule.

14 Current liabilities

	2019 £'000	2018 £'000
Allocated to members		
Benefits payable	2,643	3,219
Unclaimed benefits	240	225
Sundry Creditors	-	28
	2,883	3,472
Not allocated to members		
Tax payable	75	67
	75	67

15 Related party transactions

Disclosure is made below of the transactions with related parties who are part of the Royal Mail Group. In addition to contributions received from employees and payments made to the Plan members, the Plan undertook the following transactions.

a) All other expenses are borne by the employer.

b) Contributions received and benefits paid in respect of Trustees of the Royal Mail Defined Contribution Plan who are members of the Plan were in accordance with the Payment Schedule and Plan rules where appropriate.

c) There are no balances with subsidiary companies of the Royal Mail Group

d) Other than those items disclosed above and elsewhere in the financial statements, there were no other related party transactions.

e) The Employer remunerates two independent Trustees to ensure the Plan has the right level of experience to properly exercise its duties. During the year the remuneration in respect of key management personnel associated with the in-house investment team was £96,428 for the Plan year (2018: £79,145).

16 Self Investment

The Plan does not make any investments into Royal Mail Group Plc, other than those made as part of the index investments with Legal & General. Those investments are not made actively and do not form more than 5% of the Plan's assets. There were no direct employer-related investments at the reporting date 31 March 2019 (2018: nil).

Independent auditor's report to the Trustees, of the Royal Mail Defined Contribution Plan

Opinion

We have audited the financial statements of Royal Mail Contribution Defined Plan ("the Plan") for the year ended 31 March 2019 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 1.

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 2019 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 3 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. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Other matter

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the trustees and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Plan's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Plan's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Plan and this is particularly the case in relation to Brexit.

Going concern

The trustees have prepared the financial statements on the going concern basis as they do not intend to wind up the Plan, and as they have concluded that the Plan's financial position means that this is realistic. They have 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the trustees' conclusions, we considered the inherent risks to the Plan, including the impact of Brexit, and analysed how those risks might affect the Plan's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Plan will continue in operation.

Other information

The trustees are responsible for the other information, which comprises the Trustees' Report (the summary of contributions) and the Chairman's Statement. 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.

Trustees' responsibilities

As explained more fully in their statement set out on page 30, the Plan trustees are responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as they determine 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 they either intend to wind up the Plan, or have 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 trustees, as a body, 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 trustees those matters we are required to state to them 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 trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Fang Fang Zhou
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
Date: 31/10/2019

Statement of Trustees' Responsibilities in Respect of Contributions

Trustees' Summary of Contributions payable under the schedule in respect of the Plan year ended 31 March 2019

The Plan's Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule 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 Trustees are also responsible for keeping records of contributions received in respect of any active member of the Plan and for procuring that contributions are made to the Plan in accordance with the Schedule.

This Summary of Contributions has been prepared by, or on behalf of the Trustees, and is the responsibility of the Trustees. It sets out the employer and member contributions payable to the Plan under the Payment Schedule in place for monitoring contributions throughout the year ended 31 March 2019. The Plan Auditor reports on contributions payable under the schedule in the Auditor's Statement about Contributions.

The Trustees operate Pension Salary Exchange so the total employer contributions include, in essence, employee contributions.

Contributions payable under the Schedule in respect of the Plan year

Employer normal contributions
£134,041,438
Member normal contributions
£1,266,242
Contributions payable under the Schedule
£135,307,680

Reconciliation of Contributions

Reconciliation of contributions payable under the Payment Schedule reported in the financial statements in respect of the Plan year.

Contributions payable under the Schedule (as above)
£135,307,680
Member additional voluntary contributions
£312,688
Employer additional contributions
£nil

Total contributions reported in the financial statements
£135,620,368

Signed for and on behalf of the Trustees

Trustee: Venetia Trayhurn, (Chair)

V. Trayhurn, Director for
The Law Debenture Pension Trust Corporation p.l.c.

Trustee: John Millidge

Date: 31/10/2019

Independent Auditor's Statement about Contributions to the Trustees of the Royal Mail Defined Contribution Plan

Statement about contributions

We have examined the summary of contributions payable under the payment schedule to the Royal Mail Defined Contribution Plan in respect of the scheme year ended 31 March 2019 which is set out on page 47 to 48.

In our opinion contributions for the scheme year ended 31 March 2019 as reported in the summary of contributions and payable under the payment schedule have in all material respects been paid at least in accordance with the payment schedule.

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 payment schedule. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the payment schedule.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees Responsibilities set out on page 47, the scheme's trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a payment schedule showing the rates and due dates of certain contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme. The trustees are also responsible for keeping records in respect of contributions received in respect of active members of the scheme and for monitoring whether contributions are made to the scheme by the employer in accordance with the payment schedule.

It is our responsibility to provide a statement about contributions paid under the payment schedule to the scheme 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 scheme's trustees, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the scheme's trustees those matters we are required to state to them 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 scheme's trustees, as a body, for our work, for this statement, or for the opinions we have formed.

Fang Fang Zhou
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
31/10/2019

Glossary of Terms

Accounting Standards Board (ASB)
The Accounting Standards Board is responsible for producing Financial Reporting Standards.
Active Member
A member of the Plan who is currently working for Royal Mail Group or Post Office Limited and is making contributions into the Plan.
Additional Voluntary Contributions
These are additional contributions made by a member on top of their regular employee contributions to boost retirement benefits.
Annuity
This is the regular income that will be paid by an insurance company in return for a lump sum of money at retirement from the proceeds of a Member Account. The income from the insurance company is what people usually call their pension and the level of this pension will depend upon the age at which the member retires, their sex, health, the size of the lump sum being invested in the annuity and even where they live. There are different types of annuity (and associated options) available which will also affect the size of income, as will the level of market interest rates when the annuity is established.
Asset Class
This is a category of assets, for example equities, bonds, property and cash.
Benchmark
A benchmark is a point of reference for measurement. With regards to an investment benchmark, this will often be an index, such as the FTSE All-Share Index, which can be compared against the performance of a particular fund.
Beneficiary
This is someone who may benefit from a will, trust, pension fund or a life assurance policy in the event of another person's death. A beneficiary under the Plan is a person to whom benefits may be paid when the member dies.
Bonds
Bonds are instruments issued by a company, government or other organisations, under which they borrow money for a fixed amount of time, in return for an agreed rate of interest. UK Government Bonds are called 'gilts'. The interest can either be fixed (for example 5% per year) or index-linked (which means that it varies in line with inflation).
Capital growth
Capital growth is an increase in the market price of an asset.
Cash
Cash funds invest in deposits and other cash based investments which earn interest over time
Commodity markets
A physical or virtual marketplace for buying, selling and trading raw or primary products. For investors' purposes there are currently about 50 major commodity markets worldwide that facilitate investment trade in nearly 100 primary commodities. Commodities are split into two types: hard and soft commodities. Hard commodities are typically natural resources that must be mined or extracted (gold, rubber, oil, etc.), whereas soft commodities are agricultural products or livestock (corn, wheat, coffee, sugar, soybeans, pork, etc.)

Corporate bonds
Corporate bonds are issued by companies as a way of raising money to invest in their business. They have nominal value, which is the amount that will be returned to the investor on a stated future date (the redemption date). They also pay a stated interest rate each year – usually fixed. Corporate bonds are bought and sold on the stock market and their price can go up or down.
CPI
CPI is the consumer prices index. It is the measure adopted by the Government for its UK inflation target. The consumer price indices measure the change in the general level of prices charged for goods and services bought for the purpose of household consumption in the UK.
Default
The investment option, contribution rate or Selected Retirement Age that is selected for an Active Member of the Plan when he or she first joins the Plan and remains in place until he or she makes a choice.
Deferred Member
A person who has been, but is no longer, an Active Member and in respect of whom the Plan maintains a Member Account.
Discretionary trust
In a discretionary trust, the trustees are the legal owners of any assets held in the trust. They are responsible for running the trust for the benefit of the beneficiaries.
Diversification
Diversification means allocating exposures within a portfolio across asset classes to reduce risk and potentially enhance expected returns. This results in a reduction of specific risk related to individual asset classes.
Employer Contribution
The percentage of pay that Royal Mail Group contributes into its employees' pension fund. Typically, the employer contribution will match or be proportionate to the employee's contribution.
Equities
Another name for shares held in a company or companies.
Ethical investment
Ethical funds aim to invest in such a way that doesn't encourage unethical governance practices or industries or in such a way as to encourage positive business practices.
FTSE All-Share Index
An index of the share prices of more than 800 leading companies and investment trusts on the London Stock Exchange.
Fund Manager
An individual (or company) who is employed to manage money. Using their skill and experience a fund manager will buy (and sell) shares or other assets, such as property, equities or bonds, that they believe will increase in value in order to provide investment growth or to create a certain level of income.
G7
The G7 is a group consisting of the finance ministers of seven industrialized nations: the U.S., U.K., France, Germany, Italy, Canada and Japan. This group meets several times a year to discuss economic policies.
Government bonds

Government bonds or Gilts are bonds issued by the government which pay a fixed rate of interest twice a year. They are considered safe investments as the government is unlikely to go bust or to default on the interest payments. However, you are not guaranteed to get all your capital back under all circumstances. Gilts are
bought and sold on the stock market where their price can go up or down.

High yields bonds

Generally, a high yield bond will be ranked very low by a rating agency, because these are bonds which have a relatively high chance of default, and therefore have to offer higher returns.

Index

A device that measures changes in the overall price of a collection of shares. The purpose is to give investors an easy way to see the general direction and relative movement of shares in the index. Examples of stock market indices are the FTSE All-Share and Dow Jones.

Inflation

The increase in the price of commodities and/or services over time. The rate of inflation may be recorded in an index such as the Retail Prices Index (RPI) or Consumer Prices Index (CPI). Inflation will affect the buying power of investments or income over time.

Investment risk

In investment terms, the balance of potential loss versus potential gain as perceived by the investor.

Member

A person who has been admitted to membership of a pension scheme and who retains a benefit in the scheme.

Member Account

This is the individual account in which a member's contributions (plus any transfers in) and contributions from their employer are held.

Payment Schedule

The trustees of most types of scheme must draw up a schedule showing:

- the contributions that should be paid to the scheme; and
- the dates when contributions should be paid.

In a defined contribution scheme this is known as a 'payment schedule'.

Pension

A regular income paid to a person after they have retired or have taken their benefits

Pensionable Pay

If employed on a full time contract, Pensionable Pay means basic salary or wage but does not include overtime, bonuses or any other items.

If contracted to work less than full time, Pensionable Pay means:

- Basic salary or wage for contractual hours, plus
- Salary or wage for non-contractual hours worked each pay period, so long as the member is not paid overtime for those hours.

Earnings for hours of work that are in excess of the number of hours normally scheduled for someone working full time in the role will not be counted for the purpose of Pensionable Pay. Bonuses and other items will not be counted for the purpose of Pensionable Pay.

Plan

The Plan is the term used to describe the Royal Mail Defined Contribution Plan.

Pooled Funds
These are vehicles in which a number of investors pool their assets so that they can be managed on a collective basis. Holdings in a pooled fund are denominated in units and are re-priced regularly to reflect changes in the value of the underlying assets.
Qualifying service
The sum of the period of active membership in the Plan plus every period of service under another pension arrangement that has been transferred into the Plan.
Registered Pension Scheme
a scheme which is a registered pension scheme in accordance with section 153 Finance Act.
Regular Employee Contributions
Payments deducted from pay currently at levels of 1%, 3%, 4% and 5% and credited to a Member Account are referred to as regular employee contributions.
Retail Prices Index (RPI)
A monthly indication of the average price changes to a particular 'basket' of consumer goods, and used as a general indicator of price inflation.
Return
The profit or yield from an investment.
Royal Mail Group
Royal Mail and Parcelforce Worldwide.
Shariah investment
Shariah investment is a way of investing that complies with Islamic Shariah principles.
Sovereign debt
This is debt that is issued by a national government. It is theoretically considered to be risk-free, as the government can employ different measures to guarantee repayment, e.g. increase taxes or print money.
In practice, there have been multiple cases in which governments could not serve their debt obligations and had to default. As a consequence, investors ask for different yields across countries. The more a country's repayment ability is in question and the riskier sovereign debt becomes, the higher is its yield.
Terms of Reference
Terms of reference describe the purpose and structure of a committee.
The Pensions Regulator
A statutory body which regulates pension schemes.
Transfers
Refers to the process by which the current value of a pension plan can be transferred from one registered pension scheme to another. The value (less any applicable charges) is transferred direct from one employer or pension provider to another. It is important that financial advice is taken with any kind of pension transfer.
Trust
An arrangement whereby one or more individuals (trustees) agree to take care of assets and to use those assets in particular ways (as detailed in a Trust Deed or Rules) for particular people (beneficiaries).

Trust Deed and Rules
These are the formal documents that govern the running of the Plan.
Trustee
A person appointed to manage and safeguard the assets of a trust.
Units
Contributions are normally used to buy units in an investment fund. The value of these units will fall or rise in line with the underlying investments. There is often a difference between the buying and selling price to reflect the charges applicable for investing in the particular fund.

The Royal Mail Defined Contribution Plan

September 2019

DC Statement of Investment Principles

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Trustees of the Royal Mail Defined Contribution Plan (the "Trustees") on various matters governing decisions about the investments of the Royal Mail Defined Contribution ("DC") Plan (the "Plan"). This SIP replaces the previous SIP dated November 2018.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act"), the Occupational Pension Schemes (Investment) Regulations 2005, and the Occupational Pension Schemes (Charges and Governance) Regulations 2015. The SIP also reflects the Trustees' response to the Myners' voluntary code of investment principles.

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Plan's investment consultant, whom the Trustees believe to be suitably qualified and experienced to provide such advice. The advice considers the suitability of investments and the need for diversification, given the circumstances of the Plan and the principles contained in this SIP. The Trustees have consulted with the relevant employer in producing this SIP.

The Trustees will review this SIP from time to time and, with the help of their advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.

Appendix 1 contains brief details of the respective responsibilities of the Trustees, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers. Appendix 2 sets out the Trustees' policy towards risk appetite, capacity, measurement and management.

2. Investment objectives

The Trustees' primary objectives are to provide members with access to:

- an appropriate choice of assets for investment, reflecting the membership profile and the range of ways that members can draw their benefits in retirement; and
- a default investment option that the Trustees believe to be reasonable for those members that do not wish to make their own investment decisions. The objective of the default option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement.

3. Investment strategy

The Trustees, with the help of their advisers and in consultation with the employer, last undertook a review of investment strategy in 2017, taking into account the objectives described in Section 2 above.

The Trustees offer members a range of investment funds. Each member is responsible for specifying one or more funds for the investment of their account, having regard to their attitude to the risks involved. If a member does not choose an investment option, their account will be invested into the default option, which is managed as a “lifecycle” strategy (ie it automatically combines investments in proportions that vary according to the proximity to retirement age).

The default option was designed in the best interests of the majority of the members based on the demographics of the Plan’s membership, and allocates assets to provide benefits to the individuals on whose behalf the contributions were paid. The default option targets cash withdrawals at retirement, since the Trustees believe that most members will wish take their benefits in this form. Therefore, the default option is initially invested in assets that have a relatively high expected return aiming for growth (equities), and then in the 10 years before retirement, it gradually switches into less risky assets, with the asset allocation at retirement being designed to be appropriate for members taking cash withdrawal.

To help manage the volatility that members’ assets experience in the growth phase of the default strategy, the Trustees have included an allocation to “diversified growth”, which over the long term is expected to generate equity like returns but with lower volatility than equities.

The objective for the default option is to provide a long term return in excess of inflation in the growth phase, and reducing volatility for members approaching retirement age.

The Trustees will review the default strategy and investment options at least every three years and as soon as practicable after any significant change in investment policy, or the demographic profile of relevant members. The Trustees will also monitor the relevant members’ behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.

4. Considerations made in determining the investment arrangements

When deciding how to invest the Plan’s assets, the Trustees consider a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustees have tried to allow for the relative importance and magnitude of each risk.

The Trustees considered a wide range of asset classes for investment, and the expected returns and risks associated with those asset classes as well as how these risks can be mitigated where appropriate.

In determining the investment arrangements the Trustees also considered:

- the best interests of members and beneficiaries as a whole;
- the profile of the membership and what this implies for the choices members might make upon reaching retirement;
- the risks and rewards of a number of different lifecycle strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;

- the need for appropriate diversification within the default strategy and other lifecycle options to ensure that, for each such option, both the overall level of investment risk and the balance of individual asset risks are appropriate;
- the need for appropriate diversification within the other investment options offered to members;
- any other considerations which the Trustees consider financially material over the periods until members' retirement, or any other timeframe which the Trustees believe to be appropriate; and
- the Trustees' investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

The Trustees' key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all investment risks are rewarded with a risk premium;
- equity risk, credit risk and illiquidity are the primary sources of rewarded investment risk and hence the primary sources of long-term investment returns;
- risks that do not have an expected reward (ie a risk premium) should generally be avoided, hedged or diversified away;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- the trustees consider environmental, social and governance (ESG) factors when making investment decisions and the trustees believe that they could be one area of market inefficiency where managers may be able to improve risk-adjusted returns by taking account of ESG factors;
- however, investment managers who can consistently spot and profitably exploit market inefficiencies and opportunities are difficult to find and have higher fees and therefore passive management, where available, is usually better value for Members; and
- investment management costs and trading costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

The Trustees' key investment beliefs and understanding of the Plan's membership are reflected in the design of the default and other lifecycle options, and in the range of other funds made available to members.

5. Implementation of the investment arrangements

Before investing in any manner, the Trustees obtain and consider proper written advice from their investment consultant on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investment.

Details of the investment managers, their objectives, investment guidelines, and custody arrangements are set out in the separate Investment Policy Implementation Document ("IPID").

The Trustees have an agreement with an investment platform provider, which sets out in detail the terms on which the investments are managed. This gives access to a range of funds managed by a variety of investment managers. The investment managers' primary role is the day-to-day investment management of the Plan's investments.

The Trustees and investment managers to whom discretion has been delegated exercise their powers to give effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

The Trustees have limited influence over managers' investment practices because all the Plan's assets are held in pooled funds, but they encourage their managers to improve their practices where possible and where appropriate.

The Trustees' view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high-quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustees' responsibility to ensure that the managers' investment approaches are consistent with the Trustees' policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustees expect investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. They assess this when selecting and monitoring managers.

The Trustees evaluate investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustees would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustees' policy is to evaluate each of their investment managers by reference to the manager's individual performance as well the role the Trustees play in helping the Plan meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustees recognise that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustees expect their investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan's investment mandates.

6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Plan within the portfolios that they manage, and in considerations relating to the liquidity of investments.

The Trustees' policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

7. Financially material considerations and non-financial matters

The Trustees have considered how social, environmental and ethical factors should be taken into account in the selection, retention and realisation of investments given the time horizon of the Plan and its members.

The Trustees expect their investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustees seek to appoint managers that have appropriate skills and processes to do this, and from time to time review how their managers are taking account of these issues in practice.

The Trustees have limited influence over managers' investment practices where assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.

The Trustees do not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments for the default investment option. However, the Trustees recognise that some members may wish for ethical matters to be taken into account in their investments and therefore has made available the Ethical Fund as an investment option to members.

8. Voting and engagement

The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustees have delegated to their investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity. They expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustees from time to time, considering the long-term financial interests of the beneficiaries. The Trustees seek to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustees review how these are implemented in practice.

For on behalf of the Trustees of the Royal Mail Defined Contribution Plan:

Signed:

V. Trayhurn, Director for
The Law Debenture Pension Trust Corporation p.l.c.

Investment governance, responsibilities, decision-making and fees

The Trustees have decided on the following division of responsibilities and decision-making for the Plan. This division is based upon the Trustees' understanding of the various legal requirements placed upon them, and their view that this division allows for efficient operation of the Plan overall, with access to an appropriate level of expert advice and service. The Trustees' investment powers are set out within the Plan's governing documentation.

1. Trustees

In broad terms, the Trustees are responsible in respect of investment matters for:

- developing a mutual understanding of investment and risk issues with the employer;
- setting the investment strategy, in consultation with the employer;
- formulating a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change);
- formulating a policy on taking account of non-financial matters in the selection, retention and realisation of investments;
- reviewing the investment policy as part of any review of the investment strategy;
- setting the policy for rebalancing between asset classes;
- setting a policy on the exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- appointing, monitoring, reviewing and dismissing investment managers, custodians, investment consultants and other advisors;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- communicating with members as appropriate on investment matters, such as the Trustees' assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employer when reviewing the SIP.

2. Investment platform provider

The investment platform provider will be responsible for:

- providing access to a range of funds managed by various investment managers;
- providing the Trustees with regular information concerning the management and performance of the assets; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

3. Investment managers

In broad terms, the investment managers will be responsible for:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments;
- providing the Trustees and investment platform provider with regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios (whether there is a direct relationship between the custodian and the Trustees or not) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

4. Investment consultant

In broad terms, the investment consultant will be responsible, in respect of investment matters, as requested by the Trustees, for:

- advising on a suitable fund range and default strategy for the Plan, and how material changes to legislation or within the Plan's benefits and membership may impact this;
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations); and
- participating with the Trustees in reviews of this SIP.

5. Fee structures

The Trustees recognise that the provision of investment management and advisory services to the Plan results in a range of charges to be met, directly or indirectly, by deduction from the Plan's assets.

The Trustees have agreed Terms of Business with the Plan's investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers and platform provider receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the managers' general terms for institutional clients and are considered by the Trustees to be reasonable when compared with those of other similar providers. See also Section 5 of the SIP.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustees' view as to the most appropriate arrangements for the Plan. However, the Trustees will consider revising any given structure if and when it is considered appropriate to do so.

6. Performance assessment

The Trustees are satisfied, taking into account the external expertise available, that there are sufficient resources to support their investment responsibilities. The Trustees believe that they have sufficient expertise and appropriate training to carry out their role effectively.

It is the Trustees' policy to assess the performance of the Plan's investments, investment providers and professional advisers from time to time. See Section 5 of the SIP. The Trustees will also carry out periodically an assessment of their own effectiveness as a decision-making body and will decide how this may then be reported to members.

7. Working with the Plan's employer

When reviewing matters regarding the Plan's investment arrangements, such as the SIP, the Trustees seek to give due consideration to the employers' perspective. While the requirement to consult does not mean that the Trustees need to reach agreement with the employer, the Trustees believe that better outcomes will generally be achieved if the Trustees and employer work together collaboratively.

Policy towards risk appetite, capacity, measurement and management

The Trustees consider that there are a number of different types of investment risk that are important for the Plan. These include, but are not limited to:

1. Risk of inadequate returns

As members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity funds and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the default strategy. To reduce the chance of a sharp deterioration in members' benefits close to retirement, the Trustees have made the default option a "lifecycle" strategy.

2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Plan's assets. The Trustees believe that the Plan's default strategy is adequately diversified between different asset classes and within each asset class, and the investment options provide a suitably diversified range for members to choose from. This was a key consideration when determining the Plan's investment arrangements and is monitored by the Trustees on a regular basis.

3. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustees receive written advice from a suitably qualified individual, and will typically undertake an investment manager selection exercise. The Trustees monitor the investment managers on a regular basis to ensure they remain appropriate for their selected mandate.

4. Illiquidity/marketability risk

This is the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustees manage this risk by only using pooled funds with daily dealing within the default strategy and diversifying the default strategy across different types of investment.

5. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Plan's investments, some of which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustees seek to appoint investment managers who will manage these risks appropriately on their behalf and from time to time review how these risks are being managed in practice.

6. Risk from excessive charges

If the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. The Trustees are comfortable that the charges applicable to the Plan are in line with market practice and they regularly assess whether these represent good value for members.

7. 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. The Plan is subject to credit risk because it invests in bonds via pooled funds. The Trustees manage their exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers. The Plan invests in some funds which invest in bonds that are classified as both "investment grade" and "non-investment grade" which carry greater credit risk.

8. Currency risk

Whilst the majority of the currency exposure of the Plan's assets is to Sterling, the Plan is subject to currency risk because some of the Plan's investments are held in overseas markets.

The Trustees consider the overseas currency exposure in the context of the overall investment strategy and believe that the currency exposure that exists acts to increase the diversification of the strategy.

9. Interest rate and inflation risk

The Plan's assets are subject to interest rate and inflation risk because some of the Plan's assets are held in money market instruments and bonds invested via pooled funds.

10. Other non-investment risks

The Trustees recognise that there are other, non-investment, risks faced by the Plan, and takes these into consideration as far as practical in setting the Plan's investment arrangements.

Investment Policy Implementation Document for the Royal Mail Defined Contribution Plan

16 September 2019

1. Introduction

This Investment Policy Implementation Document ("IPID") for the Royal Mail Defined Contribution Plan (the "Plan") sets out details of the Plan's investment arrangements, based on the principles set out in its Statement of Investment Principles ("SIP") dated September 2019.

The IPID should be read in conjunction with the SIP.

The IPID has been prepared by the Trustees of the Plan, and the Trustees are responsible for ensuring it reflects the current investment arrangements. At the time of signing this document, the Robeco emerging equity mandate had not been added to the Blended Equity Fund. It is envisaged that this will be completed in the near future.

2. Investment strategy

The Trustees make available a range of passively and actively managed self-select funds and three lifecycle strategies, details of which are set out below. The default option is a lifecycle strategy. The members are provided with clear information on the investment options and their characteristics that will allow the members to make an informed choice.

The fund options are provided to members via an investment platform with Scottish Widows, which also provides member administration. The funds are open-ended and priced daily.

3. White-labelled fund options

The Trustees make available the following white-labelled funds as self-select options but also as components of the lifecycle strategies.

Fund name	Fund objective	Underlying funds
Blended Equity Fund	To achieve long term growth by investing in a range of equity funds providing exposure to shares from UK, overseas and emerging market companies. The fund aims to perform in line with, or exceed, the stated benchmark return.	45% LGIM 30:70 Global Equity Index Fund 75% Hedged 45% LGIM Diversified Multi-Factor Equity Fund

		5% Lazard Developing Markets Fund 5% Robeco Emerging Stars Equities
Diversified Bond Fund	To achieve positive returns irrespective of market conditions.	50% Kames Absolute Return Bond Fund 50% Newton Global Dynamic Bond Fund
Diversified Assets Fund	To provide a return at least 3.5% pa above 3-month LIBOR.	100% BlackRock Aquila Life Market Advantage
Annuity Bonds Fund	To broadly match the cost of buying a flat rate pension.	100% LGIM Pre-Retirement Fund
Passive Global Equity Fund	To match the return on a composite index comprising a 30/70 distribution between UK and overseas equities, with 75% of overseas currency exposure hedged.	100% LGIM 30:70 Global Equity Index Fund 75% Hedged
Cash Fund	To protect value and return broadly in line with 7-day LIBID	100% BlackRock Sterling Liquidity Fund
Inflation-Linked Bond Fund	To track the performance of the FTSE A Index-Linked (Over 5 Year) Index to within +/-0.25% pa for two years out of three.	LGIM Over 5 Year Index-Linked Gilt Index Fund
Ethical Fund	To track the performance of the FTSE4Good Global Equity Index to within +/-0.5% pa for two years out of three.	100% LGIM Ethical Global Equity Index Fund
Shariah Fund	To track the performance of the Dow Jones Islamic Titans 100 Index (Total Return)	100% HSBC Islamic Index Fund
Active Global Equity Fund	To outperform the MSCI World Index on a net of fees basis.	100% Dodge & Cox Global Stock Fund

Active Emerging Market Equity Fund	To outperform the MSCI Emerging Market Index on a net of fees basis.	50% Lazard Developing Markets Fund 50% Robeco Emerging Stars Equities

4. The default strategy

The Trustees have set the default option for members that do not make an active choice regarding investment of their contributions to be the 10 Year Royal Mail Lifecycle Strategy. The lifecycle strategy provides an automated investment switching facility, following a pre-selected investment strategy, which will move the funds from higher risk/return investments into lower risk/return investments as retirement approaches. The default option targets cash withdrawal at retirement and the table below outlines the asset allocation of the default lifecycle strategy.

Years to selected retirement age	Blended Equity Fund	Diversified Assets Fund	Diversified Bond Fund	Cash Fund	Total
20+	100.0%	0.0%	0.0%	0.0%	100.0%
19	96.0%	4.0%	0.0%	0.0%	100.0%
18	92.0%	8.0%	0.0%	0.0%	100.0%
17	88.0%	12.0%	0.0%	0.0%	100.0%
16	84.0%	16.0%	0.0%	0.0%	100.0%
15	80.0%	20.0%	0.0%	0.0%	100.0%
14	76.0%	24.0%	0.0%	0.0%	100.0%
13	72.0%	28.0%	0.0%	0.0%	100.0%
12	68.0%	32.0%	0.0%	0.0%	100.0%
11	64.0%	36.0%	0.0%	0.0%	100.0%
10	60.0%	40.0%	0.0%	0.0%	100.0%
9	54.0%	36.0%	10.0%	0.0%	100.0%
8	48.0%	32.0%	20.0%	0.0%	100.0%
7	42.0%	28.0%	30.0%	0.0%	100.0%
6	36.0%	24.0%	40.0%	0.0%	100.0%
5	30.0%	20.0%	50.0%	0.0%	100.0%
4	24.0%	16.0%	60.0%	0.0%	100.0%
3	18.0%	12.0%	70.0%	0.0%	100.0%
2	12.0%	8.0%	72.0%	8.0%	100.0%
1	6.0%	4.0%	74.0%	16.0%	100.0%
0	0.0%	0.0%	75.0%	25.0%	100.0%

5. Alternative lifecycle strategies

In addition to the default strategy, the Plan offers two additional lifecycle strategies targeting drawdown and the purchase of an annuity at retirement.

The 5 Year Royal Mail Lifecycle Strategy is designed for members targeting income drawdown at retirement. Due to the shorter switching period (into cash and diversified bonds) of 5 years rather than 10, this is a higher risk option than the default. For those members who expect to purchase an annuity at retirement, the 10 Year Royal Mail Annuity Lifecycle Strategy is available. The tables on the following pages outline the asset allocation for the alternative lifecycle strategies.

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5 Year Royal Mail Lifecycle Strategy

Years to selected retirement age	Blended Equity Fund	Diversified Assets Fund	Diversified Bond Fund	Cash Fund	Total
20+	100.0%	0.0%	0.0%	0.0%	100.0%
19	97.0%	3.0%	0.0%	0.0%	100.0%
18	94.0%	6.0%	0.0%	0.0%	100.0%
17	91.0%	9.0%	0.0%	0.0%	100.0%
16	88.0%	12.0%	0.0%	0.0%	100.0%
15	85.0%	15.0%	0.0%	0.0%	100.0%
14	82.0%	18.0%	0.0%	0.0%	100.0%
13	79.0%	21.0%	0.0%	0.0%	100.0%
12	76.0%	24.0%	0.0%	0.0%	100.0%
11	73.0%	27.0%	0.0%	0.0%	100.0%
10	70.0%	30.0%	0.0%	0.0%	100.0%
9	68.0%	32.0%	0.0%	0.0%	100.0%
8	66.0%	34.0%	0.0%	0.0%	100.0%
7	64.0%	36.0%	0.0%	0.0%	100.0%
6	62.0%	38.0%	0.0%	0.0%	100.0%
5	60.0%	40.0%	0.0%	0.0%	100.0%
4	48.0%	32.0%	20.0%	0.0%	100.0%
3	36.0%	24.0%	40.0%	0.0%	100.0%
2	24.0%	16.0%	52.0%	8.0%	100.0%
1	12.0%	8.0%	64.0%	16.0%	100.0%
0	0.0%	0.0%	75.0%	25.0%	100.0%

3585789 **10 Year Royal Mail Annuity Lifecycle Strategy**

Years to selected retirement age	Blended Equity Fund	Diversified Assets Fund	Annuity Bonds	Cash Fund	Total
20+	100.0%	0.0%	0.0%	0.0%	100.0%
19	96.0%	4.0%	0.0%	0.0%	100.0%
18	92.0%	8.0%	0.0%	0.0%	100.0%
17	88.0%	12.0%	0.0%	0.0%	100.0%
16	84.0%	16.0%	0.0%	0.0%	100.0%
15	80.0%	20.0%	0.0%	0.0%	100.0%
14	76.0%	24.0%	0.0%	0.0%	100.0%
13	72.0%	28.0%	0.0%	0.0%	100.0%
12	68.0%	32.0%	0.0%	0.0%	100.0%
11	64.0%	36.0%	0.0%	0.0%	100.0%
10	60.0%	40.0%	0.0%	0.0%	100.0%
9	54.0%	36.0%	10.0%	0.0%	100.0%
8	48.0%	32.0%	20.0%	0.0%	100.0%
7	42.0%	28.0%	30.0%	0.0%	100.0%
6	36.0%	24.0%	40.0%	0.0%	100.0%
5	30.0%	20.0%	50.0%	0.0%	100.0%
4	24.0%	16.0%	60.0%	0.0%	100.0%
3	18.0%	12.0%	70.0%	0.0%	100.0%
2	12.0%	8.0%	72.0%	8.0%	100.0%
1	6.0%	4.0%	74.0%	16.0%	100.0%
0	0.0%	0.0%	75.0%	25.0%	100.0%