The Royal Mail Defined Contribution Plan

Chairs Statement 2024

Royal Mail Defined Contribution Plan Chair's Statement

Welcome to the 2024 Chair's Statement for the Royal Mail Defined Contribution Plan. This statement explains how my fellow Trustees and I met the governance standards that apply to occupational pension schemes that provide money purchase benefits, such as the Royal Mail Defined Contribution Plan, for the year ended 31 March 2024. It is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Administration) Regulations 1996 (the "Scheme Administration Regulations").

Governance requirements apply to money purchase pension arrangements, to help members achieve a good outcome from their pension savings. We, the Trustees of the Plan, are required to produce a yearly statement, signed by the Chair of Trustees, covering:

- the design and oversight of the default investment option (ie where contributions are invested for members that do not wish to choose their own investments);
- processing of core financial transactions (ie administration of the Plan, such as investment of contributions);
- the charges and transaction costs borne by members for the default option and any other investment option members can select or have assets in;
- an illustration of the cumulative effect of these costs and charges;
- net returns of the investment options;
- how the value members obtain from the Plan is assessed; and
- Trustee knowledge and understanding.

The key points that we would like members reading this Statement to take away are as follows:

- We regularly monitor the investment arrangements, and we are satisfied that the default and other investment options remain suitable for the membership.
- The administrator has processed core financial transactions promptly and accurately to an acceptable level during the Plan year, and we remain comfortable with the administrator's performance.
- Fees for the investment options are set out in this Statement, and we remain comfortable that these fees are reasonable given the circumstances of the Plan and represent value for the benefits members obtain. During the Plan year, the Trustees negotiated fee reductions with the administrator and one of the underlying fund managers.
- Please rest assured that we are looking after your best interests as members, and we undertake training and receive advice as appropriate so that we have sufficient knowledge and understanding to do so effectively.

Default arrangements

The Plan is used as a Qualifying Scheme for auto-enrolment. Members who don't make a choice regarding the investment of their contributions are invested in the default strategy arrangement (the "Default Arrangement"). The objectives of the Default Arrangement are to cater for most members and be a class leading investment strategy with excellent risk adjusted returns given the constraints of the charge cap (this is a cap of 0.75% p.a. on the level of charges borne by the members in relation to funds under management).

The Trustees implemented a three-stage lifecycle investment strategy (early-stage growth, to stable growth, to bonds) in 2018. This strategy has been regularly reviewed by the Trustees since this date, including during the Plan year. The Trustees considered new, which led to a more detailed review of the at-retirement allocation of the Default Arrangement. This review was progressed by the Investment Subgroup, the outcome of which was an adjustment of the bond component of the at-retirement Default Arrangement to address the impact of rising inflation for those members who take their benefits as cash at, or within a few years of, retirement. The table below shows the percentage of Plan assets allocated to different asset classes in the Default arrangement.

Asset allocation breakdown

We are required to show the asset allocation of the default arrangements. In line with DWP's (the Department for Work and Pensions) guidance we have also shown this asset allocation for members at different ages, as at the Plan year end.

10 Year Royal Mail Default Lifecycle strategy (the Default Arrangement)

Asset class	Allocation percentage at 25Years old	Allocation percentage at 45 years old	Allocation percentage at 55 years old	Allocation percentage at retirement
Cash	0	0	1.5	36.3
Corporate bonds (UK and overseas)	0	0	14.6	38.5
UK government bonds	0	0	2.2	1.8
Overseas government bonds	0	0	0.7	21.0
Listed equities	100	100	70.5	0.0
Infrastructure*	0	0	1.1	0.0
Property*	0	0	2.1	0.0
Private debt	0	0	2.0	0.0
Other	0	0	5.1	2.4

*The infrastructure and property allocations are in respect of investments in pooled funds that give indirect exposure to those types of investment, via investment in equities / listed investments. For example the property allocation is in respect of the LGIM Diversified Fund which invests primarily in Real Estate Investment Trusts ("REITs").

The Plan's investment strategy, including the Default Arrangement, was formally reviewed during the period covered by this Statement, at the 26 September 2023 Trustees' Board meeting. The next formal review will take place in September 2026. The review advised no fundamental change to the investment structure of the Plan, particularly given the anticipated transition of most contributing members to the Company's new Collective Defined Contribution ("CDC") Plan during 2024 (called the "Royal Mail Collective Pension Plan", or "RMCPP"). Although no major changes were proposed to the investment strategy, the review did suggest the inclusion of currency hedging within the lifestyle structure, which was not taken forward at this time in expectation of the RMCPP launch, and the addition of an active ESG fund within the self-select offering, which was implemented in the following Plan year. The review also assessed the performance of the arrangement and concluded that the strategy was still consistent with the aims and objectives of the Plan's Statement of Investment Principles (the "SIP").

Over the year the following notable Plan events occurred:

- The Plan's Investment Policy Implementation Document ("IPID") was updated to reflect recent investment changes.
- The Plan's first Task Force on Climate Related Disclosures ("TCFD") report was produced, in line with regulatory requirements.

- Lazard Asset Management presented on their Developing Markets Fund at the Q3 Board meeting, a fee reduction of 10bps was agreed by the Trustees, which was implemented from Q4.
- The Trustees agreed to add the RMDCP Active ESG Equity Fund to the self-select range of investment options, using the Baillie Gifford Positive Change Fund as the underlying fund.
- The Trustees selected a new underlying fund for the RMDCP Active Global Equity Fund, following Ardevora Asset Management's closure.
- A 4 basis point (i.e. 0.04%) administration fee reduction proposal from Scottish Widows was approved following a material period of benchmarking member fees with other similar pension schemes.
- An annual Trustees' strategy day was held which covered training on the Taskforce for Nature-related Financial Disclosures ("TNFD"), the Master Trust selection process, identification of the Trustees' priorities, and reporting on targets for TCFD metrics.

The Trustees established the Investment Subgroup in 2020 to undertake the detailed and specialist work required for strategic investment reviews. This delegation allows for a more concentrated assessment of the Plan's investments, although material decisions are still considered at the Trustee Board level. Illiquid assets are being considered as part of these reviews following the Mansion House speech in which the Chancellor announced the Government's intention for DC pension arrangements to include 5% of illiquid assets in the default fund. The Trustees believe this has the potential to help improve diversification and returns. While the inclusion of illiquid assets will be voluntary to begin with, we hope to engage with providers to facilitate this within the default investment offering, with further consideration on this topic being agreed for the next Strategy Review, subject to the status of the Plan following the launch of the Royal Mail Collective Pension Plan.

A copy of the Trustees' Statement of Investment Principles ("SIP") and Investment Policy Implementation Document ("IPID") are attached to the Report and Accounts and are also available on the website at www.rmdcp.uk. A copy of the SIP for the Default Arrangement can be found at the end of this statement.

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 on 29 June 2023 to include the three stewardship priorities selected by the Trustees; Climate Change, Diversity, Equity and Inclusion, and Corporate transparency.

Processing Financial Transactions

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. We have reviewed the processes and controls implemented by them and have concluded that they are suitably designed to achieve these objectives. We have also agreed service levels including timeliness and accuracy and reporting of performance against those service levels, which are set out in the Trustees' services agreement with Scottish Widows. These include a range of member requests. The Trustees pay attention to tasks which are time critical, but also monitor non-time critical and manual administration type requests.

Time critical member 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 Trustees received a detailed assessment of the quarterly governance reports from its administrator which break down: the service delivery activity; movements in membership such as transfers out; opt outs; payment increases and decreases; and analysis of the membership with changes over time to help spot changes in the profile of the Plan. During the period, oversight of administration performance was delegated to the Audit, Risk & Administration Sub-group (the ARA). This allowed for greater scrutiny to be applied to administration performance and freed up the Trustee Board to consider more strategic matters. The ARA continue to look beyond the service statistics and ensure they understand what will help improve the processes, making changes whenever appropriate to improve the member experience.

Reporting on member complaints and whether they were upheld by the administrator continues to show an extremely low level of dissatisfaction. The complaints are considered 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, most complaints have not been upheld and we are comfortable that there are no underlying issues with the member experience. If a complaint is upheld, members are routinely compensated as appropriate.

No significant issues have been reported in the Plan year under review. Considering the above, the Trustees and I consider that the requirements for processing core financial transactions specified in the Scheme Administration Regulations have been met. In particular, we consider that core financial transactions such as the investment of contributions, the transfer of members' assets to and from the Plan, and payments out of the Plan to members were processed promptly and accurately during this Plan year.

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, including the illustrative examples in Annex A, the Trustees have considered statutory guidance, including the guidance published by the Department for Work and Pensions entitled "*Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes*".

Within the Default Arrangement, the maximum fee occurs around three years before retirement and peaks at 0.62% p.a. The accumulation fund, the RMDCP Blended Equity Fund, which most members are invested in, has a fee of 0.40% p.a. This is below the charge cap of 0.75% p.a. We 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 a smoother investment return journey and the bundled administration charge, offers members good value. However, with effect from 1 May 2024 and following negotiations with Scottish Widows, a 4 basis point (0.04%) reduction in administration fees has been applied, so that the administration fees going forward would be 0.22%p.a. (down from 0.26% p.a.), which will also reduce the overall fees paid by members for the Default Arrangement. There are no performance-based fees incurred in relation to the Default Arrangement.

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. It provides examples of members at different ages showing what their savings could have been before those charges and costs are deducted. The figures are shown in today's terms and so consider the effects of inflation. For example, it highlights that your purchasing power is eroded when investing in Cash.

The first and second tables highlight the Default Arrangement (referred to as the Default lifecycle strategy) and show how the charges change, as the investment strategy changes, as members approach retirement, both with and without contributions. Given the use of Absolute Return Bond strategies in the run up to reaching retirement age, the charges increase during this phase, as they are managed actively, not passively. These bond strategies offer greater protection for members who take cash at retirement but still provide some potential for growth and help keep pace with inflation. The third and fourth tables shows the effect of charges on potential growth for the self-select funds which have the highest and lowest charges as well as the highest and lowest returns. Illustrations have been provided both with and without contributions.

Members are offered a range of self-select funds which may be chosen as an alternative to the Default Arrangement. The details of all the current fund charges are available within the table in Annex B 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. Members can see the fund charges on factsheets via the Plan infosite provided by the administrator.

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 us a clear idea of the costs of buying and selling in each of the funds and helps provide information for decision making. This can be used when changing or implementing any of the Plan's investment strategies to determine if the manager has added value for the transaction costs incurred. The Trustees find the transaction costs (by asset class) of the Plan's funds to be reasonable.

Following various member research initiatives over several years, we 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. Having assessed the fees disclosed above we are satisfied that the charges for the Plan's funds represent good value for money in the context of the outcomes targeted. As we noted last year, the evolution of the DC market and master trust options, means that other options that could be considered are getting closer to offering similar, or potentially better, value for money.

As a result of last year's feedback, the Trustees engaged with Scottish Widows, as the provider of the RMDCP, and during the scheme year were able to negotiate a reduction in the administration fee for all members. Whilst the reduction of 0.04% (the TER, or Total Expense Ratio, for the default growth fund has reduced from 0.44% down to 0.40%) was agreed in the year covered by this document, the change was implemented in May 2024, after the Plan year ended.

In line with the Scheme Administration Regulations, the Trustees carried out an assessment of the Plan operations and whether, and to what extent, it offers value for money for members. The Trustees recognise that it is hard to determine 'value' in isolation and that this assessment goes beyond considering the ongoing charges, so decided to go beyond the statutory requirements. In particular, the Trustees decided to focus their assessment and engaged Muse Advisory to analyse the Plan's investments and consider the costs of the following areas:

- Governance and Plan Management
- Administration
- Communication

The full results of the assessment can be obtained from the Plan Secretary, but in summary the results showed that the Plan continues to offers value for money for members given the high level of tailoring of the service provided to members. With the Trustees having negotiated the reduction in the fees charged by Scottish Widows, the Trustees are demonstrating their ongoing commitment to ensuring that members receive value for money from the Plan

Return on Investments

The table below shows 1 year and 3 year performance, after fees, of each of the Plan's fund options to 31 March 2024. The 1 and 3 year performance accounts for any underlying fund changes made over these periods. Those funds shown in bold are components of the Default Arrangement. All funds shown below are available on a self-select basis.

In preparing this section, the Trustees have considered statutory guidance, including paragraphs 55 to 63 of the guidance published by the Department for Work and Pensions entitled "*Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes*".

Fund name	1-year return to 31 March 2024		3-year return pa to 31 March 2024	
	Fund (%)	Benchmark (%)[1]	Fund (%)	Benchmark (%)[1]
Blended Equity	**17.3**	**19.2**	**8.5**	**8.7**
Diversified Assets	**2.6**	**8.6**	**-1.5**	**5.2**
Diversified Bonds	**7.9**	**7.4**	**2.0**	**4.9**
Cash	**5.1**	**4.9**	**2.4**	**2.4**
Active Global Equity	15.9	20.6	4.1	10.2
Passive Global Equity	22.5	22.4	11.2	12.3
Active Emerging Market Equity	9.5	5.9	-1.9	-2.2
Inflation Linked Bonds	-7.8	-8.3	-12.2	-12.4
Annuity Bonds	4.2	-2.0	-8.1	-9.4
Ethical	23.9	24.0	13.1	13.2
Shariah	30.2	30.4	14.7	15.0

Source: Scottish Widows and LCP. All performance figures are shown after the deduction of fees in relation to managing the Fund.
1All Funds are measured against the underlying fund(s') benchmark, with the exception of the Diversified Bonds Fund, which is measured against a composite of the underlying funds' cash-plus targets.

Trustees' Knowledge and Understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to be conversant with their scheme's trust deed and rules and SIP, 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 General Code of Practice. In exercising their powers in practice, the Trustees are aided by their secure online Trustee portal which holds key Plan documents and is always available to the Trustees. We use this resource to, for example, confirm the powers by which decisions can be made, and refer to delegated authorities, specific documents and definitions within the Trust Deed and Rules. We regularly refer to the Plan's Risk Register to identify and manage risks and each section is owned and managed by the relevant Trustee Subgroup. All of the Plan's key documents (including the Trust Deed and Rules and SIP) are available to the Trustees at the touch of a button within the portal.

Each Trustee ensures that they take personal responsibility for keeping up to date with relevant developments. The Secretary to the Trustees reviews self-assessments annually and arranges for training to be made available as appropriate at the quarterly Trustees' meetings or separate training sessions. In addition, we receive support from professional advisors. Advisors present to the Trustees or provide training 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 Board also receives an industry update at each quarterly meeting to keep abreast of developments and to make sure we 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 matters such as Collective Defined Contribution arrangements and principles; Master Trust arrangements and transitions; TNFD; the Regulator's new General Code of practice and industry updates. A full list of all the professional development items is attached in a table in Annex D.

Alongside the Trustee training, an annual Trustee Effectiveness questionnaire helps assess how we put our knowledge and understanding into practice and highlights if the Board acts effectively and helps identify ways to make the running of the Plan more efficient.

All the current Trustees have completed the Pensions Regulator's Trustee Toolkit and new Trustees are required to complete this within six months of taking up office. New Trustees are also given introductory training (which is reviewed regularly), including bespoke sessions run by the Plan's advisors.

Taking account of actions taken individually and as a Trustee Board, and the professional advice available to them, we consider that we are properly enabled to exercise our functions as Trustees of the Plan.

Other Plan Matters

The Trustees are pleased to report that the impact of the Coronavirus has fully receded such that operating practices have returned to normal. The effectiveness of the risk mitigation and controls put in place during the pandemic should provide a solid basis from which to deal with any future unforeseen challenges. To further strengthen the Plan's crisis resilience, the Trustees have conducted a review of their Crisis Management Policies and developed a robust crisis action plan.

The Trustees also recognise the risks associated with cyber security and continued their review of their cyber resilience during the year. This review highlighted the need for expert advice and the Trustees have now partnered with Aon to provide a dedicated cyber security oversight function and to strengthen their ongoing cyber threat monitoring.

The Trustees continue to use Pegasus Pensions to provide outsourced secretarial functions. The Trustees believe that the appointment of a firm specialising in pension scheme governance will help ensure dependable, effective governance and delivery of pension strategy.

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:

- General Code of Practice; 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 General Code and DC Regulatory guidance. This helps demonstrate the presence of DC quality features, which we believe will help deliver better outcomes for members in retirement.

For and on behalf of the Trustees,

Venetia Trayhurn, Chair of Trustees

Royal Mail Defined Contribution Plan Chair's Statement – Annex A Costs and Charges Over Time

Default Lifecycle Strategy. With Contributions.

Projected pension pot in today's money: Starting Fund £12,000. Starting Contributions £350pm. Invested in the Default Lifecycle 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 Lifecycle Strategy.
For the Default Lifecycle 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-Lifecycle 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	
	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	**17,700**	**17,500**	**17,900**	**17,800**	**18,100**	**18,000**	**18,100**	**18,000**
3	**25,100**	**24,500**	**26,000**	**25,500**	**26,600**	**26,300**	**26,700**	**26,400**
5	**32,200**	**31,200**	**34,000**	**33,000**	**35,700**	**34,900**	**36,000**	**35,200**
10			**52,800**	**49,900**	**60,500**	**57,800**	**62,300**	**59,900**
15					**85,500**	**79,700**	**92,800**	**87,500**
20					**105,000**	**95,800**	**126,000**	**116,000**
25							**158,000**	**142,000**
30							**180,000**	**157,000**

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 £14,000.
4. The assumptions used in this illustration follow the financial reporting council's AS TM1 guidance. Inflation is assumed to be 2.5% each year.
5. Gross contributions of £300 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 Lifecycle 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 Lifecycle strategy for a sample of terms to retirement: Lifecycle 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)	Years to retirement	Projected growth rate (average)
1	2.20% below inflation	20	1.80% above inflation
3	0.10% above inflation	25	2.10% above inflation
5	0.40% above inflation	30	2.30% above inflation
10	1.00% above inflation	35	2.40% above inflation
15	1.40% above inflation	47	2.70% above inflation

8. The charges assumed for each fund are the current charges as shown in the Chairs Statement.

Default Lifecycle Strategy Without Contributions

Projected pension pot in today's money: Starting Fund £14,000. No further contributions. Invested in the Default Lifecycle 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 Lifecycle Strategy.

For the Default Lifecycle 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-Lifecycle 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	
	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	**14,100**	**14,000**	**14,300**	**14,200**	**14,400**	**14,400**	**14,400**	**14,400**
3	**14,300**	**13,900**	**15,000**	**14,600**	**15,400**	**15,200**	**15,500**	**15,200**
5	**14,300**	**13,700**	**15,400**	**14,800**	**16,500**	**16,000**	**16,600**	**16,100**
10			**15,900**	**14,600**	**19,100**	**17,900**	**19,800**	**18,700**
15					**21,100**	**19,000**	**23,400**	**21,400**
20					**21,700**	**18,700**	**27,100**	**23,900**
25							**30,000**	**25,400**
30							**30,800**	**25,000**

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 £14,000.
4. The assumptions used in this illustration follow the financial reporting council's AS TM1 guidance. Inflation is assumed to be 2.5% each year.
5. It is assumed that no further contributions are made.
6. Values shown are estimates and are not guaranteed.
7. For the default Lifecycle 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 Lifecycle strategy for a sample of terms to retirement: Lifecycle 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)	Years to retirement	Projected growth rate (average)
1	0.20% below inflation	20	2.20% above inflation
3	0.20% above inflation	25	2.40% above inflation
5	0.50% above inflation	30	2.60% above inflation
10	1.20% above inflation	35	2.70% above inflation
15	1.80% above inflation	47	3.00% above inflation

8. The charges assumed for each fund are the current charges as shown in the Chairs Statement

Self-select Funds – With Contributions

Projected pension pot in today's money: Starting Fund £12,000. Starting Contributions £350pm.

The table shows the development of the projected pension pot over time before and after charges for members of any age assuming the pension pot is invested fully in the fund shown.

The illustrations shown below are for a representative selection of the funds members may invest in. They were selected to reflect the range of projected returns and charges for the available funds. Note that these are not necessarily the funds that make up the default Lifecycle strategy. The funds are chosen as follows:

1. Lowest charges
2. Highest net return
3. Lowest return
4. Highest charges

In cases where one fund meets two criteria, another fund will also be included so that there are always four funds in the illustration. For the Default Lifecycle Strategy, the development of the projected pension pot depends on the member's current age because the mix of funds changes as the member approaches retirement. Given this, we have also provided a second table showing illustrations of the development of the projected pot size over time for a sample of ages assuming the pension pot is invested in the Default Lifecycle Strategy.

Fund choice

Years	Annuity Bonds		Inflation Linked Bonds		Diversified Bond		Active 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	18,000	18,000	18,200	18,100	17,500	17,300	18,200	18,000
3	26,600	26,500	27,300	27,100	24,500	23,900	27,300	26,600
5	35,800	35,500	37,100	36,800	31,500	30,400	37,100	35,800
10	61,700	60,700	66,000	64,700	48,900	45,900	66,000	61,700
15	92,300	90,100	101,000	98,900	66,200	60,500	101,000	92,300
20	128,000	124,000	146,000	140,000	83,300	74,300	146,000	128,000
25	171,000	164,000	201,000	192,000	100,000	87,200	201,000	171,000
30	221,000	211,000	270,000	255,000	117,000	99,500	270,000	222,000
35	281,000	266,000	355,000	332,000	133,000	111,000	355,000	281,000

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 £12,000.
4. The assumptions used in this illustration follow the financial reporting council's AS TM1 guidance. Inflation is assumed to be 2.5% each year.
5. Gross contributions of £350 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. The projected growth rates for each fund are:
   a. .Annuity Bonds: 1.4% above inflation
   b. Ethical: 2.4% above inflation
   c. Inflation-linked Bonds: 0.0% above inflation
   d. Active Global Equity: 2.4% above inflation
8. The charges assumed for each fund are the current charges as shown in the Chairs Statement

Self-Select Funds - Without Contributions.

Projected pension pot in today's money: Starting Fund £12,000.

The table shows the development of the projected pension pot over time before and after charges for members of any age assuming the pension pot is invested fully in the fund shown.

The illustrations shown below are for a representative selection of the funds members may invest in. They were selected to reflect the range of projected returns and charges for the available funds. Note that these are not necessarily the funds that make up the default Lifecycle strategy. The funds are chosen as follows:

1. Lowest charges
2. Highest net return
3. Lowest return
4. Highest charges

In cases where one fund meets two criteria, another fund will also be included so that there are always four funds in the illustration. For the Default Lifecycle Strategy, the development of the projected pension pot depends on the member’s current age because the mix of funds changes as the member approaches retirement. Given this, we have also provided a second table showing illustrations of the development of the projected pot size over time for a sample of ages assuming the pension pot is invested in the Default Lifecycle Strategy

Years	Annuity Bonds		Inflation Linked Bonds		Diversified Bond		Active 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	14,400	14,400	14,600	14,500	13,900	13,800	14,600	14,400
3	15,400	15,300	15,900	15,800	13,900	13,500	15,900	15,400
5	16,500	16,300	17,300	17,100	13,800	13,100	17,300	16,500
10	19,500	19,100	21,600	21,000	13,700	12,400	21,600	19,500
15	23,100	22,300	26,800	25,700	13,600	11,700	26,800	23,100
20	27,400	26,100	33,300	31,500	13,500	11,000	33,300	27,400
25	32,400	30,500	41,400	38,600	13,300	10,400	41,400	32,400
30	38,300	35,600	51,500	47,200	13,200	9,800	51,500	38,300
35	45,300	41,600	64,000	57,900	13,100	9,240	64,000	45,300

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 £12,000.
4. The assumptions used in this illustration follow the financial reporting council’s AS TM1 guidance. Inflation is assumed to be 2.5% each year.
5. It is assumed that no further contributions are made.
6. Values shown are estimates and are not guaranteed.
7. The projected growth rates for each fund are:
   Annuity Bonds: 1.4% above inflation
   Ethical: 2.4% above inflation
   Inflation Linked Bonds: 0.0% above inflation
   Active Global Equity: 2.4% above inflation
8. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

Royal Mail Defined Contribution Plan Chair's Statement – Annex B Fund Charges

Fund Name	Admin FBC	AMC	Fund Expenses	Expenses Ratio	Total Member Charge %
Active Emerging Market Equity	0.27	0.540	0.039	0.579	0.849
Active Global Equity	0.27	0.600	0.070	0.670	0.940
Annuity Bonds	0.24	0.00	0.000	0.00	0.240
Blended Equity	0.26	0.167	0.009	0.176	0.436
Cash	0.17	0.10	0.000	0.100	0.270
Diversified Assets	0.27	0.475	0.015	0.490	0.760
Diversified Bond	0.26	0.413	0.024	0.437	0.697
Ethical	0.29	0.00	0.000	0.00	0.290
Inflation Linked Bonds	0.24	0.00	0.000	0.00	0.240
Passive Global Equity	0.24	0.05	0.010	0.060	0.300
Shariah	0.22	0.18	0.120	0.300	0.520

* There will be additional fees associated with the Diversified Assets Fund and Blended Equity Fund which relate to trading fees, legal fees, auditor fees and other operational expenses. These will be deducted on a daily basis from the investment fund before the daily price of units is calculated and can vary.

Royal Mail Defined Contribution Plan Chair’s Statement – Annex C Fund Transaction Costs

		Transaction Costs							% Assets Reported		
Fund Name	**Fund Code**	**Total (bps)[6]**	**Transaction Taxes (bps)**	**Fees & Charges (bps)**	**Implicit Costs (bps)**	**Indirect Costs (bps)[2]**	**Anti Dilution Offset (bps)[3]**	**Lending & Borrowing (bps)[4]**	**Total % Reported**	**Fund Manager(s)[*]**	**Guidance Notes**
Blended Equity	FFPP	**14.7**	0.7	0.8	10.5	7.3	5.6	0.6	**100.0%**	FM3, FM7, FM8, FM11	*1, 2, 3, 4, 5, 6, 7, 9*
Active Emerging Market Equity	FFPQ	**12.2**	2.4	2.6	6.0	0.0	2.4	0.0	**100.0%**	FM7, FM11	*1, 3, 5, 6, 7, 9*
Active Global Equity	FFPR	**4.5**	0.0	0.0	0.0	0.0	0.0	0.0	**100.0%**	FM10	*5, 6, 7, 9*
Annuity Bonds	FFPS	**0.0**	0.0	0.0	2.2	0.0	8.5	0.0	**100.0%**	FM8	*3, 5, 6, 7*
Cash	FFPT	**1.5**	0.0	0.0	1.5	0.0	0.0	0.0	**100.0%**	FM4	*5, 6, 7*
Diversified Assets	FFPU	**21.1**	7.4	6.5	12.4	5.9	11.8	0.3	**100.0%**	FM8, FM12	*1, 2, 3, 4, 5, 6, 7*
Diversified Bond	FFPV	**31.3**	0.0	0.2	22.0	7.4	3.2	0.1	**100.0%**	FM1, FM5, FM9	*1, 2, 3, 4, 5, 6, 7, 9*
Ethical	FFPW	**0.1**	0.0	0.1	1.0	0.8	2.0	0.1	**100.0%**	FM8	*2, 3, 4, 5, 6, 7*
Passive Global Equity	FFPX	**18.6**	1.1	1.0	16.8	0.0	0.6	0.3	**100.0%**	FM3	*3, 4, 5, 6, 7*
Inflation Linked Bonds	FFPZ	**4.5**	0.0	0.0	4.1	0.0	0.0	0.4	**100.0%**	FM8	*4, 5, 6, 7*
Shariah	FFQA	**0.4**	0.0	0.2	0.2	0.0	0.0	0.0	**100.0%**	FM6	*5, 6, 7*

* Reference to the External Fund Manager Data table

External Fund Manager Data

Fund Manager[8,7]	**Period Start**	**Period End**	**Ref.**	**Notes**
Aegon Investment Management	01/04/2023	31/03/2024	FM1	
Ardevora Asset Management	01/04/2023	31/03/2024	FM2	
BlackRock Inv Mgt (Dublin) Ltd	01/04/2023	31/03/2024	FM3	
BlackRock Pensions Mgmt Ltd	01/04/2023	31/03/2024	FM4	
BNY Mellon Inv Mgt	01/04/2023	31/03/2024	FM5	
HSBC Investments	01/04/2023	31/03/2024	FM6	
Lazard Asset Management	01/04/2023	31/03/2024	FM7	
Legal and General Investment Management	01/04/2023	31/03/2024	FM8	
M&G Investments	01/04/2023	31/03/2024	FM9	
MFS Investment Management	01/04/2023	31/03/2024	FM10	
Robeco Investments	01/04/2023	31/03/2024	FM11	
Ruffer LLP	01/04/2023	31/03/2024	FM12	

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 Scottish Widows fund level when Scottish Widows 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.
9 Transaction cost data has been obtained via the latest European Mifid Template (EMT) available from the external fund manager. As such, the EMT does not provide the full breakdown of individual costs.

Royal Mail Defined Contribution Plan Chair's Statement – Annex D Trustee Professional Development

Date	Subject	Sub-group / Board	Time	Provider
29/06/2023	Emerging Markets	Board	0.5	Robeco
29/06/2023	DC Developments	Board	0.3	LCP
29/06/2023	Legislative update	Board	0.3	Hogan Lovells
26/09/2023	Emerging Markets	Board	0.5	Lazard
26/09/2023	Legislative update	Board	0.2	Hogan Lovells
26/09/2023	General Code	Board	0.3	Pegasus
25/01/2024	TKU & Board Effectiveness review	Board	0.5	Pension Executive
25/01/2024	TNFD & Master Trusts	Board	2.0	LCP
29/01/2024	Global Dynamic Bond Strategy	ISG	0.7	BNY Mellon
28/03/2024	Beneficial Stewardship	Board	0.3	LCP
28/03/2024	General Code	Board	0.5	Pegasus
28/03/2024	Trustee documents	Board	0.3	Pegasus
		Total 2023/24	**6.4**	