ROYAL MAIL DEFINED CONTRIBUTION PLAN

The Royal Mail Defined Contribution Plan

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

PSR 12000324

ROYAL MAIL DEFINED CONTRIBUTION PLAN

CONTENTS

Trustees and their Advisers – year ended 31 March 2022

Trustees	The Law Debenture Pension Trust Corporation – Chair (represented by Venetia Trayhurn) Capital Cranfield Pension Trustees Limited - Independent Trustee (represented by Allan Course) Neil Cuthbertson – Employer Nominated – resigned 27 May 2021 George Hiscocks – CWU Member Nominated Sarah Draper - Employer Nominated – resigned 1 October 2021 Tom Lambert – CMA Unite Member Nominated Anthony Woods – CWU Member Nominated Matthew Brooks – Employer Nominated – from 30 September 2021
Secretary	Ben Piggott BA IMC (to 31 July 2022) Royal Mail Defined Contribution Plan 2nd Floor, 11 Ironmonger Lane London EC2V 8EY Christopher Hay (from 1 August 2022) Pegasus Pensions Plc 8th Floor, 100 Bishopsgate Street London EC2N 4AG
Plan Administrator	Scottish Widows Ltd Royal Mail Services Team PO Box 24174 69 Morrison Street Edinburgh EH3 1HQ royalmailserviceteam@scottishwidows.co.uk 0800 092 8263 or +44 113 208 3867
Auditor	KPMG LLP
Banker	Lloyds TSB Bank plc
Investment Consultant	Lane Clark & Peacock LLP (“LCP”)
Insurer	Zurich Assurance Limited (to 30 June 2022) Unum Limited (from 1 July 2022)
Investment Managers (Accessed via an Insurance policy with Scottish Widows Ltd)	Ardevora Asset Management LLP BlackRock Investment Management (UK) Ltd HSBC (UK) Investment Limited Kames Capital Plc Lazard Asset Management Ltd Legal & General Investment Management M&G Limited Newton Investment Management Ltd Robeco Institutional Investment Management BV

Governance Consultant	Muse Advisory Limited
Legal Adviser	Hogan Lovells International LLP
Communications Consultants	Concert Consulting (UK) Ltd ITM Ltd
At Retirement Consultants	HUB Financial Solutions Ltd

Trustee details

Venetia Trayhurn MA PGDL – Chair
Venetia Trayhurn is an Accredited Professional Trustee and joined the Board 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, and provided advice to trustees and employers with large occupational pension schemes (including Royal Mail and its trustee boards). Prior to joining Law Debenture in 2016 she worked for a number of years as a Pensions and Investments Ombudsman at the Financial Ombudsman Service. She is now an independent trustee on eight pension fund boards.

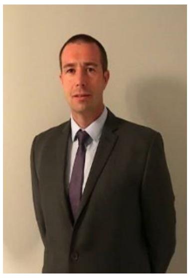
Allan Course BSc AKC
Allan Course provides professional independent trustee services to occupational pension schemes on behalf of Capital Cranfield Pension Trustees. Capital Cranfield was appointed as a Trustee in April 2009. Allan Course was an actuary and has worked in pensions for over 30 years. Prior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

Neil Cuthbertson
Neil Cuthbertson was appointed as an Employer Nominated trustee on 21 February 2021 but resigned on 27 May 2021 due to other commitments in the business. Neil is the Director of Reward and Performance and joined Royal Mail in December 2019.

George Hiscocks EngTech TMIET
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.

Sarah Draper

Sarah was the Director of Internal Audit and Risk Management at Royal Mail and spent more than 20 years as an international project lawyer, specialising in technology, corporate and financing transactions in the logistics, health and technology sectors. Her previous role was Assistant General Counsel, heading up the Corporate, Finance, Privacy, IP, and Technology legal teams at Royal Mail. Sarah resigned as a Trustee on 1 October 2021 – this coincided with her leaving the business.



Tom Lambert ACMA CGMA
Tom joined the Trustees as a CMA administered member nominated trustee on 1 January 2020. Tom is a qualified accountant currently working as a Financial Planning & Analysis for Royal Mail Property & Facilities Solutions.

Anthony Woods BSc and Business Administration (MBA)
Anthony joined the Trustees as a CWU administered member nominated trustee on 26 March 2020. Anthony is now retired but previously worked as a machine operator (OPG) at South Midlands Mail Centre. He is the independent chair of the Audit and Risk Sub Committee of Commsave Credit Union, one of the largest Credit Unions in Britain. He has the background as a research, development and design engineer with degrees in both Electrical Engineering and in Business Administration.

Matthew Brooks
Matt was appointed as an Employer Nominated trustee on 30th September 2021. He joined the business in 2006 on the finance graduate scheme, and has since undertaken a number of finance roles in the business, including senior roles responsible for budgeting and planning of revenue and cost, Governance and Treasury, and Business Partnering. His current role is the Field Operations Finance Director.

Trustees' Report – year ended 31 March 2022

Introduction

This is the Annual Report of the Royal Mail Defined Contribution Plan (the Plan) for the year ended 31 March 2022. 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 2021-22

During the year the Trustees:

- Stood down a weekly monitoring programme assessing the effects of COVID-19;
- Re-commenced in-person Trustees meetings;
- Setup a working group to review the resourcing of death in service cases and introduced efficiencies into the process; and
- Introduced an advised at-retirement service, "destination retirement".

Management of the Plan

Four of the Trustees have been nominated by RMG, including the independent Chair, and three were nominated by members. One of the four RMG-nominated positions is currently vacant. 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, the RMPTL Executive 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	Trustees meetings in the year
Ms V Trayhurn	4	4
Mr A Course	4	4
Mr M Brooks	3	3
Mr G Hiscocks	4	4
Ms S Draper	2	2
Mr T Lambert	4	4
Mr A Woods	4	4

The business matters addressed included:

- Annual Business Plan review and review of Board structure;
- Investment Monitoring and review of the fund performance;
- Trustee training and review of Trustee Board effectiveness;
- Risk Management including review of the Risk Register and internal controls;
- Delegating ownership and management of the relevant sections of the Risk Register to the Trustee Sub Groups;
- Renewal of 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;
- Assessment of data quality reports;
- Assessment of Advisers and Service Providers;
- Agreement of the budget; 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 and CPP (Collective Pension Plan) Sub Group

The Trustees have established a Communications and CPP Sub Group. 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 Sub Group will also consider how the new Collective DC plan which RMG wishes to implement affects the Plan. The Sub Group conducts its business by meeting, usually quarterly.

Audit, Risk and Administration Sub Group

The Trustees have established an Audit, Risk and Administration Sub Group. It has delegated authority to take appropriate decisions regarding the completion of the Plan's annual Report and Accounts and audit as well as developing the risk management practices and ensuring that any administration and other governance projects are completed. The Sub Group conducts its business by meeting, usually quarterly.

Investment Sub Group

The Trustees have established an Investment Sub Group. It has delegated authority to take appropriate decisions regarding the Plan's investment strategy on behalf of the Trustees in accordance with its Terms of Reference. The Sub Group also monitors the investment strategy and options and assessing these on a regular basis to ensure they remain appropriate for the members of the Plan. The Sub Group conducts its business by meeting, usually quarterly.

Trustee Training

The Trustees follow the Trustee Knowledge and Understanding Code of Practice which was introduced by the Pensions Act 2004. 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 environmental, social and governance issues including climate change; business continuity; investment strategies; Trustees' knowledge and understanding; Value for Members assessment; Implementation Statement; and industry updates. There is a formal policy for the training of newly appointed Trustees and on-going Trustee training requirements and new Trustees undertook a dedicated training session ran by the Executive in addition to completing their TKU toolkit.

Plan Administration

The Trustees have delegated member and accounting administration to Scottish Widows under contractual arrangements. These arrangements specify service levels against which the Trustees monitor performance.

Contributions

Contributions to the Plan received from members and RMG were in accordance with the Payment Schedule dated 27th April 2018, as shown in the Trustees' Summary of Contributions, totalled £188.9m during the year (2021: £180.7m).

Transfer Values

Members leaving service with more than three months' qualifying service can normally transfer the value of their benefits under the Plan to another pension arrangement. The Trustees have asked Scottish Widows to be alert to potential scams and either refuse or refer to the Trustees transfers which look suspicious. The Trustees regularly communicate to members warning on scams noting they can be identified as such when members are contacted directly with unsolicited offers.

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. The Audit, Risk and Administration Sub Group reviews the Risk Register at least annually and the relevant sections of the Register are now owned and monitored by the Trustee Sub Groups and presented at each of their meetings. The Board meetings still consider the highest risks before and after controls for each required decision by the Trustees.

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 follow them if there is good reason not to. 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, by phone on 0800 092 8263, 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 Pensions Regulator's 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 1April	
Active members	52,830
Deferred members	26,096
Total membership as at 1 April	**78,926**
Movements during the year	
Retrospective adjustments	(1)
New entrants	14,395
Refunds	(385)
Opt outs	(858)
Retirements	(31)
Transfers out	(669)
Deaths	(121)
UFPLS/small pots	(973)
Total Membership as at 31 March	**90,283**
Active members	58,953
Deferred members	31,330
Membership as at 31 March	**90,283**

An additional 3,880 members were covered for life assurance only benefits under the Plan as at 31 March 2022 (2021: 2,041).

During the year ended 31 March 2022, 27 members of the Plan retired and purchased annuities with external insurance companies (2021: 14).

HM Revenue & Customs registration

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

The Money and Pensions Service
120 Holborn
London
EC1N 2TD

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 Scottish Widows. 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:

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

In addition to the range of funds listed above, the Trustees also provide four "Lifecycle" options to members. Most members are invested in the Default Lifecycle but they can also choose from a Flexible Income Lifecycle, an Annuity Lifecycle and a 5 Year Lifecycle. These Lifecycle strategies are outlined in the SIP.

The Trustees formalised their investment beliefs, including those on ESG (Environmental, Social and Governance) considerations, and updated the SIP to reflect the September 2018 Regulations on Responsible investment which came into force on 1 October 2019. 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. In addition, the Trustees annually assess their managers and the respective investment funds for responsible investment practices and policies and are satisfied with them. 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 2022

Economic overview

Having dominated global economic concerns for much of 2020 and 2021, the Covid-19 crisis began to gradually recede in importance in Q1 2022 for most developed countries. The most recent dominant variant, Omicron, which emerged at the end of Q4 2021 was, despite its higher transmissibility, less severe – especially for relatively well vaccinated populations. With a semblance of normality returning, major central banks began to unwind the accommodative monetary policy taken to cushion the economic fallout from the pandemic. Likewise, many governments which had rolled out unprecedented stimulus packages – the US government alone spent more than $5tn in fiscal stimulus – also rolled back spending over the latter part of 2021 and into 2022. With hindsight some economists felt that the combined monetary and fiscal stimulus may have been too large and continued for too long, contributing to inflation decoupling from central bank's targets. Predictions that the inflationary pressures which built up over Q2 and Q3 of 2021 would only be transitory have proved overoptimistic – by 31 March 2022, a potential inflationary spiral had become a concern for many governments and central banks around the world.

Russia's invasion of Ukraine in Q1 2022 saw unprecedented sanctions imposed by Western countries on the former, exacerbating the raw materials shortfalls and supply chain issues that plagued 2021. China's decision to pursue a zero-Covid policy in an attempt to eliminate outbreaks of more transmissible variants of Covid-19 saw entire cities into lockdown, only exacerbated inflationary pressures.

For the majority of 2021, the Bank of England ("BoE") maintained loose monetary policy conditions with a base rate at 0.1%. This stance was reversed in December 2021 when it increased interest rates for the first time since the beginning of the pandemic, by 0.15% to 0.25%. Two more hikes followed in Q1 2022 taking the rate to 0.75% with Andrew Bailey, BoE Governor, acknowledging that inflation was running well ahead of the 2% target, reaching 7.0% in March 2022.

Equities

After performing strongly over the first three quarters of the period, buoyed by generous government and central bank policy support, developed market equities finally lost momentum in Q1 2022. Persistent inflation, rising interest rates, stimulus reductions, slowing growth along with rising geopolitical tensions produced significant market corrections – with technology and other high growth stocks particularly hard hit. Overall returns were positive however, despite a rocky end to the year.

Over the Plan Year, the Blended Equity Fund, held by most members in the default lifecycle, returned 9.9% and outperformed its benchmark return by 0.3%. This performance was driven by strong returns in developed equities, while the allocation to emerging market equities detracted from performance (see commentary below). The Plan's Active Global Equity Fund returned 1.1%, but significantly underperforming its benchmark return by 11.3%, largely as a result of a relative underweight position in the information technology sector (during a period in which this sector performed very well). The Plan's Passive Global Equity Fund returned 18.0%, ahead of its benchmark return by 1.2%. The Ethical Fund and the Shariah Fund returned 18.7% and 19.6% over the Plan Year respectively, and both funds underperformed their respective benchmark returns slightly by 0.1% and 0.5% respectively.

Emerging market equities were hit hard over the Plan Year, finishing the period with negative returns. The first quarter of the period proved to be the final positive period of what had been a prolonged rally driven by the benefits of stimulus provided by both local and developed market policymakers as well as a weak US Dollar, especially for countries heavily reliant of foreign borrowing. During the next two quarters, these gains were eroded as sluggish regional vaccine rollouts (coupled with rising Covid-19 infections), a stronger US dollar, rising US sovereign bond yields, and fears of a potential contagion from Chinese property developer Evergrande's debt woes, dampened investors' enthusiasm for emerging market assets. As with other markets, in the final quarter of the period, Q1 2022, there were sharp falls, following Russia's invasion of Ukraine (and later the removal of Russian assets from major emerging market indices). Emerging market equities also suffered from continued concerns over the Chinese government's struggles to maintain its zero-Covid policy – even at the cost of quarantining Shanghai – a city of 25 million people and a major commercial centre, and as the US dollar significantly strengthening as investors sought safe havens.

Over the Plan Year, the Active Emerging Markets Equity Fund returned -12.2%, underperforming its benchmark return by 5.1%. This was largely due to the increasing challenges noted above for emerging market funds in general over this period

Bonds

Over the Plan Year, returns on nominal UK government bonds were negative as nominal bond yields (which are inversely related to bond prices) rose, while inflation-linked UK government bonds increased in value.

At the start of the period, while central bank policy remained supportive and expectations for growth and inflation remained modest, returns were positive. However, as the global economy began to re-open and inflationary momentum began to gather, gilt yields started to rise as it became clear that the Bank of England would need to raise rates far faster than previously expected. Real yields ended the Plan Year in a similar place to how they started it, except at very short durations, which saw a steep fall as a result of much higher near-term inflation expectations. This masks significant volatility over the period. Over the Plan Year, returns have been positive for the Inflation Linked Bonds Fund which returned 4.0%, in line with its benchmark, but negative for the Annuity Bonds Fund which returned -6.7%, but outperformed its benchmark by 0.3%.

Corporate bonds delivered negative returns over the Plan Year due to rising risk-free yields and increased credit spreads. Most of the uptick in credit spreads occurred in the final quarter of the period, Q1 2022, as it became clear that central bank stimulus packages would be retired, and the more difficult economic environment raised the likelihood that some companies might struggle to repay their debts. Against this backdrop, over the Plan Year, the Plan's Diversified Bonds returned -1.2%, underperforming its target return by 3.7%

Alternative assets

The Plan's Diversified Assets Fund delivered a positive return of 2.6% over the Plan Year, underperforming its benchmark return by 1.1%. The positive return was largely due to strong equity performance within the Fund, while the relative underperformance was due to inflationary pressures.

A table detailing the investment performance of all funds is provided on page 19.

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

Implementation Statement

The Trustees have prepared an Implementation Statement which discloses significant proxy voting activity and behaviours throughout the Plan year. This Statement is included in the Reports and Accounts on page 20.

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

For and on behalf of the Trustees,
Venetia Trayhurn, Chair of Trustees:
Date: 13 October 2022

Investment performance of all funds

Fund Name	1 year		3 years	
	Fund %	Target %	Fund %	Target %
Blended Equity	9.9	9.6	10.1	11.6
Diversified Assets*	2.6	3.7	2.7	4.0
Diversified Bond*	-1.2	2.5	1.8	2.8
Cash	0.1	0.0	0.3	0.2
Active Global Equity	1.1	12.4	4.5	13.6
Active Emerging Market Equity	-12.2	-7.1	3.5	4.6
Passive Global Equity	18.0	16.8	14.0	13.4
Inflation Linked Bonds	4.0	4.0	2.7	2.7
Annuity Bonds	-6.7	-7.0	0.6	0.5
Ethical	18.7	18.8	16.9	16.9
Shariah	19.6	20.1	20.2	20.7

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

Implementation Statement covering the Plan Year from 1 April 2021 to 31 March 2022 (forming part of the Trustees' Report)

The Trustees of the Royal Mail Defined Contribution Plan (the "Plan") are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed their Statement of Investment Principles ("SIP") during the Plan Year, as well as details of any review of the SIP during the Plan Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-11 below.

The Statement is also required to include a description of the voting behaviour during the Plan Year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 12 below.

This Statement is based on, and uses the same headings as, the Plan's SIP dated 24 June 2021 (in effect between 24 June 2021 and 31 March 2022) and the SIP dated 18 September 2019 (in effect between 1 April 2021 and 23 June 2021). This Statement should be read in conjunction with these SIPs which can be found online, and which will be appended to the Plan's Report and Accounts.

1. Introduction

The SIP was reviewed and updated during the Plan Year on 24 June 2021 to reflect the date of the last investment strategy review. In conjunction with this update, the Investment Policy Implementation Document ("IPID") was updated to reflect changes made to the investment strategy as a result of this review, namely

- the changes made to the underlying funds of the RMDCP Blended Equity Fund;
- the changes made to the underlying fund of the RMDCP Passive Global Equity Fund; and
- the introduction of a new lifecycle strategy, the 10 Year Royal Mail Flexible Retirement Lifecycle.

As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustees have, in their opinion, followed the policies in the Plan's SIP during the Plan Year.

The following Sections provide detail and commentary about how and the extent to which they have done so.

2. Investment objectives

As part of the performance and strategy review of the default arrangement, which began in September 2020, the Trustees considered the Plan's membership demographics and the variety of ways that members may draw their benefits in retirement from the Plan.

Based on the outcome of this analysis, the Trustee concluded that whilst the default option has been designed to be in the best interests of the majority of the members, there were some enhancements that could be made. These changes were made in the Plan year ended 31 March 2021.

The Trustees also provide members with access to a range of "self-select" investment options which allow members to adopt a different investment approach, if they wish to do so. The Trustees believe these options are suitable for this purpose and enable appropriate diversification. The self-select fund range covers all major asset classes and a number of alternative lifecycle strategies, targeting the three different retirement outcomes, details of which are set out in sections 3 and 5 of the IPID. The Trustees monitor the take up of these funds and noted that c4% of members used these options as at 31 March 2022. The

Trustees have reminded members through communications of the time horizon of their investment holdings as well as the importance of reviewing this time horizon regularly.

The Trustees review changes in member choices, behaviour and trends each year using administration reports. Over the Plan Year there were no material changes.

3. Investment strategy

The Trustees did not conduct a triennial strategy review over the Plan Year.

However, a change that was agreed as part of the last triennial investment strategy review, which began in September 2020, was implemented over the Plan Year. The underlying fund in the RMDCP Passive Global Equity Fund available to members in the self-select fund range was replaced in May 2021 with a fund designed to reduce the carbon footprint of the investments. This change reflected the Trustees desire to invest members' assets in a climate aware manner and reflects similar changes made to the default investment strategy in the Plan year ended 31 March 2021.

The Trustees review the investment strategy regularly in light of changes to market conditions. Over the Plan Year, the Trustees began a review of the de-risking phase and at-retirement allocation of the default lifecycle, in the context of rising inflationary concerns.

The Trustees monitor retirement data in respect of how members are taking their benefits on an ongoing basis and no specific actions have been taken during this Plan Year as the retirement support and communication offered by the Plan's appointed platform provider remains, in the Trustees' opinion, appropriate for members.

4. Considerations in setting the investment arrangements

When the Trustees undertook a performance and strategy review of the DC default arrangement, beginning in September 2020, they considered the investment risks set out in Appendix 2 of the SIP. They also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

The Trustees recently reviewed their investment beliefs, in March 2022. As part of this, the investment adviser, Lane, Clark & Peacock LLP, ("LCP"), held a beliefs session which focussed on climate-related beliefs and gathered the opinions of the Trustees.

As a result, the Trustees updated the investment beliefs in the SIP following the Plan Year end, on 30 June 2022. They added three new investment beliefs to the SIP, and modified one current belief, as follows:

- The transition to a low carbon economy presents risks and opportunities for the Plan's investment returns. Mitigating the risks and seeking out the opportunities offers the potential to enhance the Plan's investment returns.

- Assessing and managing climate-related risks and opportunities is entirely consistent with protecting the long term returns of the Plan and is therefore acting in the best long-term interests of the Plan's members.

- Appointing managers that are committed to an efficient and effective transition to a low-carbon economy is an important means of facilitating good member outcomes.

- Environmental, Social and 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. Climate change is also deemed a financially material risk for the Plan.

The Trustees reviewed their investment manager mandates from an ESG perspective in December 2021, through the use of their adviser's ESG dashboards. The ESG dashboards covered the funds used in the Plan's default lifecycle strategy that have equity and corporate bond holdings, and provided insights to each funds' high-level ESG risk exposures, climate risk, as well as providing context on holdings MSCI deem to have 'severe controversies'. As a result, the Trustees engaged with Legal & General Investment Management ("LGIM") to better understand the rationale for including within the LGIM Multi-Factor Equity Fund a number of holdings. The Trustees and their investment adviser were satisfied with LGIM's response, and deemed no further action needed to be taken.

The Trustees also reviewed their investment manager mandates with their investment adviser in March 2022, using results from their investment adviser's biannual responsible investment ("RI") survey, and their advisers ongoing manager research. As a result, the Trustees engaged with one of the Plan's managers, Ardevora, to understand why it was not yet a signatory of the UK Stewardship Code. The Trustees and their investment adviser were comfortable with Ardevora's rationale for not yet being a signatory and Ardevora subsequently applied to become a signatory to the UK Stewardship Code following the Plan Year end in April 2022.

5. Implementation of the investment arrangements

The Trustees appointed BlackRock (the BlackRock ACS Climate Transition World Equity Fund) as the sole underlying manager within the RMDCP Passive Global Equity Fund and implemented changes over two tranches in April 2021 and May 2021. The Trustees obtained formal written advice from their investment adviser, LCP, before investing in the fund and made sure the investment portfolio of the fund chosen was adequately and appropriately diversified. The Trustees received information on the investment process and philosophy, the investment team and past performance. The Trustees also considered the manager's approach to responsible investment and stewardship as part of the selection.

The Plan's investment adviser, LCP, monitors the investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors any developments at managers and informs the Trustees promptly about any significant updates or events they become aware of with regard to the Plan's investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Plan invests in, or any material change in the level of diversification in the fund.

The Trustees invite the Plan's investment managers to present at Trustee meetings on a ad-hoc basis. However, over this Plan Year, the Trustees did not meet with any investment managers.

The Trustees were comfortable with all of the other investment manager arrangements over the Plan Year.

The Trustees monitor the performance of the Plan's investment managers on a quarterly basis, using the performance monitoring report. The report also shows the performance of each fund over the one year and three years. Performance is considered in the context of the manager's benchmark and objectives. A more detailed report as at the Plan Year end (31 March) is produced annually and presented to the Trustees in the second quarter of each calendar year.

The most recent quarterly report shows that all managers have produced performance broadly in line with expectations over the long-term, in the context of difficult market conditions over recent years (due to global events such as the Covid-19 pandemic, the conflict in Russia and Ukraine, and rising inflation). The most significant long-term underperformance has come from the RMDCP Active Global Equity Fund, however, this performance takes into account performance of the former underlying manager (Dodge & Cox) which was subsequently replaced in September 2020 with Ardevora. The Trustees reviewed the performance delivered by Ardevora since the fund was included in the Active Global Equity fund and are happy with the performance and the reasons behind this performance.

The Trustees undertook a value for members' assessment for the Plan Year to 31 March 2022 which assessed a range of factors, including the fees payable to managers in respect of the Plan which were found to be reasonable when compared against schemes with similar sizes mandates.

During the Plan Year the Trustees assessed the investment managers' fees in light of LCP's fee survey. Overall the Trustees believe the investment managers provide reasonable value for money**.**

6. Realisation of investments

It is the Trustees' policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the funds which the Trustees offered during the Plan Year are daily priced**.**

7. Financially material considerations and non-financial matters

As part of its advice on the selection and ongoing review of the investment managers, the Plan's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.

Throughout the Plan Year, the Trustees have received training on ESG and Stewardship related matters. As mentioned in section 4, in December 2021 the Trustees also received training on the ESG characteristics of the Plan's assets through an ESG dashboard provided by their investment adviser. This provided insight on each funds' high-level ESG risk exposures, including climate risk, as well as providing context on holdings MSCI deem to have 'severe' controversies.

In January 2022, the Trustees received training on new Task Force on Climate-Related Financial Disclosures requirements, to understand their responsibilities and key milestones for the Plan. The Trustees also received training at the same meeting on other pension scheme structures, in order to remain comfortable with the suitability of the offering made available to Plan members.

In March 2022, the Trustees reviewed LCP's RI scores for the Plan's existing managers and funds, along with LCP's qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the manager's approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2022. As mentioned in section 4, the Trustees engaged with Ardevora to understand why it was not yet a signatory of the UK Stewardship Code. The Trustees and their investment adviser were comfortable with Ardevora's rationale for not yet being a signatory and Ardevora applied to become a signatory to the UK Stewardship Code following the Plan Year end in April 2022.

The Trustees recognise that some members may wish for ethical matters to be taken into account in their investments and therefore they continue to make available the Legal & General Ethical Global Equity Index Fund as an investment option to members. The ongoing appropriateness of this Fund was reviewed as part of the wider review of investment arrangements to members, undertaken in September 2020, and is reviewed as part of the regular monitoring conducted by the Trustees.

The Trustees also reviewed reports from their managers on voting and engagement activities undertaken on their behalf in April and May 2021**.**

8. Voting and engagement

This is covered in Section 7 above.

9. Investment governance, responsibilities, decision-making and fees (Appendix 1 of SIP)

As mentioned in Section 5, the Trustees assess the performance of the Plan's investments on an ongoing basis as part of the quarterly monitoring reports they receive and a more detailed report is produced annually.

The performance of the professional advisers is considered on an ongoing basis by the Trustees.

The Trustees have put in place formal objectives for their investment adviser and will review the adviser's performance against these objectives on a regular basis and at least annually. The Trustees submit their review in line with regulation, by 7 January each year.

At their Strategy Day on 28 January 2021, The Trustees agreed that the new investment sub-group, implemented at the start of the previous Plan Year, had allowed the Trustees to be more dynamic and responsive when reviewing and implementing changes to the investment strategy and more generally had improved the governance resources. The Trustees were satisfied in their decision making and governance processes over the Plan Year and no further changes have been made.

10. Policy towards risk (Appendix 2 of SIP)

Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustees maintain a risk register and this is discussed at quarterly meetings.

The Trustees' policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Plan's investment adviser or information provided to the Trustees by the Plan’s investment managers. These include credit risk and currency risk.

With regard to the risk of inadequate returns, the Trustees make use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used in the growth phase of the default option and are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term, but are expected to be volatile in the shorter term.

Commentary on diversification risk is provided in Sections 3 and 5; on investment manager risk and excessive charges in Section 5; on illiquidity/marketability risk in Section 6; and on ESG risks in Section 7 of this Statement

11. Investment manager arrangements ("IPID")

There are no specific policies in the Plan's IPID; the IPID outlines the investment offering made available to members; the SIP outlines the Trustees' policies and governance framework. The IPID was revised in the Plan Year to account for the changes to the investment strategy in March 2021 and May 2021

12. Policy towards risk (Appendix 2 of SIP)

All of the Trustees' holdings in listed equities are within pooled funds and the Trustees have delegated to their investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Plan Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association ("PLSA") guidance, on the Plan's funds that hold equities as at the Plan Year end as follows:

- BlackRock ACS Climate Transition World Equity Fund
- LGIM Diversified Multi-Factor Equity Fund
- Lazard Developing Markets Fund
- Robeco Emerging Stars Equities Fund
- BlackRock Aqulia Life Market Advantage Fund (a Diversified Growth Fund with an allocation to equities)

We have included only the funds with equity holdings used in the default strategy for the majority of the Plan Year and not any self-select funds. Given that the majority of members (c97% as at 31 March 2022) have at least part of their retirement pot invested in in the default option, the Trustees believe this approach is reasonable and reflects content most appropriate to their membership. Furthermore, within the self-select investments which make up the remaining investments of the Plan (ie alternative lifecycles and self-select fund range), 46% of assets are invested in the above funds through alternative investment options (ie alternative lifecycles and self-select fund range). All of the relevant voting data for Sections 12.2 and 12.3 has come from the Plan's investment managers.

The Trustees believe that the Plan's other asset managers that don't hold listed equities had limited, if any, voting opportunities over the period.

12.1 Description of the voting processes

The Plan's asset managers have provided the following information to describe their voting processes.

LGIM

All decisions are made by LGIM's Investment Stewardship team and in accordance with LGIM's relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually by LGIM. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures the stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continue to develop its voting and engagement policies and define strategic priorities in the years ahead. LGIM also take into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.

LGIM's Investment Stewardship team uses Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with LGIM's position on ESG, it has put in place a custom voting policy with specific voting instructions. LGIM retain the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to its voting judgement. LGIM have strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform it of rejected votes which require further action.

Lazard

Lazard manages assets for a variety of clients worldwide, including institutions, financial intermediaries, sovereign wealth funds, and private clients. To the extent that proxy voting authority is delegated to Lazard, Lazard's general policy is to vote proxies on a given issue in the same manner for all of its clients. As part of this, Lazard does not typically consult with clients before voting. This policy is based on the view that Lazard, in its role as investment adviser, must vote proxies based on what it believes:

- will maximise sustainable shareholder value as a long-term investor;
- is in the best interest of its clients; and
- the votes that it casts are intended in good faith to accomplish those objectives.

As an active manager, Lazard is committed to fully exercising its role as stewards of capital.

With full proxy authority, Lazard attempts to vote on 100% of the portfolio on a best-effort basis. This is subject to market restrictions due to share-blocking, custodial support, and the availability of timely research on agenda items. Lazard has approved specific proxy voting guidelines regarding various common proxy proposals. These guidelines set out whether Lazard professionals should vote for or against a specific agenda item in every instance or whether an issue should be or considered on a case-by-case basis.

If an investment professional seeks to vote in a manner that contradicts the guidelines, which is rare, Lazard's Proxy Committee must approve the vote. The investment professional must provide the committee with a detailed rationale for their recommendation, and the Proxy Committee will then determine whether or not to accept and apply that vote recommendation to the specific meeting's agenda. Case-by-case agenda items are evaluated by Lazard's investment professionals based on their research of the company and evaluation of the specific proposal.

Lazard currently subscribes to advisory and other proxy voting services provided by ISS and Glass, Lewis & Company. These proxy advisory services provide independent analysis and recommendations regarding various companies' proxy proposals. While this research serves to help improve Lazard's understanding of the issues surrounding a company's proxy proposals, Lazard's Portfolio Manager/Analysts and Research Analysts (collectively, "Portfolio Management") are responsible for providing the vote recommendation for a given proposal except when the Conflicts of Interest policy applies. ISS provides additional proxy-related administrative services to Lazard. ISS receives on Lazard's behalf all proxy information sent by custodians that hold securities on behalf of Lazard's clients and sponsored funds. ISS posts all relevant information regarding the proxy on its password-protected website for Lazard to review, including meeting dates, all agendas and ISS' analysis.

Robeco

The Robeco Stewardship Policy includes its Proxy Voting Policy. The document outlines Robeco's decision making criteria as well as practical considerations. This Stewardship Policy is updated annually or more frequently as required. The Stewardship Policy states that sustainable investing is a key pillar of Robeco's corporate strategy. Robeco believes that companies with sustainable business practices have a competitive advantage and are more successful in the long-term. Robeco also believe that integrating ESG factors results in better-informed investment decisions. Actively exercising its stewardship responsibilities is an integral part of Robeco's sustainable investment approach.

The Active Ownership team is responsible for voting and engagement activities. The team votes the equity positions for Robeco's equity funds and the equities of its clients. The Active Ownership team consults with different investment teams to make a well informed decision on investment related agenda items and takes the lead on Robeco's engagement program. Many engagements are done in collaboration with the different investment teams and on an annual basis, the Active Ownership team collects the input from all stakeholders (including investment teams and clients) to prioritize engagement efforts and reports on progress made.

Robeco uses a proxy voting platform and proxy voting recommendations for all of the meetings which it votes. Glass, Lewis & Company provides voting recommendations based upon Robeco's custom voting policy, which is the leading document for instructing proxy votes on corporate governance related topics. The Robeco policy on corporate governance relies on the internationally accepted International Corporate Governance Network Global Governance Principles. A team of dedicated voting analysts then analyse the merit of each agenda item. This analysis, based upon Robeco's voting policy, takes precedence over the recommendations of the proxy voting adviser. This means Robeco's instructions often deviate from the recommendations of both management and the proxy adviser. On an at least annual basis, Robeco evaluates its proxy voting agent, on the quality of governance research and the alignment of (customised) voting recommendations and Robeco's voting policy. This review is part of Robeco's control framework and is externally assured.

BlackRock

Each year, the BlackRock Investment Stewardship ("BIS") team reviews and updates BlackRock's Global Principles ("Principles") and market-level voting guidelines to ensure that its policies are aligned with its commitment to pursuing long-term financial returns for its clients as shareholders. These high-level Principles are the framework for BlackRock's more detailed, market-specific voting guidelines, all of which are published on the BlackRock website. The Principles describe BlackRock's philosophy on stewardship (including how it monitors and engages with companies), its policy on voting, its integrated approach to stewardship matters and how it deals with conflicts of interest. These apply across relevant asset classes and products as permitted by investment strategies. The Principles are reviewed annually and updated as necessary, to reflect in market standards evolving governance practice and insights gained from engagement over the prior year.

BlackRock's proxy voting process is led by the BIS, which consists of three regional teams – Americas, Asia-Pacific, and Europe, Middle East and Africa – located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BIS team with input from investment colleagues as required, in each case, in accordance with BlackRock's Principles and custom market-specific voting guidelines. While BlackRock subscribes to research from the proxy advisory firms ISS and Glass, Lewis & Company, it is just one among many inputs into its vote analysis process, and BlackRock does not blindly follow their recommendations on how to vote. BlackRock primarily uses proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that its investment stewardship analysts can readily identify and prioritise those companies where BlackRock's own additional research and engagement would be beneficial. Other sources of information BlackRock uses includes the company's own reporting (such as the proxy statement and the website), BlackRock's engagement and voting history with the company, and the views of BlackRock's active investors, public information and ESG research.

BlackRock ordinarily refrain from abstaining from both management and shareholder proposals, unless abstaining is the valid vote option (in accordance with company by-laws) for voting against management, there is a lack of disclosure regarding the proposal to be voted, or an abstention is the only way to implement our voting intention. In all situations the economic interests of BlackRock's clients will be paramount.

BlackRock periodically publish "vote bulletins" setting out detailed explanations of votes it deems significant, which relate to governance, strategic and sustainability issues that it considers, based on its Global Principles and Engagement Priorities, material to a company's sustainable long-term financial performance.

12.2 Summary of voting behaviour over the Plan Year

A summary of voting behaviour over the Plan Year is provided in the table below. We have included voting data for the previous Plan Year in square brackets for comparative purposes. The BlackRock ACS Climate Transition World Equity Fund was added to the Plan at the end of the last Plan Year and so no data on this Fund was included previously.

	BlackRock ACS Climate Transition World Equity Fund	LGIM Diversified Multi-Factor Equity Fund	Lazard Developing Markets Fund	Robeco Emerging Stars Equities Fund	BlackRock Aquila Life Market Advantage Fund
Manager name	BlackRock	LGIM	Lazard	Robeco	BlackRock
Fund name	ACS Climate Transition World Equity Fund	Diversified Multi-Factor Equity Fund	Developing Markets Fund	Emerging Stars Equities Fund	Aquila Life Market Advantage Fund
Total size of fund at end of reporting period	£9.0bn	£2.6bn	£43.5m	£1.4bn	£1.4bn
Value of Plan assets at end of reporting period (£)	£490.5m	£478.8m	£53.9m	£53.9m	£118.4m
Number of holdings at end of reporting period	616	1,172 [1,172]	61 [68]	54 [53]	3,224 [3,110]
Number of meetings eligible to vote	724	1,476 [1,846]	89 [87]	77 [71]	5,305 [2,979]
Number of resolutions eligible to vote	10,148	18,490 [22,827]	707 [742]	742 [774]	52,301 [28,532]
% of resolutions voted	99.6%	99.9% [99.9%]	100.0% [100.0%]	94.9% [100%]	99.8% [94.3%]
Of the resolutions on which voted, % voted with management	94.2%[1]	80.4% [83.1%]	84.4% [87.3%]	80.2% [83%]	91.7%[1] [91.1%]
Of the resolutions on which voted, % voted against management	5.8%[1]	18.2% [16.5%]	10.9% [11.3%]	19.8% [13%]	8.3%[1] [8.9%]
Of the resolutions on which voted, % abstained from voting	0.4%[1]	1.5% [0.4%]	4.7% [1.4%]	0.0% [4%]	1.9%[1] [2.4%]
Of the meetings in which the manager voted, % with at least one vote against management	32.6%	69.8% [5.6%]	43.8% [46.0%]	45.5% [52%]	34.1% [Not available[2]]
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy adviser	0.1%	12.7% [0.4%]	5.9% [2.7%]	8.4% [6%]	0.8% [Not available[2]]

[1]Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.

[2]BlackRock was unable to provide this data item for the last Pan Year.

12.3 Most significant votes over the Plan Year

The Plan's asset managers in the default strategy who hold listed equities have provided commentary on examples of votes they considered to be the most significant over the period which is included below. These votes are broadly aligned with the Trustees' view for what is significant (see section 8 of the SIP for more details on the Trustees policy on voting). The Trustees' criteria for what is a significant vote will develop over time with input from its investment adviser and underlying investment managers. Due to the number of votes provided by the managers, the Trustees have chosen a subset of votes to report on in the Statement.

BlackRock ACS Climate Transition World Equity Fund

1. **Pfizer Inc., United States, April 2021**
   Summary of resolution: Report on Access to Covid-19 Products
   Vote: Against
   Outcome of vote: Fail
   Rationale: BIS believes that the company already provides sufficient disclosure and reporting regarding this issue, including publicly stating that it has not received public financial support for its development. Due to the ongoing nature of the Covid-19 crisis, BIS has confidence the company will continue to update its disclosures as the situation evolves.
   Criteria against which this vote has been assessed as "most significant": This resolution is regarding governance transparency and actions which BIS believes to have an impact on sustainable long-term financial performance and is therefore deemed a significant vote.

2. **Johnson & Johnson, United States, April 2021**
   Summary of resolution: Report on Civil Rights Audit
   Vote: For
   Outcome of the vote: Fail
   Rationale: The shareholder proposal requests the company "conduct and publish a third-party audit (within a reasonable time, at a reasonable cost, and excluding confidential/proprietary information) to review its corporate policies, practices, products, and services, above and beyond legal and regulatory matters; to assess the racial impact of the company's policies, practices, products and services; and to provide recommendations for improving the company's racial impact". BIS agrees with the intent of advancing diversity, equity and inclusion and supports the company's existing efforts to recruit, retain, support, and develop a diverse set of employees. While BIS recognizes and supports the considerable efforts Johnson & Johnson has made to date on diversity, equity and inclusion and racial equity, it supported the proposal as it believes that an audit would complement the company's current programs to advance racial equity and might yield further insights to accelerate its progress, therefore considers this vote significant. BIS also believes that the audit is not overly prescriptive or unduly constraining for management.
   Criteria against which this has been assessed as "most significant": BIS believes that corporate governance issues drive long-term shareholder value and has engaged with the company for several years to discuss these issues, therefore deems this to be a significant vote.

LGIM Diversified Multi Factor Equity Fund

1. **Industrial & Commercial Bank of China Limited, China, June 2021**
   Summary of resolution: Approve Work Report of the Board of Directors.
   Vote: Against.
   Outcome of the vote: Pass.

Rationale: LGIM believe the company does not meet minimum standards with regards to climate risk management and disclosure, therefore LGIM voted against this proposal. This company was also divested by LGIM across its Future World range of funds.
Criteria against which this vote has been assessed as "most significant": LGIM considers this vote to be significant as it applies under the Climate Impact Pledge, LGIM's flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.

2. **Trane Technologies Plc, Ireland, June 2021**
   Summary of resolution: Elect Director Michael W. Lamach
   Vote: Against
   Outcome of the vote: Pass
   Rationale: LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 it has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 it is voting against all combined board chair/CEO roles. Furthermore, it has published a guide for boards on the separation of the roles of chair and CEO and it has reinforced its position on leadership structures across its stewardship activities, for example via individual corporate engagements and director conferences.
   Criteria against which this vote has been assessed as "most significant": LGIM considers this vote to be significant as it is an application its voting policy on the topic of the combination of board chair and CEO.

Lazard Developing Markets Fund

1. **Tencent Holdings Limited, China, May 2021**
   Summary of resolution: Approve Issuance of Equity or Equity-Linked Securities without Pre-emptive Rights
   Vote: Against
   Outcome of the vote: Pass
   Rationale: Lazard voted against this resolution as the aggregate share issuance limit is greater than 10% of the relevant class of shares; and the company has not specified the discount limit.
   Criteria against which this vote has been assessed as "most significant": Lazard considers most significant votes in the following order: firstly all shareholder proposals, secondly any non-salary compensation or remuneration related proposals and thirdly any votes against management (excluding routine items) not included in the first two criteria. Given this resolution is regarding a shareholder proposal, Lazard deems it a significant vote.

2. **Capitec Bank Holdings Ltd., South Africa, May 2021**
   Summary of resolution: Approve Implementation Report on Remuneration Policy
   Vote: Against
   Outcome of the vote: Fail
   Rationale: For some awards, the Remuneration Committee exercised discretion following a re-assessment in September 2020, replacing headline EPS targets with Group annual headline earnings. For other awards, the Remuneration Committee only took into consideration the performance periods preceding Covid-19. Therefore, Lazard voted against the resolution.
   Criteria against which this vote has been assessed as "most significant": Lazard considers most significant votes in the following order: firstly all shareholder proposals, secondly any non-salary compensation or remuneration related proposals and thirdly any votes against management (excluding routine items) not included in the first two criteria. Given this resolution is regarding a remuneration related proposal, Lazard deems it a significant vote.

Robeco Emerging Stars Equities Fund

1. **Hyundai Mobis, South Korea, March 2022**
   Summary of resolution: Approve Audit of Financial Statements
   Vote: Against
   Outcome of the vote: Pass
   Rationale: Robeco voted against the approval of accounts as it has concerns regarding the reliability of the accounts and/or followed procedures for two consecutive years.
   Criteria against which this vote has been assessed as "most significant": Robeco deemed the vote to be significant due to the size of the holding in the fund and the potential impact on financial outcomes.

2. **CJ Cheiljedang Corp, Ltd., 16 March 2022**
   Summary of resolution: Approval of Directors' Fees
   Vote: Against
   Outcome of the vote: Pass
   Rationale: Robeco voted against this resolution as it believes the fees constitute excessive compensation.
   Criteria against which this vote has been assessed as "most significant": Robeco's Responsbile Remuneration and Corporate Governance Standards in Asia engagement themes seek to improve good corporate governance and remuneration practices, therefore this vote was deemed significant.

BlackRock Aquila Life Advantage Fund

1. **General Electric Company, May 2021**
   Summary of resolution: Advisory Vote to Ratify Named Executive Officers' Compensation
   Vote: Against
   Outcome of the vote: Fail
   Rationale: BIS believes that pay is not aligned with performance and peers. Although the corporate financial thresholds in the annual incentive program were met, the committee used its discretion to fund the bonus pool at 80% of target. Where a Compensation Committee has used its discretion in determining the outcome of any compensation structure, BIS expects transparency with respect to how and why discretion was used, which it felt was lacking in this instance.
   Criteria against which this vote has been assessed as "most significant": This resolution is regarding a compensation proposal where BIS voted against and therefore it is deemed significant.

2. **Rio Tinto Limited, May 2021**
   Summary of resolution: Item 19 – Approve Emissions Target, Item 20 – Approve Climate-Related Lobbying.
   Vote: For.
   Outcome of the vote: Pass.
   Rationale: Item 19 requested the company to disclose short, medium, and long-term targets for its scope 1 and 2 GHG emissions and performance against those targets. All targets should be independently verified as aligned with the climate goals of the Paris Agreement. BIS supported this proposal as it is consistent with its expectation that companies to disclose scope 1 and 2 emissions and accompanying GHG emissions reduction targets. Item 20 requested that the company enhance its annual review of industry associations to ensure that areas of inconsistency with the Paris Agreement are identified, and that if identified those memberships be subsequently suspended for a period deemed suitable by the Board. The proposal would not limit the Board's discretion to make decisions it deems are in the best interests of the company. In line with management's recommendation, BIS

supported this proposal to signal the importance of the opportunity for Rio Tinto to engage its trade associations to further advance their policy positions in support of the global energy transition.
Criteria against which this has been assessed as "most significant": As stewards of its clients' assets, BIS has a responsibility to make sure companies are adequately managing and disclosing ESG risks and opportunities that can impact their ability to generate long-term financial performance – and to hold them accountable if they are not. BIS believes that improved disclosures regarding the company's ability to influence its industry associations would help investors understand and assess the possible misalignment in public positions on key strategic policy issues with those of certain associations of which it is a member. Therefore, BIS considers this vote significant.

Royal Mail Defined Contribution Plan Chair's Statement

Welcome to the 2022 Chair's Statement. 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 2022. It is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Administration) Regulations 1996.

Default arrangements

Members who don't make a choice regarding the investment of their contributions are 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.

The Trustees implemented a three-stage lifecycle investment strategy (early stage growth, to stable growth, to bonds and cash) in 2018. Following a triennial strategic investment review, changes to the equity component were made in the previous Plan year by replacing the LGIM 30:70 Global equity Index fund with the BlackRock ACS Climate Transition World Equity Fund which considered climate related risks and the transition to a low carbon economy by rewarding low CO2 companies and also those which had a plan to transition to the low carbon economy.

This year, the Trustees reviewed 'ESG' (Environmental, Social and Governance criteria) dashboards for funds used in the Plan's default that have equity and corporate bond holdings. These dashboards considered high-level ESG risk exposure, including climate risk, as well as providing context on holdings that MSCI deem to have "severe controversies". As a result of this, the Trustees engaged with LGIM (Legal & General Investment Management) to better understand their ESG integration process.

The Trustees considered new investment ideas at the end of the Plan year, which this led to a more detailed review of the at-retirement allocation of the default. This review was progressed by the Investment Sub Group, the outcome of which will be an adjustment of the bond component of the at-retirement default arrangement, seeking 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 Trustees established the Investment Sub Group in 2020 to undertake the detailed and specialist work required for strategic investment review. This allows for a more concentrated assessment of the Plan's investments although material decisions are still considered at the Board level. Illiquid assets are not considered as part of these reviews given the constraints of the provider's platform, and the system's requirement for daily dealing across all underlying funds, and the expectation that the Plan will be closed to accrual in a relatively short period, subject to the successful launch of the Royal Mail Collective Pension Plan.

A copy of the Trustee's 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 royalmailserviceteam@scottishwidows.co.uk.

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 June 2022.

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. As the Covid-19 pandemic broke, weekly updates were provided to the Trustees. Whilst non time critical processes were below service levels during the hight of the pandemic, these service levels have now returned to normal. We are pleased to report that time critical processes continue to be prioritised and members remain unaffected by the disruption caused.

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 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. As a Board, we continue to look beyond the sterile service statistics and understand what will help improve the processes, making changes whenever appropriate to improve the member experience. A recent example was the reaffirmation that members of the Plan, like all other Defined Contribution arrangements, need assistance at retirement regarding how they use their 'pot'. Members can now use the latest products provided by HUB Financial Solutions:

- Pension Buddy (for the start of their retirement journey)
- Destination Retirement (to understand and plan and finance retirement)
- Guided Annuity Service (if you decide that an annuity is right for you).

For further details, please see:

https://rmdcp.uk/taking-money-out/who-can-help-you-decide-how-to-take-your-money

Reporting on all complaints made and whether or not 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 year under review. In light of the above, the Trustees and I 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 0.62% pa. The accumulation fund, the RMDCP Blended Equity Fund, which most members are invested in, has a fee of 0.45% pa. This is below the charge cap of 0.75% pa. 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 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. 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 take into account the effects of inflation. For example, it highlights that your purchasing power is eroded when investing in Cash.

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 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 second table shows the effect of charges on potential growth for the more commonly used self-select funds.

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.

In line with the 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. In terms of value, we realised that it is hard to determine in isolation and goes beyond ongoing charges so the Trustees decided to go beyond the statutory requirements. To avoid a proliferation in inputs from a range of providers, the Trustees decided to focus their assessment this year and engaged with Muse Advisory to look in further detail at 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 (details are on page 3). The results were 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.

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 Codes of Practice 07 and 13. In exercising their powers in practice, we are aided by our Trustee portal which holds key Plan documents and is available to the Trustees at all times. 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 Sub Group. All the Plan documents 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 Trustee 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.

In addition, we also receive an industry update at each quarterly meeting to keep abreast of developments and 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 ESG and climate change investment strategies; Implementation Statements; retirement investment strategies; Value for Members and industry updates. A full list of all the professional development items is attached in a table in Annex D.

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

All the current Trustees have completed the Pension Regulator's Trustee Toolkit and new Trustees are required to complete this within six months of taking up office, including the new Pension Scams unit.

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 see the impact of Coronavirus beginning to reduce. All functions and service providers continued to operate effectively throughout the pandemic and we are now seeing operating practices return to normal. The Trustees started meeting again in person again from June 2022.

The effectiveness of the risk mitigation and controls put in place during coronavirus proved robust throughout the period and continue to provide a solid basis from which to deal with any future unforeseen challenges that may present themselves.

The Trustees are fully supportive of regulations effective from 30 November 2021 which introduced conditions restricting the statutory right to transfer that enable Trustees to refuse a transfer where they suspect a member may become a victim of a pensions scam. Low risk transfers to certain authorised schemes can still go ahead with minimal extra due diligence. For all other transfers, the Trustees alongside their administrators must go through extra levels of due diligence and processes to decide whether red or amber flags are present. If there are no red or amber flags under the TPR regulation, then the member acquires a statutory right to transfer.

The Trustees conducted a review of the resourcing in the processing of discretionary death distribution benefits. An improved process has been introduced which delegates some of the decision making to Royal Mail's Pensions Service Centre and the Plan Secretary for simple non-contentious cases. This streamlined process has led to a better experience for bereaved beneficiaries as simple cases are resolved faster and the Discretions Committee is able to focus on resolving more complex matters.

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. This helps demonstrate the presence of DC quality features, which we believe will help deliver better outcomes for members in retirement.

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

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

For and on behalf of the Trustees,
Venetia Trayhurn, Chair of Trustees:
Date: 13 October 2022

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

Default Lifecycle Strategy. With Contributions.

This table shows the development of the projected pot size over time, after the effects of inflation, in today's terms, for a sample of ages assuming the pension pot is invested in the Default Lifecycle Strategy with: Starting Fund £11,000. Starting Contributions £325pm.
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 and the charges for those funds are different (they become more expensive closer to retirement as they are more actively managed than passively managed).

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	**14,800**	**14,700**	**15,000**	**14,900**	**15,100**	**15,000**	**15,100**	**15,100**
3	**22,500**	**22,100**	**23,100**	**22,900**	**23,700**	**23,400**	**23,800**	**23,500**
5	**29,800**	**29,100**	**31,200**	**30,400**	**32,700**	**32,000**	**33,000**	**32,300**
10			**49,800**	**47,600**	**56,000**	**53,800**	**58,000**	**55,800**
15					**78,700**	**73,900**	**85,600**	**80,800**
20					**96,800**	**88,900**	**114,000**	**105,000**
25							**140,000**	**126,000**
30							**157,000**	**139,000**

Without Contributions. Self-Select Funds

This table shows the development of the projected pot size over time, after the effects of inflation, in today's terms, assuming the pension pot is invested fully in each of the self-select funds, for members of any age. Starting Fund £11,000. No further contributions are made.
The illustrations shown below are for a representative selection of the more common funds members may invest in. They were selected to reflect the range of projected returns for the available funds illustrating the effects of charges and costs on those returns.

Years	Annuity Bonds		Ethical		Cash		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	10,800	10,800	11,200	11,200	10,800	10,800	11,200	11,100
3	10,600	10,600	11,800	11,700	10,500	10,400	11,800	11,400
5	10,400	10,300	12,400	12,200	10,200	10,000	12,400	11,700
10	9,970	9,730	13,900	13,500	9,510	9,240	14,000	12,500
15	9,490	9,150	15,700	15,100	8,840	8,460	15,800	13,300
20	9,040	8,610	17,800	16,800	8,220	7,760	17,800	14,200
25	8,600	8,100	20,000	18,600	7,640	7,110	20,100	15,200
30	8,190	7,620	22,600	20,700	7,110	6,520	22,700	16,200
35	7,800	7,170	25,500	23,000	6,610	5,970	25,700	17,300

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 £11,000.
4. 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 change.
8. Projected Growth Rates assumptions are as follows:

Years to Retirement	Projected Growth Rate (Average)	
1	0.90%	Below inflation
3	0.60%	Below inflation
5	0.40%	Below inflation
10	0.10%	Above Inflation
15	0.50%	Above Inflation
20	0.80%	Above Inflation
25	1.10%	Above Inflation
30	1.30%	Above Inflation
35	1.40%	Above Inflation

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	0.51	0.180	0.685	0.96
Active Global Equity	0.27	0.75	0.100	0.850	1.12
Annuity Bonds	0.24	0.00	0.000	0.000	0.24
Blended Equity	0.27	0.16	0.024	0.187	0.447*
Cash	0.17	0.10	0.000	0.100	0.27
Diversified Assets	0.27	0.22	0.070	0.290	0.51*
Diversified Bond	0.26	0.39	0.035	0.423	0.68
Ethical	0.29	0.00	0.000	0.000	0.29
Inflation Linked Bonds	0.24	0.00	0.000	0.000	0.24
Passive Global Equity	0.27	0.05	0.011	0.061	0.33
Shariah	0.22	0.30	0.300	0.600	0.82

* 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)[5]	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	**17.1**	1.2	3.0	4.6	10.2	3.7	0.1	**100.0%**	FM2, FM7, FM8, FM10	*1, 2, 3, 4, 5, 6, 7, 9*
Active Emerging Market Equity	FFPQ	**19.3**	N/A	N/A	N/A	N/A	N/A	N/A	**100.0%**	FM7, FM10	*1, 5, 6, 7, 9*
Active Global Equity	FFPR	**1.1**	N/A	N/A	N/A	N/A	N/A	N/A	**100.0%**	FM1	*5, 6, 7, 9*
Annuity Bonds	FFPS	**0.0**	0.0	6.3	0.0	-3.4	5.0	0.1	**100.0%**	FM8	*2, 3, 4, 5, 6 , 7*
Cash	FFPT	**1.8**	0.0	0.0	1.8	0.0	0.0	0.0	**100.0%**	FM3	*5, 6, 7*
Diversified Assets	FFPU	**25.5**	0.0	0.0	0.0	27.7	2.6	0.4	**100.0%**	FM3	*2, 3, 4, 5, 6, 7*
Diversified Bond	FFPV	**18.9**	0.0	0.5	11.8	0.1	1.5	0.1	**100.0%**	FM4, FM6, FM9	*1, 2, 3, 4, 5, 6, 7*
Ethical	FFPW	**0.0**	0.0	1.8	0.0	-0.5	1.6	0.2	**100.0%**	FM8	*2, 3, 4, 5, 6, 7*
Passive Global Equity	FFPX	**9.2**	2.6	2.1	9.6	-1.4	3.7	0.0	**100.0%**	FM2	*2, 3, 5, 6, 7*
Inflation Linked Bonds	FFPZ	**4.0**	0.0	0.0	2.8	0.2	0.0	1.0	**100.0%**	FM8	*2, 4, 5, 6, 7*
Shariah	FFQA	**1.6**	1.0	1.1	-0.5	0.0	0.0	0.0	**100.0%**	FM5	*5, 6, 7*

* Reference to the External Fund Manager Data table

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.
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.
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.

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

Date	Subject	Sub-group / Board	Time	Provider
24/06/2021	Industry legal update	Board	0.5	Hogan Lovells
30/09/2021	Climate impact & ESG discussion	Board	1	LCP
19/07/2021	Master Trust market and selection training	ISG	1	Dean Wetton Advisory
18/08/2021	VfM training	ARA	0.75	Muse
16/12/2021	Review of discretionary benefits & Process	Board	0.5	Cosan
16/12/2021	ESG investment characteristics	Board	0.5	LCP
31/03/2022	At retirement member profiling	Board	0.5	LCP
31/03/2022	Transfer pledge anti-scams	Board	0.5	SW
31/03/2022	TCFD & Trustees Climate related beliefs	Board	1	LCP
27/01/2022	Own Risk Assessment	Board	0.75	Communications Specialist
27/01/2022	TKU & Board Effectiveness review	Board	0.5	LCP
27/01/2022	Member journey	Board	1	SW
27/01/2022	TCFD Training	Board	0.75	LCP
27/01/2022	Master Trust training	Board	0.75	LCP
27/01/2022	Current investment trends	Board	0.5	LCP
		Total 2021/22	**10.5**	

Statement of Trustees' Responsibilities for the Financial Statements

The audited financial statements, which are required to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the 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 the Plan, or have no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Plan prescribed by pensions legislation, which they should ensure is fair and impartial.

The Trustees also has 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.

The Trustees are responsible for the maintenance and integrity of the Plan and financial information included on the Plan's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

Fund account for the year ended 31 March 2022

	Notes	2022 £'000	2021 £'000
Employer contributions	2	186,886	178,658
Employee contributions	2	2,032	2,062
Total contributions		188,918	180,720
Transfers in from other plans	3	2,865	1,376
Other income	4	9,881	13,939
		12,746	15,315
Benefits	5	(25,550)	(24,785)
Leavers	6	(4)	(1)
Transfers out to other plans	7	(11,885)	(6,463)
Other Payments	8	(52)	(12)
Administration expenses	9	(984)	(1,484)
		(38,475)	(32,745)
Net additions from dealings with members		**163,189**	**163,290**
Returns on investments			
Investment income	10	-	4
Change in market value of investments	11	107,181	246,685
Investment management expenses	12	(3,192)	(2,314)
Net returns on investments		**103,989**	**244,375**
Net increase in fund during the year		**267,178**	**407,665**
Net assets of the Plan at 1 April		**1,084,358**	**676,693**
Net assets of the Plan at 31 March		**1,351,536**	**1,084,358**

The notes on pages 50 to 58 form part of these financial statements.

Statement of Net Assets (available for benefits) as at 31 March 2022

	Notes	2022 £'000	2021 £'000
Allocated to members			
Investment Assets			
Pooled Investment Vehicles	11	1,341,985	1,074,952
Cash		3,641	525
Net investment assets		**1,345,626**	**1,075,477**
Current Assets	13	9,438	13,184
Current Liabilities	14	(6,298)	(6,912)
		1,348,766	**1,081,749**
Not allocated to members			
Current Assets	13	3,240	2,766
Current Liabilities	14	(470)	(157)
		2,770	**2,609**
Net assets available for benefits		**1,351,536**	**1,084,358**

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 50 to 58 form part of these financial statements.

The financial statements on pages 49 to 60 were approved by the Trustees and were signed on their behalf by:

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

Trustee: Venetia Trayhurn (Chair) ....

Trustee: Matthew Brooks (Trustee) ....

Date: 13 October 2022

Notes on the Annual Financial Statements

Accounting policies

1.1 Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice (Revised 2018).

The Plan is established as a trust under English law. The address for enquiries to the Plan is included in the Trustees' Report.

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as they believe that the Plan has adequate resources to realise its assets and meet benefit obligations in the normal course of affairs (and continue to operate) for at least the next twelve months from the date of the approval of these financial statements. In reaching this conclusion, the Trustees have considered the impact of the employer, administrator, portfolio liquidity and cashflow requirements. This assessment gives the Trustee confidence to prepare the financial statements on a going concern basis.

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

	2022 £'000	2021 £'000
Employers		
Normal	186,886	178,658
Employees		
Normal	1,395	1,603
Additional voluntary contributions	637	459
	188,918	**180,720**

The total employers' contributions include Pension Salary Exchange contributions.

3 Transfers in

	2022 £'000	2021 £'000
Individual transfers	2,865	1,376
	2,865	**1,376**

4 Other income

	2022 £'000	2021 £'000
Claims on life insurance policies	9,485	13,939
Other income	396	-
	9,881	**13,939**

.1

5 Benefits payable

	2022 £'000	2021 £'000
Purchase of annuities	699	346
Lump sum death benefits	10,410	13,998
Commutations and lumps sum retirements benefits	14,441	10,441
	25,550	**24,785**

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

	2022 £'000	2021 £'000
Refunds to members leaving service	4	1
	4	**1**

7 Transfers to other Pension Schemes

	2022 £'000	2021 £'000
Transfers to other schemes	11,885	6,463
	11,885	**6,463**

8 Other payments

	2022 £'000	2021 £'000
Opt outs - return of contributions	52	12
	52	**12**

The Trustees paid £nil (2020: £nil) from the Employer Reserves towards the Plan Life Assurance Premium for the year ended 2022. The remaining balance of the premium is paid by RMG.

As with the Life Assurance premium, some administration expenses 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

	2022 £'000	2021 £'000
Professional charges	750	1,158
Other payments	234	323
Levies	-	2
Employer trustee reserve fund	-	1
	984	**1,484**

10 Investment income

	2022 £'000	2021 £'000
Investment income	-	4
	-	**4**

11 Investments

	2022 £'000	2021 £'000
Pooled investment vehicles		
Insurance policy		
Market value at 1 April	1,074,952	668,181
Purchases at cost	240,579	224,310
Disposals	(80,727)	(64,224)
Change in market value	107,181	246,685
Market value at 31 March	**1,341,985**	**1,074,952**
Cash deposits	**3,641**	**525**
	1,345,626	**1,075,477**

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 Scottish Widows 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:

	Value at 31/03/2021 £000's	Purchases at cost £000's	Sales proceeds £000's	Change in market value £000's	Value at 31/03/2022 £000's
Active Emerging Market Equity	1,320	582	(356)	(170)	1,376
Active Global Equity	968	325	(245)	18	1,066
Annuity Bonds	2,984	304	(317)	(196)	2,775
Blended Equity	861,524	157,973	(46,987)	102,705	1,075,215
Cash	10,309	7,420	(4,780)	7	12,956
Diversified Assets	94,123	34,918	(12,896)	2,242	118,387
Diversified Bond	81,405	35,996	(12,700)	(1,324)	103,377
Ethical	4,589	700	(632)	832	5,489
Inflation Linked Bonds	2,620	305	(515)	118	2,528
Passive Global Equity	9,782	909	(762)	1,772	11,701
Shariah	5,328	1,147	(537)	1,177	7,115
					1,341,985
Total	1,074,952	240,579	(80,727)	107,181	1,341,985

There were no direct or material indirect employer-related investments at the reporting date 31 March 2022 (2021: 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 (i.e. developed using market data) for the asset or liability, either directly or indirectly;

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

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 levels as follows:

	2022 **£'000**	**2021** **£'000**
Pooled investment vehicles - Level 2	1,341,985	1,074,952
Cash – Level 1	3,641	525
	1,345,626	**1,075,477**

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 Scottish Widows Limited.

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 Scottish Widows funds.

12 Investment management expenses

	2022 £'000	2021 £'000
Member fund based charges	3,192	2,314
	3,192	**2,314**

13 Current assets

	2022 £'000	2021 £'000
Allocated to members		
Contributions due from employer		
Employer	3,642	6,724
Employee	20	34
AVCs	13	12
	3,675	6,770
Cash at bank	5,763	6,414
	9,438	**13,184**
Not allocated to members		
Cash at bank	3,211	2,766
Sundry debtors	29	-
	3,240	**2,766**

Contributions due from the employers for the Plan year ended 31 March 2022 were received and invested in accordance with the Plan rules and the payment schedule.

14 Current liabilities

	2022 £'000	2021 £'000
Allocated to members		
Benefits payable	5,952	6,489
Unclaimed benefits	236	236
Sundry creditors	110	187
	6,298	6,912
Not allocated to members		
Tax payable	302	157
Sundry creditors	168	-
	470	**157**

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) Administrative expenses paid by the Plan are disclosed in note 9, 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 Plan 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 team was £172,827 for the Plan year (2021: £171,006).

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 2022 (2021: 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 Defined Contribution Plan ("the Plan") for the year ended 31 March 2022 which comprise the Fund Account, the Statement of Net Assets (available for benefits) and related notes, including the accounting policies on pages 52 and 53.

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 2022 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

Going concern

The Trustee has prepared the financial statements on the going concern basis as 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").

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

Our conclusions based on this work:

- we consider that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustee's assessment that there is not, a material uncertainty related to events or conditions that, individually or

collectively, may cast significant doubt on the Plan's ability to continue as a going concern for the going concern period.

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of the Trustee, and inspection of policy documentation, including risk register, as to the Plan's high-level policies and procedures to prevent and detect fraud, as well as enquiring whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Trustee Board minutes.

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

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Trustee (or their delegates, including Plan administrators) may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue in a pension scheme relates to contributions receivable as paid under an agreed schedule or pre-determined by the Trustee; there are no subjective issues or judgements required.

We did not identify any additional fraud risks.

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

We also performed procedures including:

- Identifying journal entries posted after the first draft of the financial statements have been prepared and comparing the identified entries to supporting documentation.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

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

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

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

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

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

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

We have reported separately on contributions payable under the Payment Schedule in our statement about contributions on page 67 of the annual report.

Context of the ability of the audit to detect fraud or breaches of law or regulation

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

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

Other information

The Trustee is responsible for the other information, which comprises the Trustees' report, Investment report, Chair's Statement and Statement of Trustees' Responsibilities in Respect of Contribution. 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 48, the Plan Trustee is 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, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Plan Trustee those matters we are required to state to in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan Trustee, for our audit work, for this report, or for the opinions we have formed.

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

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 2022

The Plan's Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a payment schedule 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 payment 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 2022. The Trustees operate Pension Salary Exchange so the total employer contributions include, in essence, employee contributions. The Plan Auditor reports on contributions payable under the schedule in the Auditor's Statement about Contributions.

Contributions payable under the Schedule in respect of the Plan year

Employer normal contributions	£186,885,624
Member normal contributions	£ 1,395,378
Contributions payable under the Schedule	**£188,281,002**

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)	£180,281,002
Member additional voluntary contributions	£ 636,991
Total contributions reported in the financial statements	**£188,917,993**

Signed for and on behalf of the Trustees

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

Trustee: Venetia Trayhurn, (Chair) ……………………………………………………………

Trustee: Matthew Brooks (Trustee) ……………………………………………………………

Date: 13 October 2022

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 Plan year ended 31 March 2022 which is set out on page 66.

In our opinion contributions for the Plan year ended 31 March 2022 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 dated 27 April 2018.

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 Plan and the timing of those payments under the payment schedule.

Respective responsibilities of trustee and auditor
As explained more fully in the Statement of Trustee's Responsibilities in Respect of Contributions set out on page 66, the Plan's Trustee is 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 Plan by or on behalf of the employer and the active members of the Plan. The trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Plan and for monitoring whether contributions are made to the Plan 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 Plan and to report our opinion to you.

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

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

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.
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.
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.
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.
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.

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 4%, 5% and 6% 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.
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.

Royal Mail Defined Contribution Plan

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 24 June 2021.

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 September 2020, 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;
- the transition to a low carbon economy presents risks and opportunities for the Plan's investment returns. Mitigating the risks and seeking out the opportunities offers the potential to enhance the Plan's investment returns;
- 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.

Assessing and managing climate-related risks and opportunities is entirely consistent with protecting the long term returns of the Plan and is therefore acting in the best long-term interests of the Plan's members.

Appointing managers that are committed to an efficient and effective transition to a low-carbon economy is an important means of facilitating good member outcomes.

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 can evidence 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.

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. ESG risks

ESG factors are sources of risk to the Plan's investments, which could be financially material, over both the short and longer term. These include risks relating to factors such as unsustainable business practices and unsound corporate governance. Climate change is also deemed a financially material risk for the Plan. 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

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 24 June 2021.

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.

2. Investment strategy

The Trustees make available a range of passively and actively managed self-select funds and four 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% BlackRock ACS Climate Transition World Equity Fund 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% BNY Mellon Global Dynamic Bond Fund 25% Kames Absolute Return Bond Fund

		25% M&G Total Return Credit Investment 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 provide exposure to companies within the MSCI World Index that are well-positioned to maximise the opportunities and minimise the potential risks associated with a transition to a low carbon economy relative to other companies	100% BlackRock ACS Climate Transition World Equity Fund
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

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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%

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5. Alternative lifecycle strategies

In addition to the default strategy, the Plan offers three additional lifecycle strategies targeting the following:

- a flexible retirement for members who wish to remain invested into retirement and drawdown some or all over their income over time after leaving the Plan
- the purchase of an annuity at retirement; and
- cash withdrawal (with higher risk than the default).

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

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%

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%

The Royal Mail Defined Contribution Plan

September 2022