ROYAL MAIL DEFINED CONTRIBUTION PLAN

The Royal Mail Defined Contribution Plan

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

PSR 12000324

CONTENTS

Trustees and their Advisers – year ended 31 March 2023

Trustees	The Law Debenture Pension Trust Corporation – Chair (represented by Venetia Trayhurn) Capital Cranfield Pension Trustees Limited - Independent Trustee (represented by Allan Course) Matthew Brooks – Employer Nominated George Hiscocks – CWU Member Nominated Tom Lambert – CMA Unite Member Nominated Jackie Ruddy – Employer Nominated (appointed 28June 2023) Anthony Woods – CWU Member Nominated
Secretary	Christopher Hay 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	Unum Limited (from 1 July 2022)
Investment Managers (Accessed via an Insurance policy with Scottish Widows Ltd)	Ardevora Asset Management LLP AEGON Asset Management BlackRock Investment Management (UK) Ltd BNY Mellon Investment Management 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	
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.	
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 an Import Revenue Business Partner, Commercial Finance.	
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.	
Jackie Ruddy Jackie was appointed as an Employer Nominated trustee on 28 June 2023. She joined the business in 2021 as Director of Financial Control, and leads the external reporting, financial control and finance shared services teams. Jackie is a qualified accountant and tax advisor and has performed a number of senior finance roles in other large organisations.	

Trustees' Report – year ended 31 March 2023

Introduction

This is the Annual Report of the Royal Mail Defined Contribution Plan (the Plan) for the year ended 31 March 2023. 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 2022-23

During the year the Trustees:

- Made changes to investments following market volatility to improve diversification of active funds and reactivity of passive funds.
- Reviewed their crisis response plans and initiated detailed cyber security assessment review.
- Adopted a more formalised approach to Risk Management introduced with regular reassessments within sub-groups.
- Prepared for the connection to Dashboards by forming a Dashboard working group, increasing administrator engagement and progressing a data cleansing exercise.
- Prepared its first Task Force on Climate-Related Financial Disclosures ("TCFD"). TCFD was created by the Financial Stability Board ("FSB") and requires the Plan to disclose the impacts of climate change on the investments held. The report can be accessed at scottishwidows.co.uk/save/royalmaildcplan.

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 was vacant throughout the Plan year. This position was filled by Jackie Ruddy and her appointment was formalised 28 June 2023. 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	Trustee meetings in the year
Ms V Trayhurn	4	4
Mr A Course	3	4
Mr M Brooks	4	4
Mr G Hiscocks	4	4
Mr T Lambert	4	4
Mr A Woods	4	4
Ms J Ruddy (as observer)	2	2

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 Pension 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 Financial Statements 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; Stewardship; 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 run 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 Schedules dated 27 April 2018 and 29th November 2022, as shown in the Trustees' Summary of Contributions, totalled £207.6m during the year (2022: £188.9m).

Transfer Values

Members leaving service with more than 30 days 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 on the Plan website: 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 from the Plan website 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 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 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 1 April	
Active members	58,953
Deferred members	31,330
Total membership as at 1 April	**90,283**
Movements during the year	
Retrospective adjustments	(338)
New entrants	7,444
Refunds	(379)
Opt outs	(564)
Retirements	(53)
Transfers out	(821)
Deaths	(115)
UFPLS/small pots	(1,181)
Total Membership as at 31 March	**94,276**
Active members	56,137
Deferred members	38,139
Membership as at 31 March	**94,276**

An additional 955 members were covered for life assurance only benefits under the Plan as at 31 March 2023 (2022: 3,880).

During the year ended 31 March 2023, 48 members of the Plan retired and purchased annuities with external insurance companies (2022: 27).

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
Telecom House
125 – 135 Preston Road
Brighton, BN1 6AF

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 on the Plan website 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 at the end of this document and also 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 have 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 2023

Economic overview

Many asset classes struggled throughout the year to 31 March 2023 in what has been, for the most part, a challenging financial environment.

Economies around the world have been heavily impacted by rising inflation and the policies implemented by central banks intent on taming it. Russia's invasion of Ukraine continued to have disruptive effects, generating elevated global inflationary pressures which have weighed on business and consumer sentiment, as well as causing supply shortages and the global energy crises.

Worries over poor prospects for world economic growth persisted throughout the majority of 2022, with fears of a recession looming across many developed markets. The slowdown in China also came to the forefront of issues, fuelled by continuing zero-Covid lockdowns as well as its property market debt crisis. Although China was forced to abandon their zero-Covid policy at the end of 2022 due to mass protests and discontent, concerns over slowing Chinese economic growth have persisted into 2023.

Liz Truss's mini-budget caused turbulence in financial markets in general, but especially in UK bond markets over the second half of 2022. The mini-budget severely shook investor confidence in the UK's reputation for fiscal responsibility, with the immediate outcome being a very rapid and sharp rise in gilt yields (and resulting fall in bond prices, hence fall in performance of fixed income assets). Volatility settled down in the subsequent months, although returns for index-linked and fixed interest gilts remained strongly negative with significantly higher than expected levels of volatility over the year to 31 March 2023.

Concerns over parts of the banking sector grew in March 2023, following the collapse of several banks, such as Silicon Valley Bank and Credit Suisse. This meant that government bond volatility remained high, although equities recovered after a brief wobble to deliver positive returns.

Equities

The disruptive impact of Russia's invasion of Ukraine has contributed to inflationary pressures over the period. In an effort to combat rising inflation, central banks have been increasing interest rates steadily over, which has negatively impacted many equity markets across the world.

Poor performance in overseas developed equities (everything but Emerging and Frontier markets) was largely driven by the poor performance of the technology sector, which makes up a significant portion of the market in the US, on the back of rising interest rates.

In contrast, UK equities posted small positive returns as UK markets generally benefited from having a relatively high reliance on sectors such as energy and banks, which typically outperform in high inflationary environments, and also from having less reliance on sectors such as technology.

Emerging market equities struggled due mainly to China's zero Covid-19 policy earlier in 2022, as well as the significant challenges posed by increasing tensions between the US and China.

The RMDCP Blended Equity Fund has a 90% allocation to developed market equities (including UK equities), and a 10% allocation to emerging market equities, and returned -0.9% over the period, outperforming its benchmark by 0.7%. There is also exposure to both developed market equities (including UK equities) and emerging market equities in the RMDCP Diversified Assets Fund, which returned -9.0%, underperforming its benchmark by 14.7%. As a result of this underperformance, along with other concerns the Trustees had, the underlying fund within the RMDCP Diversified Assets fund was changed in April and May 2023. Both of these funds are used in the default lifecycle strategy, the 10 year Royal Mail Lifecycle strategy (and the alternative lifecycle strategies, as well as in the self-select range).

The RMDCP Passive Global Equity Fund, RMDCP Active Global Equity Fund, RMDCP Active Emerging Markets Equity Fund, RMDCP Shariah Fund and RMDCP Ethical Fund are all equity funds that are available in the self-select range. These funds provided different returns over the period, but the Trustees are happy that they remain fit for purpose.

Bonds

Bond market performance is strongly influenced by interest rates, which rose sharply as central banks increased interest rates in an effort to combat inflation. This has been significantly detrimental for bonds, with fixed-interest government bonds, index-linked government bonds and corporate bonds all generating negative returns. In addition, the UK's 'mini-budget', announced in September 2022, was poorly received by markets and caused a very sharp rise in UK government bond yields, driving performance further into negative territory.

The RMDCP Diversified Bonds Fund which is invested in a variety of different bond assets and is used in the default lifecycle strategy, the 10 year Royal Mail Lifecycle strategy (and alternative lifecycle strategies, as well as in the self-select range) returned -0.4%, underperforming its benchmark by 5.1%. Performance of this Fund was broadly in line with the market over the year and the benchmark is to be assessed on performance over a longer time horizon, as such the Trustees remain comfortable with this fund.

The RMDCP Annuity Bonds Fund and RMDCP Inflation Linked Bonds Fund invest in in bond assets and are available in the self-select range, with the former also being used in the 10 Year Royal Mail Annuity Lifecycle strategy. These funds provided different returns over the period, but the Trustees are happy that they remain fit for purpose.

Alternative assets

The Plan's Diversified Assets Fund delivered a negative return of -9.0%, significantly underperforming its benchmark. Over the Plan Year, the Fund's allocation to small cap stocks detracted from performance as they marginally underperformed relative to large cap stocks. Emerging market equities also struggled and contributed negatively to performance.

Over the Plan Year, the Trustees decided to replace the allocation to BlackRock Aquila Life Market Advantage (ALMA) Fund within the Diversified Assets Fund due to concerns including sustained underperformance. The Fund was replaced with a 50:50 allocation to the Ruffer DC Absolute Return Fund and the LGIM Diversified Fund, with the change taking place over April and May 2023.

A table detailing the investment performance of all funds is provided on page 41.

The content of the above investment market commentary and performance 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 on page 17.

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

Implementation Statement, covering the Plan Year from 1 April 2022 to 31 March 2023

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 2-8 below.

The Statement is also required to include a description of the voting behaviour during the Plan Year by, and on behalf of, the Trustees (including the most significant votes cast by the Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 9 below.

In preparing the Statement, the Trustees have had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

This Statement is based on and uses the same headings as the Plan's SIP dated 24 June 2021, which was in force over the start of the Plan Year (1 April 2022) to 29 June 2022, and the SIP dated 30 June 2022 which was in force for the remainder of the Plan Year (30 June 2022 to 31 March 2023). 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 30 June 2022 to reflect updates to the Trustees' beliefs in relation to climate change. 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 all of 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 last 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 Trustees concluded that whilst the default option had 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, which are set out in sections 3 and 5 of the Investment Policy Implementation Document. The Trustees monitor the take up of these funds and noted that c5.5% of members used these options as at 31 March 2023. The Trustees have reminded members through communications of the time horizon of their investment holdings as well as the importance of reviewing their 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, the Trustees review the investment strategy regularly in light of changes to market conditions and performance of the funds. Over the Plan Year, the Trustees concluded a review of the de-risking phase and at-retirement allocation of the default lifecycle, in the context of rising inflationary concerns. As part of this review, the Trustees agreed to change the allocations to the underlying funds used within the Diversified Bonds Fund, in order to provide members with better inflation protection. The allocations were changed from 50% BNY Mellon Global Dynamic Bond Fund, 25% M&G Total Return Credit Investment Fund and 25% Aegon Absolute Return Bond Fund to 45% BNY Mellon Global Dynamic Bond Fund, 45% M&G Total Return Credit Investment Fund and 10% Aegon Absolute Return Bond Fund on 20 September 2022.

The Trustees also reviewed the suitability of the BlackRock Aquila Life Market Advantage (“ALMA”) Fund within the RMDCP Diversified Assets Fund. Due to concerns including sustained underperformance and poor responsible investment integration, the Trustees agreed to replace the allocation to BlackRock ALMA with a 50:50 allocation to the Ruffer DC Absolute Return Fund and the Legal & General Investment Management (“LGIM”) Diversified Fund. This change was implemented after the end of the Plan Year covered by this Statement (in Q2 2023).

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.

The next review of the investment strategy is scheduled to begin in September 2023.

4. Considerations made in determining the investment arrangements

When the Trustees undertook a performance and strategy review of the DC default arrangement in September 2020, they considered the investment risks set out in Appendix 2 of the SIP and Section 4.1 of this Statement. 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 reviewed their investment beliefs over the previous Plan Year. As part of this, the investment adviser, Lane, Clark & Peacock LLP, ("LCP"), facilitated an investment 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 over the Plan Year, in 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

Over the Plan Year the Trustees reviewed their investment manager mandates to understand the extent to which climate risks and opportunities are incorporated in the funds used within the default lifecycle and their approach to stewardship. This high-level review noted that most of the Plan's managers and funds have reasonable climate credentials, however there are some areas for improvement for the majority of managers. Following this review, the Trustees engaged with some of the managers to highlight areas of expected improvement and to encourage changes to be made.

The Trustees invest for the long term, to provide for the Plan's members and beneficiaries. To achieve good outcomes for members and beneficiaries over this investment horizon, the Trustees therefore seek to appoint managers whose stewardship (stewardship being the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society) activities are aligned to the creation of long-term value and the management of long-run systemic risks.

4.1 Policy towards risk

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 lifecycle 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.

The following risks are covered in this Statement as follows: excessive charges in Section 5, illiquidity/marketability risk in Section 6 and ESG risks in Section 7.

The quarterly reports reviewed during the year showed that the majority of managers have produced performance broadly in line with expectations over the long-term, with the exception of the BlackRock ALMA Fund used within the RMDCP Diversified Assets Fund. Following a sustained period of underperformance and poor responsible investment integration, the Trustees made the decision to replace the allocation to BlackRock ALMA with a 50:50 allocation to the Ruffer DC Absolute Return Fund and the LGIM Diversified Fund. This change was completed after the end of the Plan Year covered by this Statement (in Q2 2023).

5. Implementation of the investment arrangements

The Trustees agreed to appoint two new funds over the Plan Year: the Ruffer DC Absolute Return Fund and the LGIM Diversified Fund (within the RMDCP Diversified Assets Fund).

Before appointing the managers, the Trustees received information on the investment process and philosophy, the investment team and past performance. The Trustees also considered the managers' approaches to RI and stewardship, including the Trustees' stewardship priorities (as set out in Section 8 of this Statement). The Trustees obtained formal written advice from their investment adviser, LCP, before investing in both funds and made sure the investment portfolio of the funds chosen were adequately and appropriately diversified. The Trustees rely on their investment adviser's research to understand managers' investment approaches, and ensure they are consistent with the Trustees' policies prior to any new appointment. The new investment managers were appointed in Q2 2023, after the end of the Plan Year covered by this Statement.

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 underlying funds.

The Trustees invite the Plan's investment managers to present at Trustee meetings on an ad-hoc basis. Over the Plan Year, the Trustees met with M&G in relation to the Plan's investment in the M&G Total Return Credit Investment Fund used within the RMDCP Diversified Bonds Fund. 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 a monitoring report prepared by the investment adviser. The report shows the performance of each fund over one year, three years and five years. Performance is considered in the context of the manager's benchmark and objectives. The Trustees also monitor their managers' responsible investment ("RI") capabilities using scores from their investment adviser's biannual RI survey and their adviser's ongoing manager research, on a quarterly basis as part of the standard monitoring reports. 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 Diversified Assets Fund, which the Trustees reviewed over the Plan Year and made changes to (BlackRock ALMA fund was replaced with a 50:50 allocation to the Ruffer DC Absolute Return Fund and the LGIM Diversified Fund) following the Plan Year covered by this Statement (in Q2 2023).

The Trustees undertook a "value for members" assessment for the Plan Year to 31 March 2023 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 of mandates.

During the Plan Year, the Trustees assessed the investment managers' fees considering 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 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).

During the previous Plan Year, 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 RI Survey 2022. LCP's RI Survey is published biannually, therefore the next review will be carried out in 2024.

As a result of LCP's RI Survey, over the Plan Year 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 in April 2022, being approved in September 2022.

In September 2022, the Trustees carried out climate scenario analysis and identified key climate related risks and opportunities for the Plan, in line with the Task Force on Climate Related Financial Disclosures requirements.

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 offered to members, undertaken in September 2020, and is reviewed as part of the regular monitoring conducted by the Trustees.

The Trustees recognise that some members may wish to invest in a way which is consistent with the principles of Islamic investment and therefore have made available the HSBC Islamic Global Equity Index Fund as a self-select investment option

8. Voting and engagement

The Trustees have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. These policies are:

- BlackRock Voting Policy
- Lazard Voting Policy
- LGIM Voting Policy
- Robeco Voting Policy

However, the Trustees take ownership of the Plan's stewardship by monitoring and engaging with managers as detailed below.

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 voting and engagement.

Following the introduction of DWP's guidance, the Trustees agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. At the Q4 2022 Trustee Board meeting, the Trustees discussed and agreed stewardship priorities for the Plan which are: Climate change, Diversity, Equity & Inclusion ("DE&I") and Corporate Transparency. The Trustees communicated these priorities to their managers in March 2023.

The Trustees are conscious that Responsible Investment (RI), including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustees aim to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

9. Description of voting behaviour during the Plan Year

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. However, the Trustees monitor managers' voting and engagement behaviour on a regular basis.

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

- BlackRock ACS Climate Transition World Equity Fund
- Lazard Developing Markets Fund
- LGIM Diversified Multi-Factor Equity Fund
- Robeco Emerging Stars Equities Fund
- BlackRock Aquila Life Market Advantage Fund

We have included only the funds with equity holdings used in the default strategy over the Plan Year and not any self-select funds. Given that the majority of members (c94.5% as at 31 March 2023) 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), 43% of assets are invested in the above funds through alternative investment options (ie alternative lifecycles and self-select fund range).

9.1 Description of the voting processes

For assets with voting rights, the Trustees rely on the voting policies which their managers have in place. Descriptions of these voting policies provided by managers are set out below and remain similar to those undertaken last year

BlackRock

Each year, the BlackRock Investment Stewardship ("BIS") team reviews and updates BlackRock's Global Principles ("Principles") and custom 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. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

While BlackRock subscribe to research from the proxy advisory firms Institutional Shareholder Services ("ISS") and Glass Lewis & Co ("Glass Lewis"), this is just one among many inputs into BlackRock's vote analysis process. BlackRock primarily uses proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that BlackRock Investment Stewardship analysts can readily identify and prioritise those companies where its own additional research and engagement would be beneficial. Other sources of information BlackRock uses include the company's own reporting (such as the proxy statement and the website), its engagement and voting history with the company, the views of its 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 publishes "voting bulletins" explaining key votes relating to governance, strategic and sustainability issues that it considers material to a company's sustainable long-term financial performance. These bulletins are intended to explain its vote decision, including the analysis underpinning it and relevant engagement history when applicable, where the issues involved are likely to be high-profile and therefore of interest to its clients and other stakeholders, and potentially represent a material risk to the investments it undertakes on behalf of its clients. BlackRock makes this information public shortly after the shareholder meeting, so clients and others can be aware of its vote determination when it is most relevant to them.

The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. BlackRock's voting guidelines are market-specific to ensure it takes into account a company's unique circumstances by market, where relevant. BlackRock's engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. BlackRock may also update its regional engagement priorities based on issues that it believes could impact the long-term sustainable financial performance of companies in those markets.

BlackRock determines which companies to engage directly based on its assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of its engagement being productive. BlackRock's voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which BlackRock assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock informs its vote decisions through research and engages as necessary.

LGIM

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

Every year, LGIM holds a stakeholder roundtable where clients and other stakeholders are invited to express their views directly to the members of LGIM's Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continues to develop its voting and engagement policies and define strategic priorities in the years ahead. LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for its clients. LGIM's voting policies are reviewed annually, considering feedback from its clients.

LGIM's Investment Stewardship team uses ISS's '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. LGIM's use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services to supplement the research reports that it receives from ISS for UK companies when making specific voting decisions. To ensure LGIM's proxy provider votes in accordance with LGIM's position, it has put in place a custom voting policy with specific voting instructions. LGIM retains the ability in all markets to override any vote decisions. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies. It is vital that the proxy voting service is regularly monitored and LGIM does this through quarterly due diligence meetings with ISS. LGIM has its own internal Risk Management System ("RMS") to provide effective oversight of key processes. Annually, as part of LGIM's formal RMS processes the Director of Investment Stewardship confirms that a formal review of LGIM's proxy provider has been conducted and that it has the capacity and competency to analyse proxy issues and make impartial recommendations.

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 maximize 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 active managers, Lazard is committed to fully exercising its role as steward 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. 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. Robeco are convinced that companies with sustainable business practices have a competitive advantage and are more successful in the long-term. Actively exercising its stewardship responsibilities, beyond the integration of sustainability criteria into its investment processes, is an integral part of Robeco's Sustainable Investing (SI) approach. The Stewardship Policy outlines the processes and guidelines it follows when putting these responsibilities into practice, including its engagement, voting and exclusion approach. The Stewardship Policy, including the Engagement Policy and Proxy Voting Policy, is updated annually or more frequently if required. Policy updates reflect changes in processes or guidelines, which result from regular reviews of the effectiveness of Robeco's stewardship approach. All changes to policies are approved by the Sustainability Impact and Strategy Committee.

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's Active Ownership team monitors all votes to determine if they are significant along the dimensions of news flow, receipt of client questions, salience and relevance to societal trends, and significant dissent against management (ex-post). These monitoring criteria allows it to define the most significant votes in line with the PLSA's suggested principles.

Robeco uses a proxy voting platform and proxy voting recommendations for all of the meetings which it votes. Glass Lewis 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.
Robeco actively uses its ownership rights to engage with companies on behalf of its clients in a constructive manner. Robeco believes improvements in sustainable corporate behaviour can result in an improved risk return profile of its investments. Robeco engages with companies worldwide, in both its equity and credit portfolios. The outcomes of Robeco's engagement efforts are communicated to analysts, portfolio managers, and clients, enabling them to incorporate this information into their investment decisions as part of Robeco's integrated Sustainable Investing framework.

9.2 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.

	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
Total size of fund at end of the Plan Year	£9.7bn	£3.2bn	£56.6m	£1.4bn	£1.3bn
Value of Plan assets at end of the Plan Year (£ / % of total assets)	£537.3m / 36.4%	£526.1m / 35.6%	£59.2m / 4.0%	£59.2m / 4.0%	£134.4m / 9.1%
Number of equity holdings at end of the Plan Year	540 [616]	1,167 [1,172]	61 [61]	52 [54]	1,973 [3,224]
Number of meetings eligible to vote	638 [724]	1,587 [1,476]	72 [89]	74 [77]	2,3001[1] [5,305]
Number of resolutions eligible to vote	9,667 [10,148]	19,925 [18,490]	722 [707]	660 [742]	25,413 [52,301]
% of resolutions voted	93.5%[1] [99.6%]	99.9% [99.9%]	100.0% [100.0%]	97.0% [94.9%]	91.6%[1] [99.8%]
Of the resolutions on which voted, % voted with management	95.8%[2] [94.2%][2]	79.3% [80.4%]	85.5% [84.4%]	85.7% [80.2%]	93.3%[2] [91.7%[2]]

Of the resolutions on which voted, % voted against management	4.2%[2] [5.8%[2]]	19.2% [18.2%]	12.9% [10.9%]	13.8% [19.8%]	6.7%[2] [8.3%[2]]
Of the resolutions on which voted, % abstained from voting	0.5%[2] [0.4%[2]]	1.5% [1.5%]	1.7% [4.7%]	0.6% [0.0%]	0.6%[2] [1.9%[3]]
Of the meetings in which the manager voted, % with at least one vote against management	25.9% [32.6%]	71.3% [69.8%]	48.6% [43.8%]	56.2% [45.5%]	28.0% [34.1%]
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0.2% [0.1%]	13.4% [12.7%]	1.3% [5.9%]	4.4% [8.4%]	0.3% [0.8%]

[1]BlackRock confirmed that the decrease in the number of equity holdings from 31 March 2022 to 31 March 2023 was a result of selling out of market cap or index exposures and buying single name equities instead.
[2]BlackRock confirmed that the percentage of resolutions voted on decreased from 31 March 2022 to 31 March 2023 as it updated the ballot methodology to present a more comprehensive view of the voting activity within a given fund.
[3]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.

9.3 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. 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. The Trustees have interpreted "significant votes" to mean those that:

- align with the Trustees' stewardship priorities;
- might have a material impact on future company performance;
- the investment manager believes to represent a significant escalation in engagement;
- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor;
- have a high media profile or are seen as being controversial;
- the Plan or the sponsoring company may have a particular interest in.

BlackRock ACS Climate Transition World Equity Fund

1. Anthem Inc, May 2022 (renamed Elevance Health Inc, as of June 2022)

Relevant stewardship priority: Diversity, Equity & Inclusion
Vote cast: For resolution
Outcome of the vote: Not passed
Management recommendation: Against resolution
Summary of resolution: Oversee and Report a Racial Equity Audit

Rationale for the voting decision: The shareholder proposal requested that the board of directors “oversee a third-party audit (within a reasonable time and at a reasonable cost) which assesses and produces recommendations for improving the racial impacts of the company’s policies, practices, products and services” and prepare a report on the audit’s findings. Anthem has disclosed that DEI is one of the company’s five values and a core area to support long-term strategy. BlackRock supported this shareholder proposal because it believes that undertaking the requested audit could help Anthem identify and mitigate potential material risks of the company’s operations on internal and external stakeholders – including the more than 45 million customers served through Anthem’s family of health plans, as well as the company’s employees and supplier base serving these customers. In addition, BlackRock does not believe the proposal is overly prescriptive or unduly constraining for management.

Approximate size of the **Fund’s** holding at the date of the vote: 0.32%

The reason the Trustees considered this vote to be “most significant”: This vote relates to a stewardship priority selected by the Trustees.

Was the vote communicated to the company ahead of the vote: BlackRock does not disclose its vote intentions in advance of shareholder meetings as it does not see it as its role to influence other investors. BlackRock believes its role is to send a signal to the company about how well it believes the board and management has done in delivering long-term shareholder value.

Outcome and next steps: The outcome of the vote was not in line with the manager’s vote. BlackRock will continue to engage with Anthem and monitor the company’s progress on matters related to human capital management and DEI through regular engagements with firm executives and directors.

2. **Amazon.com Inc, May 2022**

Relevant stewardship priority: Corporate Transparency
Vote cast: For
Outcome of the vote: Pass
Management recommendation: For
Summary of resolution: Advisory Vote to Ratify Named Executive Officers' Compensation

Rationale for the voting decision: In July 2021, Andrew Jassy became President and CEO of Amazon, succeeding Jeff Bezos who has led the company since founding it in 1994. In recent engagements, BlackRock discussed Amazon’s executive pay policies with members of the leadership team to understand the alignment between the different components and the company’s long-term strategy. BlackRock believes the Board’s Leadership Development and Compensation Committee has shown effective oversight over the company’s compensation program, which includes its annual and long-term vesting schedules and the equity grant to the new CEO. BlackRock supported management's Say on Pay proposal as it did not have concerns about Amazon's executive compensation philosophy, particularly in light of the first CEO succession in the company's history, and believes that the Committee has exercised judgement in a manner generally consistent with shareholder interests.

Approximate size of the Fund's holding at the date of the vote: 1.79%

The reason the Trustees considered this vote to be "most significant": This vote relates to a stewardship priority selected by the Trustees.

Was the vote communicated to the company ahead of the vote: BlackRock does not disclose its vote intentions in advance of shareholder meetings as it does not see it as its role to influence other investors. BlackRock believes its role is to send a signal to the company about how well it believes the board and management has done in delivering long-term shareholder value.

Outcome and next steps: The outcome of the vote was in line with the manager's vote.

LGIM Diversified Multi-Factor Equity Fund

1. **Rio Tinto, April 2022**

Relevant stewardship priority: Climate Change
Vote cast: Against resolution
Outcome of the vote: Passed
Management recommendation: For resolution
Summary of resolution: Approve Climate Action Plan

Rationale for the voting decision: LGIM recognises the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while LGIM acknowledges the challenges around the accountability of scope 3 emissions and the respective target setting process for this sector, it remains concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.

Approximate size of the Fund's holding at the date of the vote: 0.34%

The reason the Trustees considered this vote to be "most significant": This vote relates to a stewardship priority selected by the Trustees.

Was the vote communicated to the company ahead of the vote: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as LGIM's engagement is not limited to shareholder meeting topics.

Outcome and next steps: The outcome of the vote was not in line with the manager's vote as 84% of votes supported the resolution. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

2. Pfizer Inc, April 2022

Relevant stewardship priority: Corporate Transparency
Vote cast: Against resolution
Outcome of the vote: Passed
Management recommendation: For resolution
Summary of resolution: Elect Director Albert Bourla

Rationale for the voting decision: LGIM voted against the election of Albert Bourla as a Director. LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight. LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. It believes that 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 has voted against all combined board chair/CEO roles.

Approximate size of the Fund's holding at the date of the vote: 0.36%

The reason the Trustees considered this vote to be "most significant": This vote relates to a stewardship priority selected by the Trustees.

Was the vote communicated to the company ahead of the vote: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as LGIM's engagement is not limited to shareholder meeting topics.

Outcome and next steps: The outcome of the vote was not in line with manager's vote as 95% of votes supported the resolution. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

Lazard Developing Markets Fund

1. Tencent Holdings Ltd, May 2022

Relevant stewardship priority: Corporate Transparency
Vote cast: Against resolution

Outcome of the vote: Passed
Management recommendation: For resolution
Summary of resolution: Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights

Rationale for the voting decision: Lazard has approved specific proxy voting guidelines regarding various common proxy proposals, which determine whether a specific agenda item should be voted 'For,' 'Against,' or is to be considered on a case-by-case basis. In this case, the authority complies with Stock Exchange of Hong Kong (SEHK) regulations governing such plans. However, Lazard believe a vote against the issuance of shares without preemptive rights is warranted unless the company provides specific language and terms that there will be adequate restrictions on discounts and no authority to refresh the issuance amounts without prior shareholder approval. This is in light of abuses made by a number of Hong Kong companies that have issued shares at steep discounts to related parties and renewed the share issuance amount under this authority without shareholder approval, both of which are permissible under current law.

Approximate size of the Plan's holding at the date of the vote: 4.86%

The reason the Trustees considered this vote to be "most significant": This vote relates to a stewardship priority selected by the Trustees.

Was the vote communicated to the company ahead of the vote: It is not routine policy for Lazard to communicate its decision to vote against management ahead of the vote, but as it meets regularly with companies owned in fundamental portfolios it is typically the case that it would have expressed any material concerns to management during these meetings.

Outcome and next steps: The outcome of the vote was not in line with the manager's vote. Lazard engages with companies on a regular basis and in this case where Lazard have voted against management it would typically follow up.

2. Zhongsheng Group Holdings Limited, June 2022

Relevant stewardship priority: Diversity, Equity & Inclusion
Vote cast: Against resolution
Outcome of the vote: Passed
Management recommendation: For resolution
Summary of resolution: Elect Huang Yi as Director

Rationale for the voting decision: Lazard has approved specific proxy voting guidelines regarding various common proxy proposals, which determine whether a specific agenda item should be voted 'For,' 'Against,' or is to be considered on a case-by-case basis. Greater diversity at the board level enables more effective oversight through cognitive diversity. Given the absence of female representation on the board, Lazard believes that a vote against is warranted.

Approximate size of the Fund's holding at the date of the vote: 2.38%

The reason the Trustees considered this vote to be "most significant": This vote relates to a stewardship priority selected by the Trustees.

Was the vote communicated to the company ahead of the vote: It is not routine policy for Lazard to communicate its decision to vote against management ahead of the vote, but as it meets regularly with companies owned in fundamental portfolios it is typically the case that it would have expressed any material concerns to management during these meetings.

Outcome and next steps: The outcome of the vote was not in line with manager's vote. Lazard engages with companies on a regular basis and in this case where Lazard has voted against management it would typically follow up.

Robeco Emerging Stars Equities Fund

1. **CPFL Energia S.A, April 2022**

Relevant stewardship priority: Diversity, Equity & Inclusion
Vote cast: Against resolution
Outcome of the vote: Pass
Management recommendation: For resolution
Summary of resolution: Election of Directors

Rationale for the voting decision: Robeco applied a vote against the election of directors, as it believes that the Board of CPFL Energia has failed to incorporate basic considerations for gender diversity. Robeco believes that gender diversity on the board is significant due to the potential impact on financial outcomes and on stewardship outcomes that increased diversity brings.

The reason the Trustees considered this vote to be "most significant": This vote relates to a stewardship priority selected by the Trustees.

Was the vote communicated to the company ahead of the vote: Robeco does not usually disclose its voting intent ahead of time. There would only be an exception to this in a few cases, for example if Robeco were engaging with the company on a particular topic.

Outcome and next steps: The outcome of the vote was not in line with manager's vote. Robeco continue to engage with the company on this topic, noting positively the nomination of a female director to the Board in July 2022.

2. **Anhui Conch Cement Company Limited, May 2022**

Relevant stewardship priority: Climate Change

Vote cast: Against resolution
Outcome of the vote: Pass
Management recommendation: For resolution
Summary of resolution: Approval of Financial Statements

Rationale for the voting decision: Robeco applied a vote against the approval of financial statements due to environmental concerns. Robeco believes that companies in high emitting sectors should sufficiently address the impact of climate change on their businesses, and that a vote against was warranted on the basis that Anhui Conch Cement Company is not doing this. Robeco believes that this may have an impact on financial outcomes.

Approximate size of the Fund's holding at the date of the vote: 1.44%

The reason the Trustees considered this vote to be "most significant": This vote relates to a stewardship priority selected by the Trustees.

Was the vote communicated to the company ahead of the vote: Robeco does not usually disclose its voting intent ahead of time. There would only be an exception to this in a few cases, for example if Robeco were engaging with the company on a particular topic.

Outcome and next steps: The outcome of the vote was not in line with manager's vote. Robeco continue to engage with the company in relation to their climate disclosure and emissions. Robeco will continue to monitor the progress made and maintain dialogue with the company.

BlackRock Aquila Life Market Advantage Fund

1. The Home Depot Inc, May 2022

Relevant stewardship priority: Diversity, Equity & Inclusion
Vote cast: For resolution
Outcome of the vote: Pass
Management recommendation: Against resolution
Summary of resolution: Oversee and Report a Racial Equity Audit

Rationale for the voting decision: The shareholder proposal requested that the board oversee and publish "an independent racial equity audit analysing Home Depot's adverse impacts on non-white stakeholders and communities of colour." BlackRock believes that periodic racial equity audits can be beneficial for companies in addressing material risks and opportunities to enable stakeholders to track the effectiveness of the company's DEI efforts, and their stated goals, thereby providing insight into the company's ongoing priorities. BlackRock recognise that Home Depot has enhanced their formal DEI program over the past several years, with internal assessments as well as initiatives to support diversity efforts in communities and among suppliers. However, BlackRock believes that an independent, third-party review of their DEI-related initiatives would provide objectivity, assurance, and specialized expertise beyond the company's internal analysis. It believes that a third-party audit would better enable shareholders to assess the effectiveness and outcomes of the company's stated policies and track progress against their stated goals, and therefore supported the shareholder proposal.

Approximate size of the Fund's holding at the date of the vote: 0.05%

The reason the Trustees considered this vote to be "most significant": This vote relates to a stewardship priority selected by the Trustees.

Was the vote communicated to the company ahead of the vote: BlackRock does not disclose its vote intentions in advance of shareholder meetings as it does not see it as its role to influence other investors. BlackRock believes its role is to send a signal to the company about how well it believes the board and management has done in delivering long-term shareholder value.

Outcome and next steps: The outcome of the vote was in line with the manager's vote. Generally, BlackRock has ongoing direct dialogue with companies to explain its views and how it evaluates their actions on relevant ESG issues over time. Where BlackRock has concerns that are not addressed by these conversations, BlackRock may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, BlackRock monitors developments and assesses whether the company has addressed its concerns.

2. **McDonald's Corporation, May 2022**

Relevant stewardship priority: Climate Change
Vote cast: Against resolution
Outcome of the vote: Fail
Management recommendation: Against resolution
Summary of resolution: Report on Efforts to Reduce Plastic Use

Rationale for the voting decision: The proposal asked McDonald's Board to issue a report "describing how the company will reduce its plastics use in alignment with the reductions findings of the Pew Report, or other authoritative sources, to feasibly reduce ocean pollution." Engaging on plastics pollution is an increasingly important topic for BlackRock and it appreciates when companies who produce or rely heavily on plastics in their products or operations disclose information on how waste is managed. While BlackRock believes that plastics pollution is a material risk for the company, in its view, McDonald's existing disclosure provides sufficient information, outlining the company's clear policies and targets that are in place to reduce the use of plastics across their operations. BlackRock also note that McDonald's is contributing to the development of frameworks and standards to address plastic waste in the context of their sector, which it believes should help accelerate progress across the market.

Approximate size of the Fund's holding at the date of the vote: 0.06%

The reason the Trustees considered this vote to be "most significant": This vote relates to a stewardship priority selected by the Trustees.

Was the vote communicated to the company ahead of the vote: BlackRock does not disclose its vote intentions in advance of shareholder meetings as it does not see it as its role to influence other investors. BlackRock believes its role is to send a signal to the company about how well it believes the board and management has done in delivering long-term shareholder value.

Outcome and next steps: The outcome of the vote was in line with manager's vote.

Welcome to the 2023 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 2023. It is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Administration) Regulations 1996 (the "Scheme Administration Regulations").

Default arrangements

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

The Trustees implemented a three-stage lifecycle investment strategy (early-stage growth, to stable growth, to bonds and cash) in 2018. The Trustees considered new investment ideas during the previous Plan year, which led to a more detailed review of the at-retirement allocation of the Default Arrangement. This review was progressed by the Investment Subgroup, the outcome of which was to be an adjustment of the bond component of the at-retirement Default Arrangement to address the impact of rising inflation for those members who take their benefits as cash at, or within a few years of, retirement.

The Default Arrangement investment strategy was not formally reviewed during the period covered by this Chair's Statement. The last formal review was carried out on 15 September. The next formal review will take place in September 2023. With that said, the Trustees do continually monitor the performance of the Default Arrangement and the ongoing suitability of the underlying components. During the year, the Trustees reviewed the RMDCP Diversified Asset Fund, which is used in the default strategy, as well as being available as a self-select option. This review was again progressed by the Investment Subgroup and the outcome was that the Trustees agreed to replace BlackRock Aquila Life Market Advantage Fund with the LGIM Diversified Fund and the Ruffer DC Absolute Return Fund in equal proportions. The changes to the RMDCP Diversified Asset Fund were completed in the second quarter of 2023.

The Trustees established the Investment Subgroup in 2020 to undertake the detailed and specialist work required for strategic investment review. This delegation allows for a more concentrated assessment of the Plan's investments, although material decisions are still considered at the Trustee Board level. Illiquid assets are not considered as part of these reviews given the current constraints of the provider's platform and the system's requirement for daily dealing across all underlying funds. The Trustees note with interest the recent Mansion House speech in which the Chancellor announced the Government's intention for DC pension arrangements to include 5% of illiquid assets in the default fund. The Trustees believe this will help improve diversification and returns. While the inclusion of illiquid assets will be voluntary to begin with, the Trustees are supportive of engaging with providers to facilitate this when possible.

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

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 2023.

Processing Financial Transactions

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

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

Time critical member processes include transfers in, investment switch requests, retirement claims and transfer out claims. All service levels are in line with industry requirements and in many cases, much faster. The Trustees received a detailed assessment of the quarterly governance reports from their administrator which break down: the service delivery activity; movements in membership such as transfers out; opt outs; payment increases and decreases; and analysis of the membership with changes over time to help spot changes in the profile of the Plan. As a Board, we strive to look beyond the service statistics and understand what will help improve the processes, making changes whenever appropriate to improve the member experience.

Reporting on member complaints and whether they were upheld by the administrator continues to show an extremely low level of dissatisfaction. The complaints are considered in detail to understand if there is a recurring theme or if part of the operations and processes of the administrator are not in line with the general expectations of the membership. To date, most complaints have not been upheld and we are comfortable that there are no underlying issues with the member experience. If a complaint is upheld, members are routinely compensated as appropriate.

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

Calculation of Charges and Transaction Costs Requirements

The law requires the Trustees to disclose the charges and transactions costs borne by DC scheme members and to assess the extent to which those charges and costs represent good value for money for members. In preparing this statement, 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 Arrangement, the maximum fee occurs around three years before retirement and peaks at 0.65% p.a. 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 a smoother investment return journey and 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 consider the effects of inflation. For example, it highlights that your purchasing power is eroded when investing in Cash.

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

Members are offered a range of self-select funds which may be chosen as an alternative to the Default Arrangement. The details of all the current fund charges are available within the table in Annex B of this document and are split by bundled administration charge; investment annual management charge; and investment fund additional expenses, showing a total member borne charge per fund. Members can see the fund charges on factsheets via the Plan infosite provided by the administrator.

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

Following various member research initiatives over several years, we have a good understanding of the membership demographics of the Plan and as such have a view as to what good member outcomes should look like for the Plan's members in aggregate. Having assessed the fees disclosed above we are satisfied that the charges for the Plan's funds represent good value for money in the context of the outcomes targeted. However, the evolution of the DC market and master trust options, means that other options that could be considered are getting closer to offering similar, or potentially better, value for money.

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

- Governance and Plan Management
- Administration
- Communication

The full results of the assessment can be obtained from the Plan Secretary, but in summary the results showed that the Plan offers value for money for members given the high level of tailoring of the service provided to members. The Trustees are committed to ensuring that members receive value for money from the Plan.

Return on Investments

The Trustees have taken into account statutory guidance when preparing this section of the statement. The table below details the one year and three-year return on investments, after deduction of any charges or transaction costs relating to those investments. The one- and three-year performance accounts for any underlying fund changes made over these periods. Those funds shown in bold are components of the default investment lifecycle. All funds shown below are available on a self-select basis.

Fund name	1 year return to 31 March 2023		3 year return pa to 31 March 2023	
	Fund (%)	Benchmark (%)[1]	Fund (%)	Benchmark (%)[1]
Blended Equity	-0.9	-1.6	15.9	15.0

Diversified Assets	-9.0	5.7	2.1	4.2
Diversified Bonds	-0.4	4.7	2.1	3.1
Cash	2.2	2.2	0.8	0.7
Active Global Equity	-3.7	-1.4	10.4	15.4
Passive Global Equity	-4.9	-1.0	16.5	17.7
Active Emerging Market Equity	-1.7	-4.9	9.5	7.9
Inflation Linked Bonds	-29.4	-29.4	-10.3	-10.3
Annuity Bonds	-20.2	-19.2	-8.4	-10.1
Ethical	-1.6	-1.6	16.9	17.0
Shariah	-2.9	-2.9	16.7	17.1

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 our powers in practice, we are aided by our Trustee portal which holds key Plan documents (such as the Trust Deed and Rules, the SIP and Plan Policies) and is always available to the Trustees. We use this resource to, for example, confirm the powers by which decisions can be made, and refer to delegated authorities, specific documents and definitions within the Trust Deed and Rules. We regularly refer to the Plan's Risk Register to identify and manage risks and each section is owned and managed by the relevant Trustee Subgroup. All 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 Trustees' meetings or separate training sessions. In addition, we receive support from professional advisors. Advisors present to the Trustees or provide training as dictated by the agenda, set according to the Business Matters and Key Developments arising over the Plan year as proposed by the Plan Secretary and agreed by the Chair.

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 (Environmental, Social and Governance factors) and climate change investment strategies; their stewardship responsibilities; the Plan's absolute return fund;

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 acts effectively and helps identify ways to make the running of the Plan more effective.

All of the current Trustees have completed the Pensions Regulator's Trustee Toolkit and new Trustees are required to complete this within six months of taking up office, including the new Pension Scams unit. New Trustees are also given introductory training, including bespoke sessions run by the Plan's advisors.
Taking account of actions taken individually and as a Trustee Board, and the professional advice available to us, we consider that we are properly enabled to exercise our functions as Trustees of the Plan.

Other Plan Matters

The Trustees are pleased report that the impact of the Coronavirus has receded such that operating practices have now returned to normal. The effectiveness of the risk mitigation and controls put in place during the pandemic should provide a solid basis from which to deal with any future unforeseen challenges.

Following the departure of the previous Plan Secretary, the Trustees reviewed the executive functions provided to them and appointed Pegasus Pensions to provide outsourced secretarial functions. The Trustees believe that the appointment of a firm specialising in pension scheme governance will help ensure dependable, effective governance and delivery of pension strategy.

The Trustees recognise the risks associated with cyber security and began conducting a review of their cyber resilience during the Plan year. This review highlighted the need for expert advice and the Trustees are now seeking to introduce a dedicated cyber security oversight function and to strengthen their ongoing cyber threat monitoring.

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.

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

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

Default Lifecycle Strategy (With Contributions)

Projected pension pot in today's money: Starting Fund £12,000. Starting Contributions £350pm. Invested in the Default Lifecycle strategy.

This table shows the development of the projected pot size over time for a sample of ages assuming the pension pot is invested in the Default Lifecycle Strategy.

For the Default Lifecycle Strategy, the development of the projected pension pot depends on the member's current age because the funds change as the member approaches retirement.

For non-Lifecycle investments the projected pension pot does not depend on the starting age and develops as shown in the self-select table.

Years	Age Now 60		Age Now 55		Age Now 45		Age Now 35	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	**16,300**	**16,200**	**16,400**	**16,300**	**16,400**	**16,300**	**16,400**	**16,400**
3	**25,300**	**24,800**	**25,500**	**25,000**	**25,700**	**25,300**	**25,700**	**25,400**
5	**34,400**	**33,400**	**34,800**	**33,900**	**35,400**	**34,600**	**35,500**	**34,800**
10			**59,000**	**56,000**	**61,100**	**58,600**	**62,000**	**59,800**
15					**88,900**	**83,000**	**91,600**	**86,700**
20					**117,000**	**106,000**	**123,000**	**114,000**
25							**157,000**	**142,000**
30							**191,000**	**167,000**

NOTES

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 65.
3. The starting pot size is assumed to be £12,000.
4. The assumptions used in this illustration follow the financial reporting council's AS TM1 guidance. Inflation is assumed to be 2.5% each year.
5. Gross contributions of £350 per month are assumed from the start of the projection to retirement and are assumed to increase in line with inflation at 2.5% per year.
6. Values shown are estimates and are not guaranteed.
7. For the default Lifecycle strategy, the projected growth rate varies over time as the funds invested in change.
The table below shows the average projected growth rates for the Lifecycle strategy for a sample of terms to retirement: Lifecycle approaches aim to provide a balance of growth opportunities in the early years and a degree of de-risking as you approach retirement. The actual return will depend on the funds chosen for each stage and the actual timing of any changes. When comparing possible returns from different funds, it is noted that higher risk funds will provide higher illustrative returns.

Years to retirement	Projected growth rate (average)	Years to retirement	Projected growth rate (average)
1	1.20% above inflation	20	1.80% above inflation
3	1.40% above inflation	25	1.90% above inflation
5	1.40% above inflation	30	2.00% above inflation
10	1.60% above inflation	35	2.00% above inflation
15	1.70% above inflation	47	2.10% above inflation

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

Default Lifecycle Strategy (Without Contributions)

Projected pension pot in today's money: Starting Fund £12,000. No further contributions. Invested in the Default Lifecycle strategy.

This table shows the development of the projected pot size over time for a sample of ages assuming the pension pot is invested in the Default Lifecycle Strategy.

For the Default Lifecycle Strategy, the development of the projected pension pot depends on the member's current age because the funds change as the member approaches retirement.

For non-Lifecycle investments the projected pension pot does not depend on the starting age and develops as shown in the first table.

Years	Age Now 60		Age Now 55		Age Now 45		Age Now 35	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	**16,300**	**16,200**	**16,400**	**16,300**	**16,400**	**16,300**	**16,400**	**16,400**
3	**25,300**	**24,800**	**25,500**	**25,000**	**25,700**	**25,300**	**25,700**	**25,400**
5	**34,400**	**33,400**	**34,800**	**33,900**	**35,400**	**34,600**	**35,500**	**34,800**
10			**59,000**	**56,000**	**61,100**	**58,600**	**62,000**	**59,800**
15					**88,900**	**83,000**	**91,600**	**86,700**
20					**117,000**	**106,000**	**123,000**	**114,000**
25							**157,000**	**142,000**
30							**191,000**	**167,000**

NOTES

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 65.
3. The starting pot size is assumed to be £12,000.
4. The assumptions used in this illustration follow the financial reporting council's AS TM1 guidance. Inflation is assumed to be 2.5% each year.
5. It is assumed that no further contributions are made.
6. Values shown are estimates and are not guaranteed.
7. For the default Lifecycle strategy, the projected growth rate varies over time as the funds invested in change.
The table below shows the average projected growth rates for the Lifecycle strategy for a sample of terms to retirement: Lifecycle approaches aim to provide a balance of growth opportunities in the early years and a degree of de-risking as you approach retirement. The actual return will depend on the funds chosen for each stage and the actual timing of any changes. When comparing possible returns from different funds, it is noted that higher risk funds will provide higher illustrative returns.

Years to retirement	Projected growth rate (average)	Years to retirement	Projected growth rate (average)
1	1.20% above inflation	20	1.80% above inflation
3	1.40% above inflation	25	1.90% above inflation
5	1.40% above inflation	30	2.00% above inflation
10	1.60% above inflation	35	2.00% above inflation
15	1.70% above inflation	47	2.10% above inflation

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

Self-select Funds – (With Contributions)

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

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

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

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

In cases where one fund meets two criteria, another fund will also be included so that there are always four funds in the illustration..

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.

Years	Annuity Bonds		Ethical		Inflation Linked Bonds		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	16,300	16,300	16,400	16,400	16,100	16,100	16,400	16,200
3	25,200	25,100	25,700	25,600	24,400	24,200	25,700	24,700
5	34,300	34,100	35,500	35,100	32,700	32,400	35,500	33,300
10	58,400	57,500	62,000	60,900	53,400	52,600	62,000	55,200
15	84,300	82,500	92,000	89,600	74,100	72,500	92,000	77,800
20	112,000	109,000	125,000	121,000	94,800	92,200	125,000	100,000
25	142,000	137,000	163,000	156,000	115,000	111,000	163,000	124,000
30	174,000	167,000	206,000	196,000	136,000	130,000	206,000	149,000
35	208,000	198,000	255,000	240,000	157,000	149,000	255,000	174,000

3. The starting pot size is assumed to be £12,000.
4. The assumptions used in this illustration follow the financial reporting council's AS TM1 guidance. Inflation is assumed to be 2.5% each year.
5. Gross contributions of £350 per month are assumed from the start of the projection to retirement and are assumed to increase in line with inflation at 2.5% per year.
6. Values shown are estimates and are not guaranteed.
7. The projected growth rates for each fund are:
    a. Annuity Bonds: 1.4% above inflation
    b. Ethical: 2.4% above inflation
    c. Inflation-linked Bonds: 0.0% above inflation
    d. Active Global Equity: 2.4% above inflation
8. The charges assumed for each fund are the current charges as shown in the Chair's Statement

Self-Select Funds – (Without Contributions)

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

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

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

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

In cases where one fund meets two criteria, another fund will also be included so that there are always four funds in the illustration.

Notes

9. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.

Fund choice

Years	Annuity Bonds		Ethical		Inflation Linked Bonds		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	12,100	12,100	12,200	12,200	12,000	11,900	12,200	12,000
3	12,500	12,400	12,800	12,700	12,000	11,900	12,800	12,100
5	12,900	12,700	13,500	13,300	11,900	11,800	13,500	12,300
10	13,800	13,500	15,200	14,800	11,900	11,600	15,200	12,600
15	14,900	14,300	17,200	16,400	11,900	11,500	17,200	13,000
20	16,000	15,200	19,400	18,300	11,900	11,400	19,400	13,300
25	17,200	16,200	21,900	20,300	11,900	11,200	21,900	13,700
30	18,500	17,200	24,700	22,600	11,900	11,100	24,700	14,100
35	19,900	18,300	27,800	25,100	11,900	10,900	27,800	14,500

10. Retirement is assumed to be at age 65.
11. The starting pot size is assumed to be £12,000.
12. The assumptions used in this illustration follow the financial reporting council's AS TM1 guidance. Inflation is assumed to be 2.5% each year.
13. It is assumed that no further contributions are made.
14. Values shown are estimates and are not guaranteed.
15. The projected growth rates for each fund are:
    Annuity Bonds: 1.4% above inflation
    Ethical: 2.4% above inflation
    Inflation Linked Bonds: 0.0% above inflation
    Active Global Equity: 2.4% above inflation
16. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

Fund Name	Admin FBC	AMC	Fund Expenses	Expenses Ratio	Total Member Charge %
Active Emerging Market Equity	0.27	0.590	0.080	0.670	0.940
Active Global Equity	0.27	0.750	0.090	0.840	1.110
Annuity Bonds	0.24	0.00	0.000	0.00	0.240
Blended Equity*	0.26	0.172	0.013	0.185	0.445
Cash	0.17	0.10	0.000	0.100	0.270
Diversified Assets*	0.27	0.475	0.024	0.499	0.769
Diversified Bond	0.26	0.413	0.024	0.437	0.697
Ethical	0.29	0.00	0.000	0.00	0.290
Inflation Linked Bonds	0.24	0.00	0.000	0.00	0.240
Passive Global Equity	0.24	0.05	0.010	0.060	0.300
Shariah	0.22	0.18	0.120	0.300	0.520

Funds in bold are components of the default

* 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

Fund Name	Fund Code	Transaction Costs: Total (bps)[a]	Transaction Taxes (bps)	Fees & Charges (bps)	Implicit Costs (bps)	Indirect Costs (bps)[2]	Anti Dilution Offset (bps)[3]	Lending & Borrowing (bps)[4]	% Assets Reported: Total % Reported	Fund Manager(s)[*]	Guidance Notes
Blended Equity	FFPP	13.5	0.6	0.4	5.5	11.7	6.1	0.0	100.0%	FM2, FM7, FM8, FM10	1, 2, 3, 5, 6, 7, 9
Active Emerging Market Equity	FFPQ	14.9	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	75.1	N/A	N/A	N/A	N/A	N/A	N/A	100.0%	FM1	5, 6, 7, 9
Annuity Bonds	FFPS	[illegible]	0.0	0.0	3.8	14.0	18.9	0.0	100.0%	FM8	2, 3, 5, 6, 7
Cash	FFPT	1.5	0.0	0.0	1.5	0.0	0.0	0.0	100.0%	FM3	5, 6, 7
Diversified Assets	FFPU	24.7	0.0	0.0	0.0	26.9	2.7	0.6	100.0%	FM3	2, 3, 4, 5, 6, 7
Diversified Bond	FFPV	25.7	0.0	0.5	19.6	3.4	1.8	0.1	100.0%	FM4, FM6, FM9	1, 2, 3, 4, 5, 6, 7, 9
Ethical	FFPW	0.1	0.0	0.0	2.2	1.7	3.8	0.0	100.0%	FM8	2, 3, 5, 6, 7
Passive Global Equity	FFPX	6.2	1.3	0.9	6.5	-1.0	1.5	0.1	100.0%	FM2	2, 3, 4, 5, 6, 7
ZZ CLOSED Growth	FFPY	15.9	0.5	0.3	4.2	14.8	5.0	0.2	100.0%	FM2, FM3, FM7, FM8, FM10	1, 2, 3, 4, 5, 6, 7, 9
Inflation Linked Bonds	FFPZ	1.6	0.0	0.0	1.5	0.0	0.0	0.0	100.0%	FM8	5, 6, 7
Shariah	FFQA	1.7	N/A	N/A	N/A	N/A	N/A	N/A	100.0%	FM5	5, 6, 7, 9

* Reference to the External Fund Manager Data table

External Fund Manager Data

Fund Manager[a,7]	Period Start	Period End	Ref.	Notes
Ardevora Asset Management	01/04/2022	31/03/2023	FM1	
BlackRock Inv Mgt (Dublin) Ltd	01/04/2022	31/03/2023	FM2	
BlackRock Pensions Mgmt Ltd	01/04/2022	31/03/2023	FM3	
BNY Mellon Inv Mgt	01/04/2022	31/03/2023	FM4	
HSBC Investments	01/04/2022	31/03/2023	FM5	
Kames Asset Management	01/04/2022	31/03/2023	FM6	
Lazard Asset Management	01/04/2022	31/03/2023	FM7	
Legal and General Investment Management	01/04/2022	31/03/2023	FM8	
M&G Investments	01/04/2022	31/03/2023	FM9	
Robeco Investments	01/04/2022	31/03/2023	FM10	

Guidance Notes

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

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

Date	**Subject**	**Sub-group / Board**	**Time**	**Provider**
30/06/2022	Multi-asset credit funds	Board	1	M&G
22/08/2022	Value for money assessments	Audit, Risk & Admin	0.3	Muse
29/09/2022	TCFD – Climate scenario analysis	Board	0.5	LCP
29/09/2022	TCFD – Managers climate approach	Board	0.5	LCP
29/09/2022	Legislative update	Board	0.3	Hogan Lovells
15/12/2022	TCFD – Selecting TCFD metrics	Board	0.5	LCP
15/12/2022	DWP Stewardship guidance	Board	0.5	LCP
15/12/2022	Legislative update	Board	0.2	Hogan Lovells
26/01/2023	TKU & Board Effectiveness review	Board	1	Pension Executive
26/01/2023	Absolute return funds	Board	1	Ruffer & Fulcrum
26/01/2023	TCFD - Targets	Board	1	LCP
26/01/2023	Stewardship	Board	0.3	LCP
27/02/2023	New Trustee Training	Jackie Ruddy	2	Hogan Lovells
30/03/2023	TCFD – compliance & next steps	Board	1	LCP
30/03/2023	Legislative update	Board	0.3	Hogan Lovells
		Total 2022/23	**10.4**	

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 Trustees' annual report, information about the Plan prescribed by pensions legislation, which they should ensure is fair and impartial.

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

The Trustees are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Plan and to prevent and detect fraud and other irregularities.

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 2023

Fund account for the year ended 31 March 2023

	Notes	2023 £'000	2022 £'000
Employer contributions	2	200,677	186,886
Employee contributions	2	6,955	2,032
Total contributions		207,632	188,918
Transfers in from other plans	3	1,719	2,865
Other income	4	9,612	9,881
		11,331	12,746
Benefits	5	(31,427)	(25,550)
Leavers	6	(2)	(4)
Transfers out to other plans	7	(13,883)	(11,885)
Other Payments	8	(90)	(52)
Administration expenses	9	(1,314)	(984)
		(46,716)	(38,475)
Net additions from dealings with members		**172,247**	**163,189**
Returns on investments			
Change in market value of investments	10	(41,509)	107,181
Investment management expenses	11	(3,513)	(3,192)
Net returns on investments		**(45,022)**	**103,989**
Net increase in fund during the year		**127,225**	**267,178**
Net assets of the Plan at 1 April		**1,351,536**	**1,084,358**
Net assets of the Plan at 31 March		**1,478,761**	**1,351,536**

The notes on pages 55 to 63 form part of these financial statements.

Statement of Net Assets (available for benefits) as at 31 March 2023

	Notes	2023 £'000	2022 £'000
Allocated to members			
Investment Assets			
Pooled Investment Vehicles	10	1,465,361	1,341,985
Cash		8,651	3,641
Net investment assets		**1,474,012**	**1,345,626**
Current Assets	12	9,118	9,438
Current Liabilities	13	(6,692)	(6,298)
		1,476,438	**1,348,766**
Not allocated to members			
Current Assets	12	2,633	3,240
Current Liabilities	13	(310)	(470)
		2,323	**2,770**
Net assets available for benefits		**1,478,761**	**1,351,536**

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 55 to 63 form part of these financial statements.

The financial statements on pages 52 to 63 were approved by the Trustees and were signed on their behalf by:

Trustee: Venetia Trayhurn (Chair)

....

Trustee:

....

Date:

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 confidently believe 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 requirements of the Trust Deed and Rules, portfolio liquidity and cashflow requirements and if they are aware of any plans to wind up the Plan in the next 12 months. This assessment gives the Trustees confidence that the Plan is a going concern and therefore 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.

The unitised insurance policies are included in the financial statements at fair value. Fair value is stated at the prices provided by Scottish Widows.

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.

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

	2023 £'000	2022 £'000
Employers		
Normal	200,677	186,886
Employees		
Normal	6,096	1,395
Additional voluntary contributions	859	637
	207,632	**188,918**

The total employers' contributions include Pension Salary Exchange contributions.

3 Transfers in

	2023 £'000	2022 £'000
Individual transfers	1,719	2,865

	1,719	**2,865**

4 Other income

	2023 £'000	2022 £'000
Claims on life insurance policies	9,216	9,485
Other income	396	396
	9,612	**9,881**

5 Benefits payable

	2023 £'000	2022 £'000
Purchase of annuities	1,098	699
Lump sum death benefits	10,363	10,410
Commutations and lump sum retirements benefits	19,966	14,441
	31,427	**25,550**

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

6 Leavers

	2023 £'000	2022 £'000
Refunds to members leaving service	2	4
	2	**4**

7 Transfers to other Pension Schemes

	2023 £'000	2022 £'000
Transfers to other schemes	13,883	11,885
	13,883	**11,885**

8 Other payments

	2023 £'000	2022 £'000

Opt outs – return of contributions	90	52
	90	**52**

The Trustees paid £nil (2022: £nil) from the Employer Reserves towards the Plan Life Assurance Premium for the year ended 2023. 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

	2023 £'000	2022 £'000
Professional charges	977	750
Other payments	337	234
	1,314	**984**

10 Investments

	2023 £'000	2022 £'000
Pooled investment vehicles		
Insurance policy		
Market value at 1 April	1,341,985	1,074,952
Purchases at cost	261,736	240,579
Sales proceeds	(96,851)	(80,727)
Change in market value	(41,509)	107,181
Market value at 31 March	**1,465,361**	**1,341,985**
Cash deposits	**8,651**	**3,641**
	1,474,012	**1,345,626**

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 31/03/2022	Purchases at cost	Sales proceeds	Change in market value	Value at 31/03/2023
	£'000	£'000	£'000	£'000	£'000
Active Emerging Market Equity	1,376	371	(288)	(32)	1,427
Active Global Equity	1,066	323	(248)	(58)	1,083
Annuity Bonds	2,775	264	(390)	(547)	2,102
Blended Equity	1,075,215	167,942	(55,757)	(28,376)	1,159,024
Cash	12,956	8,470	(5,957)	320	15,789
Diversified Assets	118,387	41,751	(14,844)	(10,891)	134,403
Diversified Bond	103,377	39,749	(17,130)	(118)	125,878
Ethical	5,489	795	(440)	(87)	5,757
Inflation Linked Bonds	2,528	165	(202)	(732)	1,759
Passive Global Equity	11,701	1,035	(953)	(570)	11,213
Shariah	7,115	871	(642)	(418)	6,926
Total	1,341,985	261,736	(96,851)	(41,509)	1,465,361

There were no direct or material indirect employer-related investments at the reporting date 31 March 2023 (2022: 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:

	2023 £'000	2022 £'000
Pooled investment vehicles - Level 2	1,465,361	1,341,985
Cash – Level 1	8,651	3,641
	1,474,012	**1,345,626**

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. The unitised insurance funds are unrated.

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.

The follow table summarises the extent to which the underlying investments held in pooled investment vehicles are affected by financial risks:

	Direct Credit risk	Indirect Credit risk	Indirect market risk			2023 £000	2022 £000
			Currency	Interest rate	Other price		
Active Emerging Market Equity	Yes	No	Yes	No	Yes	1,427	1,376
Active Global Equity	Yes	No	Yes	No	Yes	1,083	1,066
Annuity Bonds	Yes	Yes	Yes	Yes	Yes	2,102	2,775
Blended Equity	Yes	No	Yes	No	Yes	1,159,024	1,075,215
Cash	Yes	Yes	No	Yes	No	15,789	12,956
Diversified Assets	Yes	Yes	Yes	Yes	Yes	134,403	118,387
Diversified Bond	Yes	Yes	Yes	Yes	Yes	125,878	103,377
Ethical	Yes	No	Yes	No	Yes	5,757	5,489
Inflation Linked Bonds	Yes	Yes	Yes	Yes	Yes	1,759	2,528
Passive Global Equity	Yes	No	Yes	No	Yes	11,213	11,701
Shariah	Yes	Yes	Yes	No	Yes	6,926	7,115
						1,465,361	1,341,985

iii. Concentration of investments

Plan investments include the following which represent more than 5% of the total value of the net assets of the Plan:

	2023 £'000	%	2022 £'000	%
Blended Equity	1,159,024	78.4	1,075,215	79.6
Diversified Assets	134,403	9.1	118,387	8.8
Diversified Bond	125,878	8.5	103,377	7.7

11 Investment management expenses

	2023 £'000	2022 £'000

Member fund-based charges	3,513	3,192
	3,513	**3,192**

12 Current assets

	2023 £'000	2022 £'000
Allocated to members		
Contributions due from employer		
Employer	3,033	3,642
Employee	22	20
AVCs	13	13
	3,068	3,675
Cash at bank	6,050	5,763
	9,118	**9,438**
Not allocated to members		
Cash at bank	2,628	3,211
Sundry debtors	5	29
	2,633	**3,240**

Contributions due from the employers for the Plan year ended 31 March 2023 were received in accordance with the payment schedule.

13 Current liabilities

	2023 £'000	2022 £'000
Allocated to members		
Benefits payable	6,266	5,952
Unclaimed benefits	237	236
Sundry creditors	189	110
	6,692	6,298
Not allocated to members		
Tax payable	309	302
Sundry creditors	1	168
	310	**470**

14 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) The Plan remunerates two independent Trustees to ensure the Plan has the right level of experience to properly exercise its duties.

d) During the year the remuneration in respect of key management personnel associated with the in-house team was £114,510 for the Plan year (2022: £172,827).

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

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

15 Self Investment

The Plan does not make any investments into International Distribution Services Plc, the ultimate parent company of Royal Mail Group Limited, 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 2023 (2022: nil).

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

We have audited the financial statements of Royal Mail Defined Contribution Plan ("the Plan") for the year ended 31 March 2023 which comprise the Fund Account, the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Plan during the Plan year ended 31 March 2023 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. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustees have prepared the financial statements on the going concern basis as they do not intend to wind up the Plan, and as they have concluded that the Plan's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Trustees' 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 Trustees' 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 Trustees' 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 Trustees 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 Trustees Board; Audit, Risk and Admin Sub-Group; Communications & CPP Sub-Group; Investment Sub-Group 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 the Trustees (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 Trustees; 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 to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted after the first draft of the financial statements have been prepared and unusual journals to cash.

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

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustees and their delegates (as required by auditing standards), and discussed with the Trustees 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 Trustees 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 Trustees 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 70 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 fraud 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 Trustees are responsible for the other information, which comprises the Trustees' Report, Investment Report, the Chair's Statement, Task Force on Climate-Related Financial Disclosures and Statement of Trustees' Responsibilities in Respect of Contributions. 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 51, the Plan Trustees are responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to wind up the Plan, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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

Gemma Broom
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5SH
[Date]

Statement of Trustees' Responsibilities in Respect of Contributions

Trustees' Summary of Contributions payable under the Schedules in respect of the Plan year ended 31 March 2023

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 monitoring that contributions are made to the Plan in accordance with the schedule.

This Summary of Contributions has been prepared by, or on behalf of the Trustees, and is the responsibility of the Trustees. It sets out the employer and member contributions payable to the Plan under the Payment Schedules dated 27 April 2018 and 29 November 2022 in respect of the year ended 31 March 2023. 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 schedules in the Auditor's Statement about Contributions.

Contributions payable under the Schedules in respect of the Plan year

Employer normal contributions	£200,676,732	
Member normal contributions	£ 6,096,439	
Contributions payable under the Schedules as reported on by the Plan auditor		**£206,773,171**

Reconciliation of Contributions

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

Contributions payable under the Schedules (as above)	£206,773,171
Member additional voluntary contributions	£ 858,641
Total contributions reported in the financial statements	**£207,631,812**

Signed for and on behalf of the Trustees

Trustee: Venetia Trayhurn, (Chair)

Trustee:

Date:

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 schedules to the Royal Mail Defined Contribution Plan in respect of the Plan year ended 31 March 2023 which is set out on page 69.

In our opinion contributions for the Plan year ended 31 March 2023 as reported in the summary of contributions and payable under the payment schedule have in all material respects been paid from 1 April 2022 until 28 November 2022 at least in accordance with the payment schedules dated 27 April 2018 and from 29 November 2022 until 31 March 2023 at least in accordance with the payment schedule dated 29 November 2022.

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 schedules. 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 schedules.

Respective responsibilities of Trustees and auditor

As explained more fully in the statement of Trustees' responsibilities set out on page 51, the Plan's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a Payment Schedule showing the rates and due dates of certain contributions payable towards the Plan by or on behalf of the Employers and the active members of the Plan. The Trustees are 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 Employers in accordance with the Payment Schedule.

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

Gemma Broom
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
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 30 June 2022.

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 and is in the best interest of members.

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 factors.

As all of the Plan's investments are held through managers or pooled funds, 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.

The Trustees monitor managers' activities in relation to ESG factors, voting and engagement on a regular basis. They seek to understand how they are implementing their stewardship policies in practice to check that their stewardship is effective and aligned with their expectations.

The Trustees have selected some priority ESG themes to provide a focus for their monitoring of investment managers' voting and engagement activities (see the Implementation Statement for Plan Years to 31 March 2023 onwards). The Trustees review the themes regularly and update them if appropriate. They communicate these stewardship priorities and their more general expectations in relation to ESG factors, voting and engagement to the managers periodically.

If the Trustees' monitoring identifies areas of concern, the Trustees will engage with the relevant manager to encourage improvements.

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.

A MEMBER OF THE DC PLAN

The Royal Mail Defined Contribution Plan

September 2023