

**ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021
PLAN REGISTRATION NUMBER: 10206594**

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

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YEAR ENDED 31 MARCH 2021

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ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

TRUSTEES AND THEIR ADVISERS

YEAR ENDED 31 MARCH 2021

The Trustees

The Trustees of the Royal Mail Senior Executives Pension Plan ("the Plan") up to the date of approval of the report of the Trustees are set out below:

Nominated by the sponsoring employer

David Hargrave

Member nominated Trustees

Moira Brennan

Jerry Cope

Sponsoring employer

Royal Mail Group Limited

Other participating employer

Post Office Limited

Secretary to the Trustees

Cosan Consulting Limited until 16 May 2021
(represented by Russell Davies)

Premier Pensions Management Limited from
17 May 2021 (represented by Russell Davies)

Advisers

The advisers to the Trustees up to the date of approval of the report of the Trustees are set out below.

Actuary

Aon Hewitt Limited

Jonathan Ford is the actuary for the
purposes of the Pensions Act 1995

Investment adviser

Aon Limited

Legal adviser

CMS

Bulk Annuity Provider

Scottish Widows
Rothesay Life

Independent auditor

Deloitte LLP

Investment managers

M & G Investments
BlackRock Asset Managers

Administrator

Towers Watson Limited

Custodian

J P Morgan Chase Bank

Covenant adviser

PricewaterhouseCoopers LLP

AVC providers

Utmost Life and Pensions (formerly The Equitable
Life Assurance Society)
Zurich Assurance Limited

Banker

HSBC Bank plc

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

REPORT OF THE TRUSTEES

YEAR ENDED 31 MARCH 2021

Introduction

The Trustees of Royal Mail Senior Executives Pension Plan (the 'Plan') are pleased to present the annual report together with the audited financial statements for the year ended 31 March 2021.

The Plan was established to provide retirement benefits to eligible employees of companies within the group whose parent was Royal Mail Holdings plc. The Plan closed to new joiners in November 2007. With effect from 31 December 2012, the Plan closed to future accrual of benefits.

The Plan is a final salary pension scheme in respect of service up to 31 March 2008 whereby benefits are payable to members in accordance with the Plan Rules based on their length of service and their final pensionable salary prior to retirement. The Plan Rules changed the way members' pensions are calculated to a Career Salary Defined Benefit basis for service from 1 April 2008 and the Plan's Normal Retirement Age increased from 60 to 65 for benefits accrued after 1 April 2010.

The Plan is a "registered pension scheme" in accordance with the Finance Act 2004 for tax purposes.

The Trustees, have already secured Members' benefits with policies of insurance and the Sponsoring employer has given notice to proceed wind up the Plan. The Trustees have identified a small number of additional benefits that remain uninsured but are satisfied that there are sufficient funds within the Plan to secure these additional benefits before winding up the Plan. The Trustees expectation is that the windup process will be concluded by May 2022. As a result, the Plan accounts have been prepared on a basis other than that of a going concern. No adjustments arose as a result of ceasing to apply the going concern basis.

Management of the Plan

The Plan is managed by the Trustees who are required to act in accordance with the Plan's Trust Deed and Rules, and within the framework of pension and trust law. The Trustees are appointed and removed in accordance with the Trust Deed. The Trustees' board complement is up to four Employer-nominated Trustees and two Member-nominated Trustees. The Chairman of the Trustees is appointed by the Employer.

The Board has not replaced Ms Watson and Ms Davenport as Employer-nominated Trustees following their resignation on 20 December 2019.

As part of the discussions about winding-up the Plan, the Trustees and Royal Mail Group Ltd have agreed it would be advantageous to replace the current individual Trustees by a new Trustee Company entity (a subsidiary of Royal Mail Group Ltd). This change is in the process of being made and the current three individual Trustees will become directors of the new Trustee Company. Royal Mail Group Ltd will be able to nominate up to 2 further trustee directors. The directors of the new Trustee Company will have the same responsibilities and duties as the current individual Trustees and this change in Trustee structure will have no direct impact on the way that the Plan is managed. However, it will enable Members to have a continuing point of contact to address any queries after the wind-up is complete, and in particular after the current individual Trustees have stepped down.

Changes to the Plan

There were no significant changes to the Plan during the year.

Trustees' training

The Trustees of the Plan have taken appropriate steps to ensure that they keep abreast of issues and current developments necessary to perform their duties as Trustees to the Plan. This included training on specific matters relevant to the development of the Plan's long-term objective of securing all of the Plan's liabilities with an insurer and progressing to buy-out and eventual wind-up. Trustees have also attended conferences and seminars where relevant and have all completed the Pensions Regulator's training course, the "Trustee Toolkit", as at the year ended 31 March 2021.

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

REPORT OF THE TRUSTEES *(continued)*

YEAR ENDED 31 MARCH 2021

Financial developments and financial statements

The financial statements included in this annual report have been prepared in accordance with regulations made under sections 41(1) and (6) of the Pensions Act 1995.

Statement of Trustees' responsibilities

Trustees' responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102), are the responsibility of the Trustees. Pension scheme regulations require, and the Trustees are responsible for ensuring, that those financial statements:

- 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 that year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year; and
- contain the information specified in the Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparing of the financial statements on a going concern basis unless it is inappropriate to presume that the Plan will not be wound up.

The Trustees are also responsible for making available certain other information about the Plan in the form of an annual report.

The Trustees also 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, including the maintenance of an appropriate system of internal control.

Trustees' responsibilities in respect of contributions

The Trustees are responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Plan by or on behalf of the employer of the Plan and the dates on or before which such contributions are to be paid.

The Trustees are also responsible for adopting risk-based processes to monitor whether contributions are made to the Plan by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule of Contributions occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN**REPORT OF THE TRUSTEES** *(continued)***YEAR ENDED 31 MARCH 2021**

Plan Membership

The changes in membership during the year are as follows:

	Deferred members	Pensioners/ Beneficiaries	Total
At 1 April 2020	85	240	325
Adjustments to prior period	(1)	–	(1)
Retirements	(11)	11	–
Deaths	–	(1)	(1)
New spouse and dependent pensions	–	1	1
Transfers out	(3)	–	(3)
At 31 March 2021	<u>70</u>	<u>251</u>	<u>321</u>

Although all 251 pensioners are insured, because of the dates at which reports were run, as at 31 March 2021, there were 103 pensioners on the Rothesay Life payroll report and 145 pensioners on the Scottish Widows payroll report.

70 deferred members are covered by the Rothesay Life buy-in.

Pension increases

The Plan generally increases pensions each year on 1 April to reflect inflation for the 12 months up to the September in the year before. The Retail Prices Index (RPI) figures in respect of September 2020 showed a 1.1% increase in prices over the 12 months and this was the rate of increase applied to members covered by Rule 17.

The Consumer Prices Index (CPI) figures published in respect of September 2020 showed a 0.5% increase in prices over the previous 12 months, and this was the rate of increase applied to members covered by Rule 19.2.

Deferred pensions were subject to increases in accordance with statutory requirements.

There were no discretionary increases in pensions or transfers.

Transfers

All transfer values paid to other pension schemes were calculated and verified by the Plan's Actuary or calculated in accordance with instructions prepared by him, in accordance with statutory regulations and the Trustees' policy.

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

REPORT OF THE TRUSTEES *(continued)*

YEAR ENDED 31 MARCH 2021

Actuarial valuation

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), the annual report and financial statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004, every pension scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its Technical Provisions. Technical Provisions, represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustees and the Employer and set out in the Statement of Funding Principles, which is available to Plan members on request.

Part 3 of the Pensions Act 2004 and the Occupational Pension Schemes (Scheme Funding) Regulations 2005 require the Plan to have:

- sufficient and appropriate assets to meet the Plan's technical provisions (present value of the liabilities) - this is known as the "Statutory Funding Objective";
- a Statement of Funding Principles ("SFP") covering the policy in relation to funding and the method and assumptions by which the technical provisions are determined; and
- an actuarial valuation at least every 3 years with interim reports for intervening years.

The Plan Actuary carried out the latest formal valuation under the SFP with an effective date of 31 March 2018. The summary of the last formal valuation from the Plan Actuary is set out below:

- The assets of the Plan were sufficient to meet the Technical Provisions at the valuation date (31 March 2018); and
- The surplus was £48.7 million corresponding to a funding ratio of 111%.

Under the Schedule of Contributions in force during the year, the Employers pay £500,000 per annum (payable in monthly instalments of £41,667) for the period from 1 April 2019 to 31 March 2025.

In view of the Plan's solvency position, the Trustees and the Company agreed to defer monthly contributions in the period from 1 May 2021 to 31 March 2022, and a new Schedule of Contributions was certified on 11 June 2021. From 1 April 2022 to 30 June 2026, the Employers will pay £500,000 annually in arrears such that the first contribution will be payable in March 2023. The terms of the deferment of contributions are such that if the residual Plan assets decrease below £5m as at 31 March 2022, the Company will pay the balance of the contributions due under the current Schedule of Contributions by 19 May 2022.

The Employers' contributions are in respect of the continued provision of death in service lump sum benefits, the expenses of administering the Plan and expenses in relation to a future wind-up.

In due course, all expenses of winding up the Plan will be paid from surplus assets. The Company has indicated that it would wish to see any remaining assets at the conclusion of wind-up paid back to the Company.

A copy of the latest certificate issued by the Plan Actuary confirming the adequacy of contributions for the purposes of the Statutory Funding Objective is reproduced on page 13.

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

REPORT OF THE TRUSTEES *(continued)*

YEAR ENDED 31 MARCH 2021

Report on Actuarial Liabilities

The ongoing funding position of the Plan at 31 March 2018 (the most recent full actuarial valuation of the Royal Mail Senior Executives Pension Plan) and 31 March 2020 (the most recent annual review) is shown below:

	31 March 2018	31 March 2020
Value of Technical Provisions	£439.3 million	£434.5 million
Value of assets	£488.0 million	£443.1 million
Surplus	£48.7 million	£8.6 million
Funding Level	111%	102%

In September 2018, the Trustees purchased annuities from Rothesay Life which covered Plan benefits which were not already insured with Scottish Widows.

At 31 March 2020 the Plan's assets were equal to 102% of the Plan's funding target. The cost of purchasing annuities is high, and the value placed on the bulk annuity in the Plan's accounts is lower than the purchase price, so the funding level is lower at 31 March 2020 than it was at 31 March 2018. However, all benefits members receive from the Plan are now covered by insurance policies (which was not the case at 31 March 2018)

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

Method

The actuarial method to be used in the calculation of the Technical Provisions under the relevant legislation is the Projected Unit Method.

Significant actuarial assumptions

Discount rate: term dependent rates set by reference to the fixed interest gilt curve (as derived from Bank of England data) at the valuation date and making some allowance for the returns that may be expected from the Plan's future investment strategy. This allowance for additional returns will be calculated on a member by member basis and will be 1.5% per annum over the period up to retirement and 0.5% per annum over the period after retirement as at 31 March 2018; at future valuations this allowance will be agreed between the Trustees and the Employer in the light of circumstances at that time.

Future price inflation: The RPI price inflation assumption is a term-dependent rate derived from fixed interest and index-linked gilt curves (as derived from Bank of England data).

The CPI price inflation for the valuation at 31 March 2018 is a term-dependent rate assumed at the valuation date to be equal to the RPI inflation assumption less 0.5% per annum. The level of the differential between the RPI price inflation and CPI price inflation assumptions will be reviewed at future valuations to reflect economic circumstances and outlook at the time.

Pension increases: This is derived from the relevant future price inflation assumption, with allowance for caps and floors to pension increases according to the Plan's rules.

Retirement: Members are assumed to retire only at age 60. For periods of service with a Normal Retirement Age of 65, an early retirement factor is applied that has been calculated following the principles adopted for the 2016 review of early retirement factors under the Plan, based on financial conditions and demographic assumptions that applied on the valuation date.

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

REPORT OF THE TRUSTEES *(continued)*

YEAR ENDED 31 MARCH 2021

Mortality: This is based on the self administered pension schemes (SAPS S2) "light" tables using a scaling factor of 95%. The adjustment for future improvements is based on individual members' year of birth. The allowance for future improvements to mortality rates is in line with CMI 2017 core projections with a smoothing parameter SK of 8.0 and a long-term rate of improvement of 1.75% p.a. for both men and women.

Investment management

Investment strategy

When choosing the Plan's investment strategy, the Trustees considered written advice from its investment adviser and, in doing so, addressed the nature of its liabilities. The Trustees' primary objective is to ensure that sufficient assets are available to meet the liabilities of the Plan.

The Plan has purchased bulk annuity policies with insurance companies ("buy-ins") with the aim of reducing funding risk. The buy-ins have been funded using most of the Plan's assets. The bulk buy-in policies are assets of the Plan and provide a cash flow into the Plan that exactly matches the pensions paid to the members.

The Plan also holds assets in the M&G UK Property Fund which is in deferral. The Trustees issued a full redemption notice in September 2019 and has received a number of redemption payments since then. At the year-end, the Plan held £2.1m in the Fund. The Plan is awaiting M&G Investments to make further asset sales to fully settle the redemption notice.

Statement of investment principles (SIP)

The latest Statement of Investment Principles ('SIP') was agreed by the Trustees and signed in September 2020. All investments made in the year were in accordance with the SIP.

The full SIP is available on the below website:

<https://members.pensionpal.co.uk/royalmailseniorexecutivespensionplan>

Voting rights

All decisions regarding the Plan's investment arrangements, other than those delegated to the investment managers, are taken by the Trustees. This structure has been selected as the Trustees believe retaining control over strategic investment decisions is in the best interests of the Plan's members.

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN**REPORT OF THE TRUSTEES** *(continued)***YEAR ENDED 31 MARCH 2021****Asset Distribution & Investment Managers**

As at the year end (31 March), the Plan's assets were invested as follows:

Asset class	Fund Manager	31 March 2021		31 March 2020	
		Market Value £m	% of total	Market Value £m	% of total
<i>Return-seeking assets:</i>					
Property	M&G	2,094,701	0.5	3,313,295	0.8
Total return seeking		2,094,701	0.5	3,313,295	0.8
<i>Liability-hedging assets:</i>					
Securities	BlackRock	5,750,073	1.3	-	-
Buy-In Policy	Scottish Widows	187,100,000	42.8	188,500,000	43.1
Buy-In Policy	Rothesay Life	241,800,000	55.4	245,200,000	56.1
Total liability-hedging		434,650,073	99.5	433,700,000	99.2
TOTALS		436,744,774	100.0	437,013,295	100.0

The table above excludes AVCs, cash in the Trustee bank account and other current assets.

Further details of the arrangements which the Plan has with its investment managers are as follows:

- M&G Investments (a subsidiary of Prudential) actively manage the Plan's property holding through the M&G Pooled Pensions UK Property Fund. This invests in a range of commercial property in the UK (retail, offices and industrial);
- The Trustees hold Buy-in policies with Scottish Widows and Rothesay Life as described above.
- To avoid holding large cash balances in the Trustee bank account, the Trustees have invested longer-term cash in a Liquidity Fund managed by BlackRock.

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

REPORT OF THE TRUSTEES *(continued)*

YEAR ENDED 31 MARCH 2021

Investment performance

As a significant majority of Plan assets are now invested in buy-in policies (and the remaining holding with M&G UK Property Fund is in the process of redeeming), the Trustees no longer calculate the total Plan performance against a benchmark.

The Plan's return for previous years (to 31 March 2018, 2019 and 2020) and the estimated annual return for the three years to 31 March 2020 are set out in the table below:

	Plan's investment return	Benchmark
Year ended 31 March 2018	10.6%	10.0%
Year ended 31 March 2019	3.3%	4.8%
Year ended 31 March 2020	-4.0%	0.0%
Annualised return for the three years to 31 March 2020	0.4%	2.4%

Monitoring the performance of the investment managers

Performance is normally measured over a three year period against agreed targets, allowing for the risk taken by each manager in achieving that performance.

Socially responsible investments

The Trustees have delegated responsibility for the selection, retention and realisation of investments to the investment managers (within certain guidelines and restrictions). The Trustees have reviewed and are satisfied with the investment managers' policies on social, environmental and governance issues. The Trustees have also delegated to the investment managers responsibility for exercising the rights attaching to investments. The Trustees are supportive of the principles that underpin the Financial Reporting Council's UK Stewardship Code and encourage the Plan's investment managers to comply with it.

Custody of assets

During the year, the custody of the Plan's portfolio with M&G Investments were provided by JP Morgan Chase Bank. The Plan's investments with Scottish Widows, Rothesay Life and M&G Investments are all in the form of insurance policies or other collective investment vehicles, for which separate custody arrangements are not required.

Employer related investments

There were no Employer related investments held during the year or at the year end.

Brexit

The UK left the EU on the 31 January 2020 and the subsequent transition period ended on 31 December 2020. The Trustees continue to monitor for any consequences to the Plan from this change carefully and are taking appropriate professional advice on the expected impact to the investment portfolio.

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

REPORT OF THE TRUSTEES *(continued)*

YEAR ENDED 31 MARCH 2021

Funding Agreement, escrow account and contributions

In early 2019, the Company agreed that its annual contributions be reduced from £1 million to £500,000. This was mainly as, following the completion of the Rothesay bulk annuity transaction, the Plan's expenses were expected to be much lower. Also, from the Company's perspective, it would not be tax efficient to pay excessive contributions to a pension arrangement which has a solvency surplus.

The Trustees considered the Plan's likely future running costs and agreed the contribution reduction which was documented through changes to the Funding Agreement, Statement of Funding Principles and Schedule of Contributions, which were signed during March 2019. The expense provision included in the Schedule of Contributions of £500,000 a year, effective from 1 April 2019.

In view of the Plan's solvency position, the Trustees and the Company agreed to defer monthly contributions in the period from 1 May 2021 to 31 March 2022, and a new Schedule of Contributions was certified on 11 June 2021. From 1 April 2022 to 30 June 2026, the Employers will pay £500,000 annually in arrears such that the first contribution will be payable in March 2023.

In due course, all expenses of winding up the Plan will be paid from surplus assets. The Company has indicated that it would wish to see any remaining assets at the conclusion of wind-up paid back to the Company.

An escrow account containing £20 million supports the Plan's funding position, with the funds in the escrow being payable to the Plan by 2029 if they are needed to meet the Solvency Objective. The decision on the timing of the transfer from the escrow lies with the Company, but the money in the escrow can only revert to the Company if it is not needed to meet the Solvency Objective.

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

REPORT OF THE TRUSTEES *(continued)*

YEAR ENDED 31 MARCH 2021

The Pension Tracing Service, TPAS, The Pensions Ombudsman and The Pensions Regulator

In accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as amended members are advised that:

- information regarding the Plan has been registered with the Pension Tracing Service (find contact details via www.gov.uk);
- if they have general requests for information or guidance concerning pension arrangements contact The Money and Pensions Service (formerly The Pensions Advisory Service):
 - Address: Holborn Centre, 120 Holborn, London EC1N 2TD
 - Telephone: 020 8132 5284
 - Website: www.moneyandpensionsservice.org.uk
 - Email: contact@maps.org.uk
- if they have a complaint or dispute concerning a workplace or personal pension arrangement they have the right to contact The Pensions Ombudsman free of charge:
 - Address: 10 South Colonnade, Canary Wharf, E14 4PU
 - Telephone: 0800 917 4487
 - Website: www.pensions-ombudsman.org.uk
 - Email: enquiries@pensions-ombudsman.org.uk

The Money and Pensions Service is set up by the government to bring together three respected bodies of financial guidance: the Money Advice Service, The Pensions Advisory Service and Pension Wise into one single organisation.

In addition to the above The Pensions Regulator regulates company pension schemes and enforces the law as it relates to them. It has wide ranging powers which include the power to:

- suspend, disqualify and remove a trustee, or director of a trustee company, for consistently not carrying out their duties;
- wind up schemes where necessary;
- apply for injunctions to prevent the misuse and misappropriation of scheme assets and apply for restitution where necessary.

The auditor and actuary have a statutory duty to make an immediate written report to The Pensions Regulator if they believe that legal duties concerned with the running of the Plan are not being carried out.

Internal disputes resolution procedures

A disputes resolution procedure has been agreed by the Trustees to resolve any queries raised by beneficiaries or potential beneficiaries of the Plan and details of this can be obtained by writing to the contacts shown below.

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

REPORT OF THE TRUSTEES *(continued)*

YEAR ENDED 31 MARCH 2021

Contact for further information

Any enquiries about the Plan, including requests from individuals for information about their benefits or for a copy of Plan documentation, should be sent to:

Royal Mail Senior Executives Pension Plan, Towers Watson Limited, PO Box 545, Redhill, RH1 1YX
Email: RMSEPP@willistowerswatson.com

Any complaints about the Plan should be sent to:

Russell Davies, Secretary to the Trustees. Premier Pensions Management Limited, 25 King Street, Bristol, BS1 4PB.

Email: Russell.Davies@Premiercompanies.co.uk

Signed for and on behalf of the Trustees of the Royal Mail Senior Executives Pension Plan by:

Trustee 
Date 28 July 2021

Trustee 
Date 28 July 2021

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

ACTUARIAL CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

ACTUARIAL CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS

Name of scheme: Royal Mail Senior Executives Pension Plan

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 March 2018 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 28 March 2019.

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

Signature:	Jonathan Ford	Date:	28 March 2019
Name:	Jonathan Ford	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	The Aon Centre 122 Leadenhall Street London EC3V 4AN	Name of Employer:	Aon Hewitt Limited

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN**TRUSTEES' SUMMARY OF CONTRIBUTIONS****YEAR ENDED 31 MARCH 2021****Trustees' summary of contributions**

This summary of contributions has been prepared on behalf of, and is the responsibility of, the Trustees. It sets out the employer and member contributions payable to the Plan under the Schedule of Contributions certified by the Actuary on 28 March 2019 in respect of the Plan year ended 31 March 2021.

The Plan is in surplus and there are no deficit contributions payable in the year. The employer's contributions of £500,000 p.a. were payable in respect of the continued provision of death in service lump sum benefits and the expenses of administering the Plan, as stipulated in the Schedule of Contributions certified by the Actuary on 28 March 2019.

	£
Contributions payable under the schedule in respect of the Plan year (as reported on by the Plan auditor)	
Employers	
Other	500,000
Total contributions reported in the financial statements	<u>500,000</u>

Signed for and on behalf of the Trustees of the Royal Mail Senior Executives Pension Plan by:

Trustee 
Date 28 July 2021

Trustee 
Date 28 July 2021

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEES

YEAR ENDED 31 MARCH 2021

We have examined the summary of contributions to the Royal Mail Senior Executives Pension Plan for the Plan year ended 31 March 2021 which is set out on page 14.

In our opinion contributions for the Plan year ended 31 March 2021 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Plan Actuary on 28 March 2019.

Respective responsibilities of the Trustee and the Auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Plan's Trustees are responsible for preparing, and from time to time reviewing and if necessary revising, the Schedule of Contributions and for monitoring whether contributions are made to the Plan by the Employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a Statement about Contributions paid under the Schedule of Contributions and to report our opinion to you.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions on page 14 have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the Schedule of Contributions.

Use of our report

This statement is made solely to the Trustees, as a body, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the 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 Trustees as a body for our work, for this statement, or for the opinion we have formed.

Deloitte LLP

Deloitte LLP
Statutory Auditor
St Albans
United Kingdom

Date 28 July 2021

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN
INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES
YEAR ENDED 31 MARCH 2021

Opinion

Report on the audit of the financial statements

In our opinion the financial statements of the Royal Mail Senior Executives Pension Plan (the 'Plan'):

- show a true and fair view of the financial transactions of the Plan during the year ended 31 December 2020 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 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.

We have audited the financial statements which comprise:

- the fund account;
- the statement of net assets; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Financial statements prepared other than on a going concern basis

We draw attention to note 2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES *(continued)*

YEAR ENDED 31 MARCH 2021

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustees

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for 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 the Trustees either intend to liquidate the Plan or to cease operations, or have no realistic alternative but to do so.

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES *(continued)*

YEAR ENDED 31 MARCH 2021

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Plan's industry and its control environment, and reviewed the Plan's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Plan operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Pensions Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and the Occupational and Personal Pension Schemes (Disclosures of Information) Regulations 2013; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Plan's ability to operate or to avoid a material penalty. These included the Plan's regulatory requirements.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES *(continued)*

YEAR ENDED 31 MARCH 2021

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of Trustee and subcommittee meetings, and reviewing correspondence with the Pensions Regulator.

Use of our report

This report is made solely to the Plan's Trustees, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit 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 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's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP

Deloitte LLP
Statutory Auditor
St Albans
United Kingdom

Date 28 July 2021

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN**FUND ACCOUNT****YEAR ENDED 31 MARCH 2021**

	Note	2021 £	2020 £
Contributions and benefits			
Employer contributions		<u>500,000</u>	<u>500,000</u>
Total contributions	4	<u>500,000</u>	<u>500,000</u>
Other income	5	<u>46,835</u>	<u>51,190</u>
		<u>546,835</u>	<u>551,190</u>
Benefits paid or payable	6	<u>(13,390,701)</u>	<u>(12,450,340)</u>
Payments to and on account of leavers	7	<u>(6,057,345)</u>	<u>(14,374,566)</u>
Administrative expenses	8	<u>(716,163)</u>	<u>(713,604)</u>
Other payments	9	<u>(6,955)</u>	<u>(11,671)</u>
		<u>(20,171,164)</u>	<u>(27,550,181)</u>
Net withdrawals from dealings with members		<u>(19,624,329)</u>	<u>(26,998,991)</u>
Returns on investments			
Investment income	10	<u>128,216</u>	<u>452,146</u>
Change in market value of investments	11	<u>14,776,447</u>	<u>17,507,236</u>
Net return on investments		<u>14,904,663</u>	<u>17,959,382</u>
Net decrease in the fund during the year		<u>(4,719,666)</u>	<u>(9,039,609)</u>
Net assets of the Plan			
At 1 April		<u>445,634,300</u>	<u>454,673,909</u>
At 31 March		<u>440,914,634</u>	<u>445,634,300</u>

The notes on pages 22 to 30 form part of these annual report and financial statements.

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

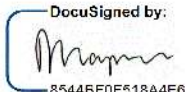
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

AS AT 31 MARCH 2021

	Note	2021 £	2020 £
Investment assets	11		
Pooled investment vehicles	13	7,844,774	3,313,295
Insurance policies	14	428,900,000	433,700,000
AVC investments	15	2,551,347	2,536,093
		<u>439,296,121</u>	<u>439,549,388</u>
Current assets	20	1,963,296	6,535,994
Current liabilities	21	(344,783)	(451,082)
Net assets of the Plan at 31 March		<u><u>440,914,634</u></u>	<u><u>445,634,300</u></u>

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 account of obligations to pay pensions and benefits which fall due after the end of the Plan year. The actuarial position of the Plan, which does take account of such obligations, is dealt with in the report on actuarial liabilities on pages 6 to 7 of the Trustees' report and the actuarial certificate on page 13 included in the annual report and these financial statements should be read in conjunction with them.

The financial statements were approved by the Trustees and signed on behalf of the board of Trustees by:

Trustee 
Date 28 July 2021

Trustee 
Date 28 July 2021

The notes on pages 22 to 30 form part of these annual report and financial statements.

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

1. General information

The Plan is established as a trust under English law. The address for enquiries about the Plan are included in the Report of the Trustees.

2. 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 (FRS 102) - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (SORP) (revised June 2018) ("the SORP").

The Trustees in conjunction with the employers, have decided to proceed to buy-out and wind up the Plan. The Trustees are satisfied that there are sufficient funds within the Plan to fully secure members' benefits before winding up the Plan. It is hoped that the wind up process will be concluded by May 2022. As a result, the Plan accounts have been prepared on a basis other than that of a going concern.

3. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the current year and preceding year, is set out below.

Contributions

Employers' other contributions are accounted for as they fall due in accordance with the Schedule of Contributions in force. Employers' other contributions are accounted for in accordance with the agreement under which they are being paid.

Transfers

Individual transfers out of the Plan are accounted for on a cash basis.

Benefits paid or payable

Pensions payable in respect of the Plan year are accounted for by reference to the period to which they relate. Refunds and lump sums are accounted for either on a cash basis if members can exercise a choice in relation to these benefits or, where members have no choice in relation to these benefits, by reference to the date of retirement or leaving the Plan.

Expenses

Administrative expenses and investment management expenses are accounted for by reference to the period to which they relate.

Income

Interest on cash deposits is accounted for by reference to the period to which it relates. Interest income on fixed income securities is accounted for on the effective interest rate method. Income from pooled investment vehicles is not distributed but retained within the funds and reflected in the unit price.

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

3. Accounting policies *(continued)*

Investments

Investments are included at fair value.

Fixed interest and index-linked securities are stated at their clean prices - i.e. market values excluding any accrued income at the year end date. Accrued income is accounted for within other investment assets.

Pooled investment vehicles are stated at bid prices as provided by the investment manager.

The market value of the buy-in policies are included at the value as provided by the Scheme Actuary at the year end. The Actuary has valued the policies using the actuarial method which places a value on the policy equivalent to the liabilities which it pays. The assumptions used in the valuation have been determined by the Trustees following actuarial advice. Income arising from the buy-in policies are included within sales proceeds of investments and pensions paid are included in benefits.

AVC investments

AVC investments held in with profit insurance policies are reported at the policy value provided by the insurance company based on the cumulative reversionary bonuses declared and the current terminal bonus.

4. Contributions

	2021 £	2020 £
Employer contributions		
Other	<u>500,000</u>	<u>500,000</u>

The Plan is in surplus and there are no deficit contributions payable in the year. The Employer contributions of £500,000 were being paid in monthly instalments of £41,666.67 by the Employers into the Plan in accordance with the Schedule of Contributions certified on 11 June 2021. These contributions payable are in respect of the continued provision of death-in-service lump sum benefits and the expenses of administering the Plan and any future expenses in relation to wind-up.

In view of the Plan's solvency position, the Trustees and the Company agreed to defer monthly contributions in the period from 1 May 2021 to 31 March 2022, and a new Schedule of Contributions was certified on 11 June 2021. From 1 April 2022 to 30 June 2026, the Employers will pay £500,000 annually in arrears such that the first contribution will be payable in March 2023. The terms of the deferment of contributions are such that if the residual Plan assets decrease below £5m as at 31 March 2022, the company will pay the balance of the contributions due under the previous Schedule by 19 May 2022.

Expenses of winding up the Plan will eventually be paid from surplus assets. Some assets are expected to remain in the Plan having secured all Members' benefits in full with the insurance companies and met all applicable expenses. These residual surplus assets reflect additional contributions paid by Royal Mail Group Ltd to improve the funding position in the past, plus investment returns.

Under the legal documents governing the operation of The Plan, Royal Mail Group Ltd can direct how the residual surplus should be used. Royal Mail Group Ltd have informed the Trustees that they would like the surplus to be paid to them, after the correct deductions for tax.

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

4. Contributions *(continued)*

Therefore, as part of the wind-up process, the Trustees will propose to pay back any residual assets to Royal Mail Group Ltd later in 2022. The necessary Member consultation requirements will be carried out as part of the winding-up process.

5. Other income

	2021	2020
	£	£
Other income	<u>46,835</u>	<u>51,190</u>

Other income relates to the VAT amount reclaimed by the Plan.

6. Benefits paid or payable

	2021	2020
	£	£
Pensions	11,228,580	10,601,802
Commutation and retirement lump sums	2,162,121	1,830,987
Taxation (where Annual or Lifetime allowance exceeded)	–	17,551
	<u>13,390,701</u>	<u>12,450,340</u>

The Plan purchased insurance policies with Scottish Widows in April 2016 and with Rothesay Life in September 2018. The insurance policy with Scottish Widows is to cover pensions in payment. The insurance policy with Rothesay Life is to cover pensions in payment and individual transfers out that happened in the year. The pension costs above are the gross amount of pensions paid in the year.

7. Payments to and on account of leavers

	2021	2020
	£	£
Individual transfers to other schemes	<u>6,057,345</u>	<u>14,374,566</u>

8. Administrative expenses

	2021	2020
	£	£
Administration and processing	162,633	148,722
Legal and other professional fees	167,500	155,000
Actuarial fees	264,204	250,128
Consultancy fees	92,520	91,232
Audit fees	14,600	21,360
Other administrative expenses	<u>14,706</u>	<u>47,162</u>
	<u>716,163</u>	<u>713,604</u>

Other administrative expenses includes the interest expense of £Nil (2020 : £33,014) on the loan from RMG.

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

9. Other payments

	2021	2020
	£	£
Premiums on term insurance policies	<u>6,955</u>	<u>11,671</u>

10. Investment income

	2021	2020
	£	£
Other investment income	122,380	446,419
Interest on cash deposits	5,836	5,727
	<u>128,216</u>	<u>452,146</u>

11. Investments

	Value at 01/04/2020	Purchases at cost	Sales proceeds	Change in market value	Value at 31/03/2021
	£	£	£	£	£
Pooled investment vehicles	3,313,295	5,750,000	(1,040,625)	(177,896)	<u>7,844,774</u>
Insurance policies	433,700,000	–	(19,719,877)	14,919,877	<u>428,900,000</u>
AVC investments	2,536,093	–	(19,212)	34,466	<u>2,551,347</u>
	<u>439,549,388</u>	<u>5,750,000</u>	<u>(20,779,714)</u>	<u>14,776,447</u>	<u>439,296,121</u>

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

The purchases and sales of pooled investment vehicles were prompted by the Trustees' investment review.

There were no direct transaction costs included within the above purchases and sales figures (2020: £nil). Indirect transaction costs are also borne by the Plan in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

The £19.7m of sales proceeds in respect of insurance policies is the income received from the bulk annuities over the course of the year.

12. Taxation

The Plan is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

13. Pooled investment vehicles

The Plan's investments in pooled investment vehicles at the year-end comprised:

	2021	2020
	£	£
Property	2,094,701	3,313,295
Cash	5,750,073	–
	<u>7,844,774</u>	<u>3,313,295</u>

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

14. Insurance policies

	2021	2020
	£	£
Scottish Widow Buy-In policy	187,100,000	188,500,000
Rothsay Life Buy-In policy	241,800,000	245,200,000
	<u>428,900,000</u>	<u>433,700,000</u>

15. AVC money purchase investments

	2021	2020
	£	£
Utmost Life and Pensions (formerly The Equitable Life Assurance Society)	62,601	28,135
Zurich Assurance Ltd	2,488,746	2,507,958
	<u>2,551,347</u>	<u>2,536,093</u>

The Trustees hold assets invested separately from the main fund, which secure additional benefits on a money purchase basis for those members who have previously elected to pay money purchase additional voluntary contributions. Each member participating in this arrangement will receive an annual statement confirming the current value of his or her fund and the movement in the year. The aggregate amounts of AVC investments are shown above.

16. Fair value determination

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

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Plan's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

	At 31 March 2021		
	Level 2	Level 3	Total
	£	£	£
Pooled investment vehicles	5,750,073	2,094,701	7,844,774
Insurance policies	–	428,900,000	428,900,000
AVC investments	2,551,347	–	2,551,347
	<u>8,301,420</u>	<u>430,994,701</u>	<u>439,296,121</u>

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

16. Fair value determination (continued)

	At 31 March 2020		
	Level 2	Level 3	Total
	£	£	£
Pooled investment vehicles	–	3,313,295	3,313,295
Insurance policies	–	433,700,000	433,700,000
AVC investments	2,507,958	28,135	2,536,093
	<u>2,507,958</u>	<u>437,041,430</u>	<u>439,549,388</u>

17. Investment risk disclosures

Investment strategy

When choosing the Plan's investment strategy, the Trustees considered written advice from its investment adviser and, in doing so, addressed the nature of its liabilities. The Trustees' primary objective is to ensure that sufficient assets are available to meet the liabilities of the Plan.

The Plan has purchased bulk annuity policies with insurance companies ("buy-ins") with the aim of reducing funding risk. The buy-ins have been funded using most of the Plan's assets. The bulk buy in policies are assets of the Plan and provide a cash flow into the Plan that exactly matches the pensions paid to the members.

The Plan also holds assets in the M&G UK Property Fund which is in deferral. The Trustees issued a full redemption notice in September 2019 and has received a number of redemption payments since then. At the year-end, the Plan held £2.1m in the Fund. The Plan is awaiting M&G Investments to make further asset sales to fully settle the redemption notice.

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.

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

17. Investment risk disclosures *(continued)*

(i) Credit risk

Direct credit risk arises from the Plan's investments in pooled investment vehicles. This risk is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager and the regulatory environments in which the pooled managers operate.

The Plan purchased a bulk annuity in April 2016 with Scottish Widows and another in September 2018 with Rothesay Life and is therefore also exposed to the direct credit risk of Scottish Widows and Rothesay Life failing to make an annuity payment.

Analysis of direct credit risk

At 31 March 2021

	Investment grade	Non-investment grade	Unrated	2021 Total
	£m	£m	£m	£m
Insurance policies	429	–	–	429
Cash	6	–	–	6
Pooled Investment Vehicles	–	–	2	2
Total	<u>435</u>	<u>–</u>	<u>2</u>	<u>437</u>

At 31 March 2020

	Investment grade	Non-investment grade	Unrated	2020 Total
	£m	£m	£m	£m
Insurance policies	434	–	–	434
Pooled Investment Vehicles	–	–	3	3
Total	<u>434</u>	<u>–</u>	<u>3</u>	<u>437</u>

(ii) Currency risk

The Plan was not exposed to material currency risk via the buy-in policies nor the investment in the M&G UK Property Fund and BlackRock Liquidity Fund.

(iii) Interest rate risk

The Plan was exposed to interest rate risk via the BlackRock Liquidity Fund and the buy-in policies which have been valued using a discounted cash flow approach, consistent with that used by the Plan Actuary to value the liabilities that the annuity cash flows are matching.

	2021 £m	2020 £m
Direct		
Insurance policies	429	434
Cash	6	–
Total	<u>435</u>	<u>434</u>

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

17. Investment risk disclosures (continued)

(iv) Other price risk

The Plan was exposed to other price risk that may affect future market value from their assets in the buy in policies, M&G UK Property Fund and BlackRock Liquidity Fund.

	2021 £m	2020 £m
Indirect		
Investment property funds	<u>2</u>	<u>3</u>

The following tables summarise the extent to which the various classes of the Plan's investments are affected by indirect financial risks.

The first table shows the strategy in place at the start of the period. The second shows the strategy at the end of the period.

In reading the table below, the following legend applies:

- A full circle indicates that the investment vehicle is likely exposed to the corresponding risk.
- ◐ A half circle indicates that the investment vehicle is likely exposed to the corresponding risk, but possibly only to a small extent.
- An empty circle indicates that the investment vehicle is likely not exposed to the corresponding risk.

	Credit risk	Currency risk	Interest rate risk	Other price risk	2021 £m	2020 £m
Return-seeking assets:						
Property - M&G	○	○	○	●	2.1	3.3
Liability Hedging assets:						
Buy-In Policy - Scottish Widows	●	○	●	●	187.1	188.5
Buy-In Policy - Rothesay Life	●	○	●	●	241.8	245.2
BlackRock Liquidity Fund	●	○	○	○	5.8	-

Summary of pooled investment vehicles by type of arrangement:

Pooled Fund	Legal structure of the pooled fund	2021	2020
BlackRock liquidity fund	Open ended investment companies	5,750,073	-
M&G Property Fund	Unitised insurance policy	2,094,701	3,313,295
Total		7,844,774	3,313,295

18. Concentration of investments

The following investments amounted to more than 5% of the total net assets of the Plan:

	2021 £	%	2020 £	%
Rothesay Life-Buy-In Annuity Policy	241,800,000	54.84	245,200,000	55.02
Scottish Widows-Buy-In Annuity Policy	187,100,000	42.43	188,500,000	42.30

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 MARCH 2021****19. Employer related investments**

There were no employer related investments held during the year or at the year end.

20. Current assets

	2021 £	2020 £
Contributions due in respect of:		
Employers	41,667	41,667
Other debtors and prepayments	–	15,039
Cash balances	<u>1,921,629</u>	<u>6,479,288</u>
	<u>1,963,296</u>	<u>6,535,994</u>

Contributions due at the end of previous year have been paid into the Plan in the start of the current year in accordance with the Schedule of Contributions dated 28 March 2019.

21. Current liabilities

	2021 £	2020 £
Accrued expenses	<u>344,783</u>	<u>451,082</u>

22. Related party transactions

Jerry Cope is a pensioner member of the Plan and Moira Brennan is a deferred member of the Plan.

Included within the administrative fees and expenses are Trustees' fees of £50,000 (2020: £51,475). The Trustees' fees includes the Trustee Chair fees and expenses of £50,000 (2020: £50,180).

All of the above transactions were made in accordance with the Plan Rules and the Schedule of Contributions where appropriate.

23. Contingent liabilities and contractual commitments

In October 2018, a Court ruling determined that defined benefit pension schemes must equalise the guaranteed minimum pension ("GMP") element of men and women which was earned between May 1990 and April 1997. The disparity arose because of government legislation which required the GMP element of men's and women's pensions to be calculated differently in the past. The Trustee expects that the Plan will therefore be liable for additional past service cost for members who did not receive equal GMPs in the past. A project is in place and it is anticipated that the necessary corrections to affected Members' benefits will be in place by November 2021.

Further to the subsequent Lloyds 3 judgement in November 2020 the Trustees are working with the Plan Actuary to determine the actual costs to the Plan of equalising GMPs in relation to past transfers out, which at 31 March 2021 could not be determined with reasonable certainty but is not expected to be material. An investigation is being carried out and it is anticipated that this will be concluded in November 2021.

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

24. Subsequent events

As part of the discussions about winding-up the Plan, the Trustees and Royal Mail Group Ltd have agreed it would be advantageous to replace the current individual Trustees by a new Trustee Company entity (a subsidiary of Royal Mail Group Ltd). This change is in the process of being made and the current three individual Trustees will become directors of the new Trustee Company. Royal Mail Group Ltd will be able to nominate up to 2 further trustee directors. The directors of the new Trustee Company will have the same responsibilities and duties as the current individual Trustees and this change in Trustee structure will have no direct impact on the way that the Plan is managed. However, it will enable Members to have a continuing point of contact to address any queries after the wind-up is complete, and in particular after the current individual Trustees have stepped down.

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

ACTUARIAL CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS

ACTUARIAL CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS

Name of scheme: Royal Mail Senior Executives Pension Plan.

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in the schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2018 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 11 June 2021.

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

Signature:



Date:

11 June 2021

Name:

Johnathan Ford

Qualification:

Fellow of the Institute
And Faculty of Actuaries

Address:

The Aon Centre
122 Leadenhall Street
London
EC3V 4AN

Name of Employer:

Aon Hewitt Limited

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

IMPLEMENTATION STATEMENT

YEAR ENDED 31 MARCH 2021

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

Engagement Policy Implementation Statement

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations amongst other things require that the Trustees produce an annual implementation statement which outlines the following:

- Explain how and the extent to which they have followed their engagement policy, which is outlined in the SIP.
- Describe the voting behaviour by, or on behalf of the Trustees (including the most significant votes cast by Trustees or on their behalf) during the scheme year and state any use of the services of a proxy voter during that year.

The EPIS for the Royal Mail Senior Executives Pension Plan ("the Plan"), has been prepared by the Trustees of the Plan ("the Trustees") and covers the Plan year to 31 March 2021. The Plan currently has two insurance policies that cover all member benefits, and the Plan's other invested assets consist of a liquidity fund, and a residual property holding with M&G which is being redeemed. As the Plan does not invest in equity as an asset class, only the first bullet point above is material and this document sets out relevant the details.

Scheme Stewardship Policy Summary

The below summarise the Scheme Stewardship Policy in force over the majority of the reporting year to 31 March 2021. The full SIP can be found here:

<https://members.pensionpal.co.uk/royalmailseniorexecutivespensionplan>

The Trustees expect managers as part of their responsibilities to:

- where appropriate, engage with investee companies with the aim to protect and enhance the value of assets
- Exercise voting rights where relevant in relation to the Plan.

Given the buy-in policies, the Trustees are not able to influence the selection of underlying investments held by the insurers. For the remaining assets, where a significant concern is identified by the Trustees (relating to matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest), the Trustees may decide to engage with the fund managers, taking advice from its investment adviser if necessary.

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

IMPLEMENTATION STATEMENT

YEAR ENDED 31 MARCH 2021

Scheme stewardship activity over the year

Over the year, the Trustees received an update on the responsible investment and costs transparency regulation from their investment advisor, which provided the Trustees with updates on the evolving regulatory requirements and the importance of stewardship activity.

In September 2020, the Trustees formally updated their statement of investment principles. The updated wording in the SIP illustrates how the Trustee recognises the importance of its role as a steward of capital, as well as indicating the circumstances by which the Trustee would engage with their managers. Given that the Trustees have requested a full redemption from the remaining property holding, the Plan does not commission regular monitoring of the fund's quality. However, the Trustees receive updates from the property fund manager quarterly on the performance of the fund. Over the course of the year, and including the stewardship material reviewed as part of this exercise, the Trustees and advisers have not identified any material stewardship concerns with respect to the Plan investment in the property fund.

Engagement activity

M&G PP UK Property Fund

M&G's responsible investment policy confirm that they take a long-term, active approach to investing in property. Responsible investing is a key aspect of this, and they state that they aspire to creating and managing exceptional places that enrich the lives of people and communities to deliver long-term value for their investors, society and the environment.

With respect to Stewardship, top-down engagements are led by the M&G Stewardship & Sustainability team, alongside the respective investment team. An example of an engagement theme with companies and issuers by M&G is on climate change. Examples of entities engaged with over the reporting period at a firm level on this theme are Woodside, AB InBev, BASF, BP, Rio Tinto, China Resources Power, Glencore. M&G recognise the risks posed by climate change are multi-faceted and far reaching, and the implications on our environment and society profound. It is likely that the world will warm by more than 2 degrees Celsius, and continued relative inaction will exacerbate the impact.

M&G have committed to net zero carbon by 2050 across their global real estate portfolio. This covers operational carbon, critically covering whole building performance including their tenant's activities, as well as embodied carbon of development, refurbishment and fit-out works. This is in line with the commitments made by M&G plc to be net zero by 2050,

An example of M&G's commitments is to monitor progress against the fund sustainability objectives, using performance indicators, benchmarks (such as Global Real Estate Sustainability Benchmark GRESB) and report upon outcomes annually to investors. More information on their approach to responsible investment in property can be found here:

<https://www.mandgplc.com/~media/Files/M/MandG-Plc/documents/responsible-investing/responsible-investment/mandg-plc-responsible-property-investment-policy.pdf>

While the Trustees acknowledge the ability to engage and influence companies may be less direct than in comparison to equity holdings; from the information reviewed, it is encouraging that the manager is aware and active in their role as a steward of capital.

In summary

Based on the activity over the year by the Trustees and their service providers, the Trustees are of the opinion that the stewardship policy has been implemented effectively in practice. The Trustees note that their applicable asset manager was able to disclose clear policies and evidence of engagement activity.
