

ROYAL MAIL SENIOR EXECUTIVES PENSION PLAN

STATEMENT OF INVESTMENT PRINCIPLES

1. This statement of investment principles has been agreed by the Trustees of the Royal Mail Senior Executives Pension Plan ("the Plan") and is written in accordance with Section 35 of the Pensions Act 1995, as amended by the Pensions Act 2004; the Occupational Pension Plans (Investment) Regulations 2005; and the Myners Code of Best Practice and any updates thereof.
2. 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 Plan's remaining assets consist of cash, and a residual property holding which is being redeemed. Cash is held in the Trustees' bank account and the Trustees may also invest in cash funds.
3. For the remaining assets, the Trustees have delegated some of their investment powers to appointed investment managers. The investment managers are responsible for carrying out all day to day investment decisions including the acquisition and realisation of investments under the terms of their respective contracts. The managers are required to exercise their powers with a view to giving effect to the principles contained in this statement so far as is reasonably practical, and in particular must have regard to the need for diversification of investments (in such a way as to avoid excessive reliance on any particular investment and so as to avoid accumulations of risk in the portfolio) and to the suitability of investments selected.
4. The Trustees' primary objective is to ensure that sufficient assets are available to meet the liabilities of the Plan. The Trustees expect the return on the assets to be in line with the return on the liabilities. The buy-in policies are expected to meet the Plan's benefit payments when they fall due. When choosing the Plan's investment strategy the Trustees considered written advice from its investment advisers and, in doing so, addressed the nature of its liabilities. The Trustees have reviewed the Plan's funding and liability profile and have consulted with the Sponsoring Employer, Royal Mail. The Trustees also considered the financial strength and perceived commitment of the Sponsoring Employer when setting the investment strategy.
5. The Trustees and the investment managers (to the extent delegated), will exercise their powers of investment in accordance with the provisions set out in Regulation 4 (investment by Trustees) of the Investment Regulations.

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.

The Trustees recognise that environmental, social and governance factors may negatively impact the value of investments if not understood or evaluated properly.

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.

In setting and implementing the Plan's investment strategy the Trustees do not explicitly take into account the views of individual members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"), given the structure of the buy-in policies.

6. The Trustees recognise that an important risk to the Plan relates to the insurance companies' ability to honour their obligations of meeting the annuity payments as they fall due. This ability relies on the

financial strength of the insurance companies and on the quality of the policy agreed by the Trustees. The Trustees took legal and investment advice before entering into the buy-in policies.

7. The Trustees will review the investment policy of the Plan from time to time in the light of, among other things, the results of the periodic actuarial valuations, the funding position and the schedules of contributions produced in order to comply with the Pensions Act 1995 in order to satisfy themselves that the investment policy remains appropriate. The Trustees will review this Statement of Investment Principles in conjunction with a significant change in investment policy and, in any event, at least once every three years. The Trustees will take investment advice and consult with the Sponsoring Employer over any changes to the statement.
8. The Plan's assets comprise a portfolio that is constructed having very high regard for the best interests of the members and beneficiaries, the security, quality, liquidity and profitability of the underlying investments and it is the Trustees' intention that this should remain the case.
9. The Plan is invested predominantly in buy-in policies. Investments in derivatives can be used for risk reduction purposes. Some of the managers may employ derivatives, subject to agreed restrictions for the purposes of efficient portfolio management. The Trustees will not borrow except for the purposes of meeting the Plan's short-term liquidity needs.
10. The Trustees have reviewed the Plan's compliance with the "investment principles for defined benefit schemes" set out by the Government in response to the Myners Review.
11. 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.
12. The investment managers are paid fees based on a percentage of assets under management. In addition, the fund managers may pay commissions to third parties on trades they undertake in the management of assets and also incur other ad hoc costs. Given that the Trustees have requested a full redemption from the remaining property holding, the Trustees do not formally monitor portfolio turnover range, turnover costs, or the remuneration of the property fund manager on a regular basis. The Trustees receive updates from the property fund manager quarterly on the performance of the fund. For any cash funds held, the Trustees review the total costs and remuneration of the fund manager periodically, and receive quarterly performance updates from the fund manager. The Trustees may seek advice from their investment adviser about underlying investment positions and long-term performance of the funds held. There is typically no set duration for arrangements with the cash fund manager, although the continued appointment will be reviewed periodically.
13. The Plan's investment advisers are paid fees largely based on time spent engaged on the Plan's affairs.
14. The Trustees' policy is to review any directly held assets (being those assets not managed by their appointed investment managers) and to obtain advice about them at regular intervals. These directly held assets include vehicles for members' AVCs. When deciding whether to make an investment in any new directly held assets the Trustees will obtain written advice that will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement.
15. Under the terms of the Trust Deed, the Trustees are responsible for the investment of AVCs paid by members. The AVCs are largely invested in a range of pooled funds and members are able to select between the funds available and can switch both future and accumulated contributions between these funds. The Trustees take a proportionate approach to monitoring the performance and total costs of the AVCs. Where a significant concern is identified by the Trustees, the Trustees may decide to engage with the AVC fund managers, taking advice from its investment adviser if necessary.

16. This statement has been drawn up by the Trustees after consultation with Royal Mail and having taken written advice from their investment advisers. The Trustees believe that their investment advisers have the knowledge and experience required under the Pensions Act 1995 (as amended). The Trustees will also consult Royal Mail and consider appropriate written advice before this statement is revised. The investment managers have been provided with a copy of this statement.

Date: 7 September 2020

Name: David Hargrave

Signed: David Hargrave

On behalf of the Trustees of the Royal Mail Senior Executives Pension Plan