Report and Financial Statements

The assets of the Plan are held in trust for members by the Trustee and are managed independently from the finances of the employers.

Plan registration number: 100981732

Royal Mail Pension Plan

Contents

Trustee Directors & Advisers

Joanna Matthews – Chair

Joanna Matthews joined the Board as Chair in October 2012. She built her career as a pension lawyer at Sacker & Partners. Joanna became a full-time professional trustee in 2006 and today chairs a number of occupational pension schemes including: Civil Aviation Pension Scheme, Electricity Supply Pension Scheme, Siemens Pension Scheme and the Mirror Group Pension Schemes.

Phil Browne

Phil Browne joined Royal Mail in 1980 and was a member of the National and Postal Executive for the Communication Workers Union (CWU), from 1995 to 2017, prior to which he held various CWU positions. He was elected to the Trustee Board in October 2008 as a Member Nominated Trustee.

Geoff Lindey

Geoff Lindey is an Actuary and was for many years a portfolio manager for pension funds and other institutional clients. He joined the Trustee Board in June 2003.

Mark Ashworth

Mark Ashworth represents, and is a director of Law Debenture, which is a professional independent trustee of pension schemes. He is a Barrister and Chartered Secretary and joined Law Debenture in 2001. He serves on the trustee boards of a number of major pension schemes. He is a member of the Council of the Society of Pensions Consultants, and served as its President from 2006 to 2008. Law Debenture was appointed to the Trustee Board in March 2006

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Graeme Cunningham

Graeme Cunningham is a member of the National Committee of the Communication Managers Association (CMA) Branch of UNITE and is the CMA's principal representative for all pension matters. He joined the Trustee Board in 2003.

Lionel Sampson

Lionel Sampson is the Senior Policy Advisor to the General Secretary of the CWU. He was previously the Policy Advisor dealing with pensions. Prior to this, he was Divisional Representative for the South East Division of the CWU, and a member of both the Union of Communication Workers and National Executive Councils. He joined the Trustee Board in October 1996.

Paul Brown

Paul Brown spent 17 years at Post Office Ltd, most recently as Head of Commercial Development. Paul has continued to represent Post Office Ltd on the Trustee Board since leaving the Post Office in August 2016. Paul joined the Trustee Board in August 2012.

Paul Kennedy

Paul Kennedy is the Midlands Divisional Representative for the Communication Workers Union, a post he has held since its creation in 1992. He joined Royal Mail in 1974 and has held a variety of CWU posts since 1982. He is also a member of the Employment Tribunals. He joined the Trustee Board in August 2006

Richard Travers

Richard Travers is Finance Director Operations for Royal Mail Group. He joined Royal Mail as a graduate in 1990 and has since held a number of senior roles throughout the business. Richard joined the Trustee Board in April 2014

Trustee Directors

	Number of Board meetings attended	Number of Board meetings held
Ms J Matthews – Chair	8	8
Mr P Brown	8	8
Mr P Browne	8	8
Mr G Cunningham	7	8
Mr P Kennedy	8	8
Law Debenture Pension Trust Corporation plc (represented by Mr M Ashworth)	8	8
Mr G M Lindey	8	8
Mr L S Sampson	7	8
Mr R Travers	8	8

Trustee

Royal Mail Pensions Trustees Limited
2nd Floor
11 Ironmonger Lane
London
EC2V 8EY

Sponsoring Employers

Royal Mail Group
100 Victoria Embankment
London
EC4Y 0HQ

Post Office Ltd
Finsbury Dials
20 Finsbury Street
London
EC2Y 9AQ

Administration

Pensions Service Centre
PO Box 5863
Pond Street
Sheffield
S98 6AB




Clockwise from the top left: Chris Hogg, Ian McKnight, Mark Rugman and Richard Law-Deeks.

Executive

Chris Hogg
– Chief Executive Officer

Ian McKnight
– Chief Investment Officer

Richard Law-Deeks
- Head of Finance & Operations

Mark Rugman
– Head of Membership & Benefits

Actuary

Colin Singer FIA
(Willis Towers Watson)

Auditors

KPMG LLP

Bankers

The Royal Bank of Scotland

Custodian

JP Morgan Chase Bank

Financial Advisers

PricewaterhouseCoopers LLP

Investment Consultants

Mercer Investment Consulting

Investment Managers

Beach Point Capital Management

BlackRock

Brevan Howard Asset Management

Centerbridge Partners (appointed May 2016)

Christofferson, Robb & Company

Crescent Capital Group (appointed December 2016)

Dodge & Cox Worldwide Funds

Elementum Advisors

Gramercy Funds Management

Hamilton Lane

HBK Capital Management

Hermes Fund Managers

HighBridge Capital Management

Intermediate Capital Group

LaSalle Investment Management

Lazard Asset Management

Legal & General Investment Management

Loomis Sayles

Macquarie Group

MetLife Investment Management

MKP (terminated October 2016)

Oaktree Capital Management

Och Ziff Capital Management Group

Pacific Alliance Group

Quantum Energy Partners

River & Mercantile Group

Standard Life Investments

Taconic Capital

TOR Investment Management (appointed June 2016)

Vivo Capital

Walter Scott & Partners

Wellington Management International

Perfomance & Risk Consultant

Kempen Capital Management

Property Valuers

CB Richard Ellis Ltd

Plan Legal Advisers

Sacker & Partners LLP

Solicitors

Burness LLP
CMS Cameron McKenna LLP
Maxwell Winward LLP

These particulars are as at 31 March 2017 unless otherwise stated.

Trustee Report

This is the Annual Report of the Royal Mail Pension Plan ('RMPP' or the 'Plan') for the year ended 31 March 2017.

Plan Governance

Trustee Arrangements

Royal Mail Pensions Trustees Limited ('RMPTL') acts as Trustee for RMPP. The Board of RMPTL is supported by an executive team of pension management professionals who advise the Board on its responsibilities and ensure that Board decisions are fully implemented.

The Trustee Board has an equal number of member and employer nominated Trustee Directors, together with an independent Chair. All Board members are appointed by Royal Mail, with the agreement of the Royal Mail Unions where appropriate. Three of the Board members are nominated by Royal Mail Group ('RMG') of which two are currently independent, one by Post Office Ltd ('POL') and four by the Royal Mail Unions overseen by the Trustee. The independent Chair is appointed by Royal Mail after agreement with the Unions.

RMG and POL may remove their own nominees at any time. A member nominated Trustee Director can normally only be removed if all his or her co-Directors agree.

No matter who they are nominated by, each Trustee Director is responsible for protecting the benefits of all members Each Trustee Director contributes his or her own blend of business knowledge and experience when making Trustee decisions.

Trustee Meetings

During the year the Board met formally on eight occasions and the business matters addressed included:

- Proposals to close to future accrual
- Investment strategy
- Review of employers' covenant
- Plan governance
- Procurement
- 2015 Valuations

The chart on page 4 shows individual Trustee Directors' meeting attendance.

Sub-Committees

The Board has established the following standing Sub-Committees (the number of meetings held during the year is shown in brackets):

- Administration (4)
- Audit, Finance and Risk (3)
- Funding (3)
- Investment (4)

Additionally, the following Sub-Committees conduct business by correspondence and by meeting as and when required:

- Internal Disputes Resolution
- Discretions

Trustee Training

The Board follows The Pensions Regulator's Code of Practice on Trustee Knowledge and Understanding. During the year, training has been undertaken by the Board on liability insurance. All Trustee Directors have completed The Pensions Regulator's training course, the 'Trustee Toolkit'.

Plan Structure

The Plan is divided into five Sections, A, B, C, D and E. Sections A, B and E contain the benefit rules and schedules for former members of the Post Office Staff Superannuation Scheme (POSSS) and Section C contains the rules for former members of the Post Office Pension Scheme (POPS). Section D contains the matching AVC arrangement for Section C members. With effect from 1 April 2008, Sections A, B, C and E of the Plan are closed to new entrants.

RMG is the principal employer participating in the Plan. In line with the change in status of POL introduced by the Postal Services Act, with effect from 1 April 2012, POL became a participating employer and distinct RMG and POL sections with separate funding and investment arrangements were created within the Plan. At the same time the Plan's accrued liabilities (including the entitlements of all the then pensioners and deferred pensioners) were transferred to a new Government scheme, the Royal Mail Statutory Pension Scheme (RMSPS).

The following associated employers also participate (in the RMG section of the Plan): Quadrant Catering Ltd, Romec Ltd and The Postal Heritage Trust. NDC 2000 Ltd ceased to be an associated employer from July 2016.

The Plan has been approved by the National Insurance Contributions Office of HM Revenue & Customs (HMRC for contracting out under the Pension Schemes Act 1993 as a contracted-out salary related scheme. From 6 April 2016, contracting out is no longer possible. The Plan therefore ceased to be contracted out at that date. Plan members received a letter from the company telling them of this change.

The Plan is a registered scheme under part IV of the Finance Act 2004 and as such certain of its income and chargeable gains are free from taxation. The Plan's Pension Scheme Taxation Reference (PSTR) number is 00328877RE. The Plan is also registered with the Pension Schemes Registry with a reference number of 100981732.

Membership Administration

The Board has delegated benefit administration to the Royal Mail Pensions Service Centre in Sheffield under contractual arrangements. These arrangements specify service levels against which the Board monitors performance.

The contact details and address for all enquiries is shown on the back page.

Contributions

Contributions to the Plan, which in total amounted to £499 million during the year, were received in accordance with the schedule of contributions as shown in the Trustee's Summary of Contributions (page 34). Both Royal Mail Group and Post Office Ltd paid employer contributions of 17.1% of pensionable pay throughout the period.

Pension Increases

Section A/B members – In accordance with the Trust Deed, eligible pensions in payment and deferred benefits were increased by 1% in April 2017. This reflected the change in CPI for the year ended 30 September 2016. No discretionary increases were awarded.

Section C members – In accordance with the Trust Deed, eligible pensions in payment were increased by 2% in April 2017. This reflected the change in RPI for the year ended 30 September 2016. No discretionary increases were awarded.

Transfer Values

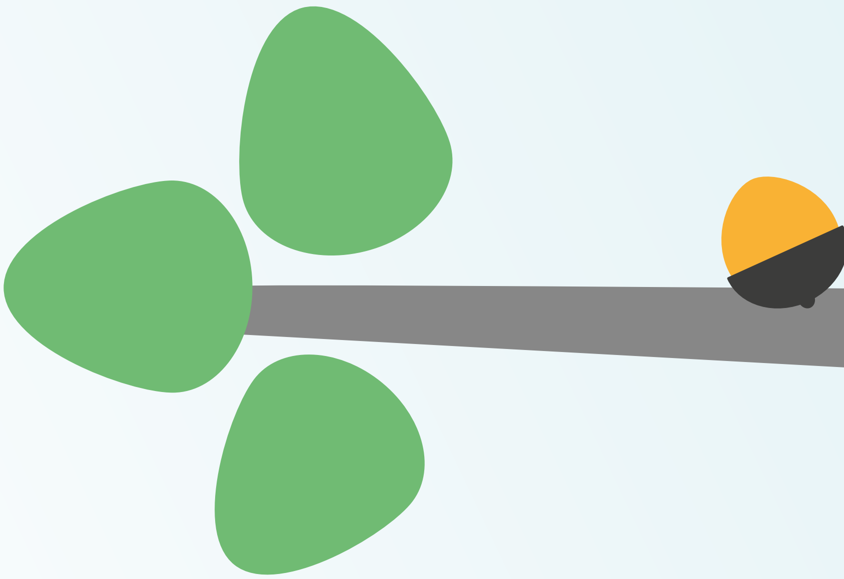
During the year, transfer values in respect of withdrawing members were calculated and verified in the manner prescribed by legislation. No allowance has been made for discretionary pension increases.

The Plan does not accept transfers from other schemes.

Risk Management and Internal Controls

The Board has established a risk management framework which enables it to review on a regular basis the risks faced by the Plan. Internal control systems are also reviewed regularly by the Board through its Audit, Risk and Finance Sub-Committee. The Board's Statement on Risk Management and Internal Control (Appendix 6 on Page 48) includes a summary of the main risks faced by the Plan.

> Both Royal Mail Group and Post Office Ltd paid employer contributions of **17.1%** of pensionable pay throughout the period.



Key Events during 2016/17

Closing the Plan to future defined benefit accrual

In October 2016, the Trustee considered a proposal from Post Office Ltd to close its section of the Plan with effect from 31 March 2017. This followed the consultation it held with employees and unions earlier in 2016. The Trustee concluded that agreeing to the Post Office proposal to close its section of the Plan was the best outcome for the section's membership as a whole. The Trustee's decision was not taken lightly and rigorous independent advice was taken throughout the process of considering the proposal.

In May 2017, the Trustee considered a proposal from Royal Mail Group to close this section of the Plan with effect from 31 March 2018. This also followed a period of consultation with relevant employees and unions in early 2017. The Trustee's independent advisers found that if the Plan remained open on the current basis, there was a risk it would be unable to pay all the benefits that have been built up, once the current surplus is used up. It was noted that the cost of contributions needed to provide benefits on the current basis was unaffordable to RMG.

The Trustee's view was therefore that the proposal to close was the best outcome for the membership of both sections as a whole.

Investment Strategy

During the year the Trustee further diversified its alternative investments, adding new private debt funds with Centerbridge Partners, Highbridge and Crescent Capital Group, real estate credit funds with LaSalle and Och-Ziff as well as a new absolute return fund managed by TOR.

The strategy behind the liability-hedging portfolio managed by BlackRock was reviewed during the year to better match the cash flow profile of the Plan's liabilities. The equity overlay was also developed to better manage the downside risk inherent in the Plan's equity exposure.

Accounting

The Plan's assets have increased in value from £7,554 million at 31 March 2016 to £10,257 million at 31 March 2017. There were receipts from contributions of £499 million and benefit and transfer payments were £57 million. This is a consequence of the pensions transfer to Government whereby only benefits earned after 31 March 2012 are paid out of the Plan.

The increase in the market value of investments during the year was £2,216 million, primarily as a consequence of the fall in yields during the year increasing the value of the Plan's liability-hedging portfolio (shown in the financial statements under pooled investment vehicles in Note 7). Investment income totalled £68 million and there were expenses of £14 million.

Membership Summary

Total membership decreased slightly during the year from 121,223 to 121,143. The number of employee members has decreased from 97,023 to 90,930 as at 31 March 2017 reflecting the Plan's closure to new members. The number of deferred members has increased from 12,550 to 14,974 and the number of pensioners has also increased from 11,650 to 15,239. **A full analysis of membership appears in Appendix 1 (page 38).**

Actuarial Valuation and Funding Update

Following the decision to close to further accrual the 2015 triennial valuations for both sections were completed. The actuarial valuations as at 31 March 2015 showed the RMG Section had assets of £6,153 million and liabilities of £4,451 million giving a surplus of £1,702 million. POL Section had assets of £378 million and liabilities of £315 million, giving a surplus of £63 million.

The annual funding update as at 31 March 2016 will be distributed in the summer of 2017. RMG Section had assets of £7,134 million and liabilities of £5,710 million giving a surplus of £1,424 million. POL Section had assets of £420 million and liabilities of £381 million giving a surplus of £39million.

The actuarial certificates on page 35 confirm that the agreed Schedules of Contributions are in accordance with the Trustee's Statement of Funding Principles.

Investment

Investment Policy

The Trustee's Statement of Investment Principles ('SIP') covers the following areas:

- Fund governance
- Investment objective
- Risk and return
- Diversification of risks
- Strategic management
- Investment managers
- Cash flow management
- AVCs
- Responsible investment
- Compliance with, and review of, the SIP

Separate SIPs have been agreed with RMG and POL. POL's SIP was updated as at March 2016 and RMG's SIP in May 2015. Each Section's spread of investments continues to balance security and growth in order to pay the RMPP's benefits when they become due. An amalgamated version of the SIPs, covering both RMG and POL, is included in full on pages 40 to 44.

The Trustee confirms that it complies with the updated Myners' Principles which provide guidance on best practice in investment decision-making.

Investment Strategy

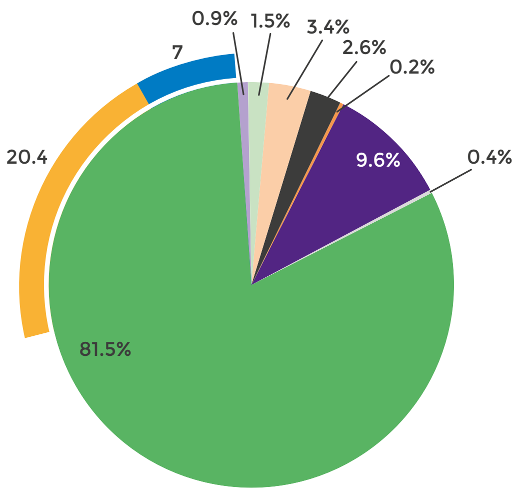
The investment strategy of the Plan aims to safeguard the assets and to provide, together with contributions, the financial resource from which benefits are paid. Investment is inevitably exposed to risks. These risks can be broadly classified as those inherent in the safe custody and record-keeping of assets and those inherent in the investment markets. The assets of the Plan are kept totally separate from the finances of the Sponsoring Employers. In order to control their title and security, the Trustee holds the assets in designated custodian accounts and uses the safekeeping services of the custodian shown on page 5. The risks inherent in the investment markets are partially mitigated by pursuing a widely diversified approach across asset classes and investment managers.

The charts below (and on page 10), show the weightings of the different types of asset held at 31 March 2017 and for the previous year by POL and RMG Sections respectively.

Both Sections of the Plan invest in a mix of risk reducing and return seeking assets. They invest in derivatives (predominantly swaps and options) to reduce risk whilst maintaining expected investment returns. Derivatives are included in the charts below as "liability-hedging assets, derivatives, collateral." The charts show assets on an economic exposure basis and include pooled investments which have been redistributed in the chart to reflect the underlying values by asset type (i.e. equities, property, bonds). Therefore the charts differ from the analysis of investment values included in the financial statements.

Asset allocation as at 31 March 2017

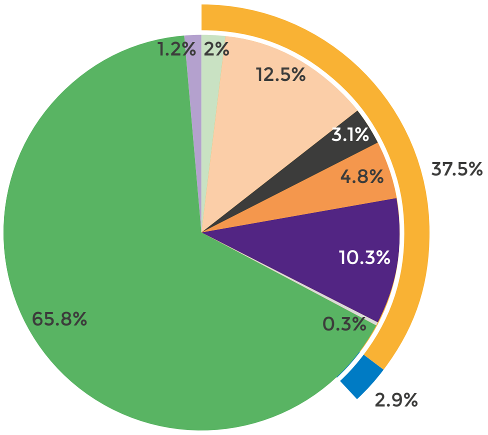
Post Office Limited



	Asset Class
Equities (listed and private)	1.5%
Alternative investments	3.4%
Property (incl. property-linked debt)	2.6%
High yield credit	0.2%
Investment grade credit	9.6%
Emerging market debt	0.4%
Liability - hedging assets, derivatives, collateral	81.5%
Cash	0.9%
Total Assets	**100.00%**

Asset allocation as at 31 March 2016

Post Office Limited

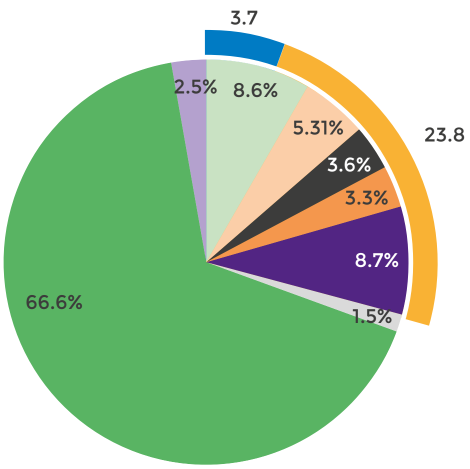


Swaps (inc TRS) Repo

	Asset Class
Equities (listed and private)	2.0%
Alternative investments	12.5%
Property (incl. property-linked debt)	3.1%
High yield credit	4.8%
Investment grade credit	10.3%
Emerging market debt	0.3%
Liability - hedging assets, derivatives, collateral	65.8%
Cash	1.2%
Total Assets	**100.00%**

Asset allocation as at 31 March 2017

Royal Mail Group

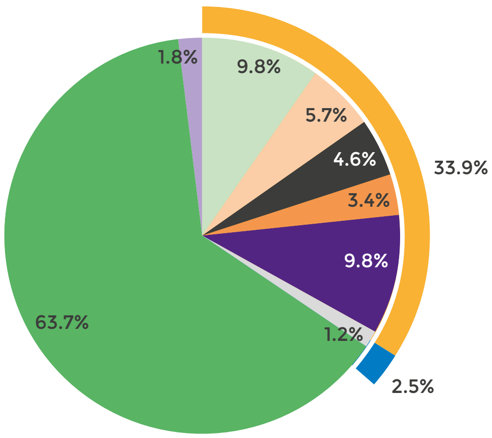


Swaps (inc TRS) Repo

	Asset Class
Equities (listed and private)	8.6%
Alternative investments	5.1%
Property (incl. property-linked debt)	3.6%
High yield credit	3.3%
Investment grade credit	8.7%
Emerging market debt	1.5%
Liability - hedging assets, derivatives, collateral	66.6%
Cash	2.5%
Total Assets	**100.00%**

Asset allocation as at 31 March 2016

Royal Mail Group



Swaps (inc TRS) Repo

	Asset Class
Equities (listed and private)	9.8%
Alternative investments	5.7%
Property (incl. property-linked debt)	4.6%
High yield credit	3.4%
Investment grade credit	9.8%
Emerging market debt	1.2%
Liability - hedging assets, derivatives, collateral	63.7%
Cash	1.8%
Total Assets	**100.00%**

Investment Managers

The Plan's assets as at 31 March 2017 were managed by several external investment managers with specialist portfolios as detailed below.

Manager	Mandate	RMG (£m)	POL (£m)
Beach Point Capital Management	High-Yield Debt	320	1
BlackRock*	Liability Driven Investment, CLOs and Infrastructure Debt	6,527	460
Brevan Howard Asset Management	Alternatives	55	-
Centerbridge Partners	Private Debt	2	-
Christofferson, Robb & Company	Alternatives	46	-
Crescent Capital Group	Private Debt	6	-
Dodge & Cox Worldwide Funds	Global Unconstrained Equities	298	-
Elementum Advisors	Alternatives	67	-
Gramercy Funds Management	Emerging Markets Debt	124	-
Hamilton Lane	USA Private Equity	115	8
HBK Capital Management	Alternatives (RMG Section only)	55	-
HighBridge Capital Management	Private Debt	10	1
Intermediate Capital Group	Private Debt	29	4
LaSalle Investment Management	UK Property and Real Estate Debt	321	-
Lazard Asset Management	Emerging Markets Equities	122	-
Legal & General Investment Management	Property Unit Trust	-	13
Loomis Sayles	Global Investment Grade Credit	132	24
Macquarie Group	Asian Infrastructure	14	-
MetLife Investment Management	Infrastructure Debt	61	4
Oaktree Capital Management	Private Debt, Emerging Markets Debt, Mezzanine Debt and Real Estate Debt	79	8
Och Ziff Capital Management Group	Alternatives	28	2
Pacific Alliance Group	Alternatives	81	-
Quantum Energy Partners	Private Equity	9	-
River & Mercantile Group	Equity Option Overlay (including gilt collateral)	226	4
Standard Life	Global Investment Grade Credit	130	-
Taconic Capital	Alternatives	39	6
TOR Investment Management	Alternatives	22	-
Vivo Capital	Private Equity	10	-
Walter Scott & Partners	Global Unconstrained Equities	278	-
Wellington Management International	Global Investment Grade Credit	130	-
Cash and other assets		266	5
AVC Investments		106	8
Net Assets		**9,708**	**548**

The figures shown above are based on the investment values as at 31 March 2017 included in the financial statements.

*BlackRock manages the Liability Driven Investment Portfolio through a Pooled Investment Vehicle. Although this forms a large proportion of the Plan's assets, risk is mitigated through holding a spread of underlying assets comprising index-linked gilts (backed by Government), swap contracts, repos and cash.

The expenses of investment management are paid by the Trustee and recharged to the Plan. The investment managers receive a fixed fee plus, where relevant, a performance fee which is only payable if a return higher than the specific benchmark return set for that portfolio is achieved (see Note 5 to the accounts on page 18).

Liquidity of Investments

The Trustee regards the majority of the investmentsas readily realisable. Exceptions include certain pooled investments, private equity, property and some corporate bonds, which due either to the nature of the investments or current market conditions means they are less liquid than the rest of the investment portfolio.

Investment Returns

The charts below show the Plan's returns for return seeking assets for the year ended 31 March 2017 as well as annualised returns for the three years to the same date, split by Section.

Responsible Investment

The Trustee's policy on responsible investment is included in its Statement of Investment Principles. The Trustee has adopted the Financial Reporting Council's (FRC's) UK Stewardship Code and is a signatory to the United Nations Principles for Responsible Investment (UNPRI).

Through its Investment Sub-Committee, the Trustee:

- Has received reports from its managers on how they have exercised their voting rights and how they have engaged with investee companies. The Trustee holds the investment managers responsible for their decisions in the use of voting rights on all issues including remuneration policy. This is in keeping with the principles outlined in the FRC's UK Stewardship Code;
- Has received a report from the UNPRI on its compliance with the principles; and
- Has ensured that those of its investment managers who hold UK listed shares comply with the FRC's UK Stewardship Code; and
- Has appointed Global Engagement Services (GES) to engage with all equity holdings (including Emerging Markets) on Environmental, Social and Governance (ESG) issues where required and to make recommendations.

RMG Section	year to 31 Mar 17	3 years to 31 Mar 17
Return on return-seeking assets (%) p.a.	13.4	7.9
Target (3M Libor + 3.3%)*	0.4	0.5
Return on liability matching assets and cash p.a.	39.1	43.0

POL Section	year to 31 Mar 17	3 years to 31 Mar 17
Return on return-seeking assets (%) p.a.	7.6	4.6
Target (3M Libor + 3.1%)*	-	-
Return on liability matching assets and cash p.a.	34.4	31.1

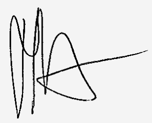
* The target of 3.3% over the 3 months LIBOR rate represents the return required to generate a return of 1.5% over total return on 15 years + gilts for the entire Section.

Conclusion

Post Office consulted with its employee members in 2016 and its section of the Plan was closed to further accrual from 1 April 2017. Royal Mail consulted with its employee members in early 2017 and its section of the Plan will close to accrual from 1 April 2018. These were not easy changes for the Trustee to agree, but the case put to the Trustee over the affordability of the Plan by both sponsors was compelling and validated by the Trustees' independent professional advisors.

The value of the Plan's assets increased, from £7.6 billion to £10.2 billion. The increase was driven partially by net cash inflow from contributions after benefit payments, but primarily by investment returns and falling gilt yields. We know that the liabilities of the Plan have increased significantly as well and challenging markets continue to drive high costs of providing pensions. Despite this, return seeking assets have performed strongly for the Plan notwithstanding a focus on managing downside risk.

The Trustee Board would like to thank the RMPTL Executive, the Royal Mail Pensions Service Centre, the Royal Mail Pensions Strategy Team and our team of external advisers for their assistance throughout the year.



Joanna Matthews – Chair

12 July 2017

Statement of Trustee's Responsibilities for the Financial Statements

The audited financial statements, which are 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 Trustee. Pension scheme regulations require the Trustee to make available to Plan members, beneficiaries and certain other parties, audited financial statements for each Plan year which:

- 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 scheme year of the 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 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.

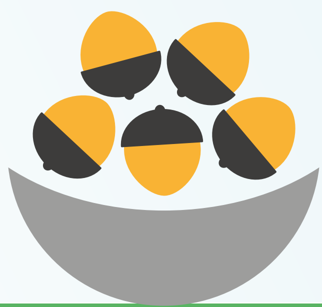
The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. The Trustee is also responsible for making available each year, commonly in the form of a Trustee's annual report, information about the Plan prescribed by pensions legislation, which it should ensure is consistent with the financial statements it accompanies.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities accompanying the Trustee's summary of contributions.

The Trustee has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Plan and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.

Statement of Trustee's Responsibilities in respect of Contributions

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions 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 Trustee is also responsible for keeping records of contributions received in respect of any active member of the Plan and for procuring that contributions are made to the Plan in accordance with the schedule.



Royal Mail Pension Plan Financial Statements

Fund Account

for the year ended 31 March 2017

	Notes	2017 £m	2017 RMG £m	2017 POL £m	2016 £m
Contributions and benefits					
Employer Contributions	1	**363**	346	17	417
Employee Contributions	1	**136**	130	6	139
Benefits	2	**(45)**	(42)	(3)	(39)
Payments to and on account of leavers	3	**(12)**	(11)	(1)	(10)
		442	423	19	507
Administrative expenses	4,20	**(9)**	(8)	(1)	(7)
Net additions from dealing with members	-	**433**	415	18	500
Return on investments					
Investment income	6	**68**	67	1	55
Change in market value of investments	7	**2,216**	2,107	109	477
Investment management expenses	5,20	**(14)**	(14)	-	(9)
Net return on investments	-	**2,270**	2,160	110	523
Net increase in the fund during the year	-	**2,703**	2,575	128	1,023
Net Assets of the Plan					
At start of year	-	**7,554**	7,134	420	6,531
At end of year	-	**10,257**	9,709	548	7,554

The Notes on pages 17 to 31 form an integral part of the financial statements.

Statement of Net Assets (available for benefits)

as at 31 March 2017

	Notes	2017 £m	2017 RMG £m	2017 POL £m	2016 £m
Investment assets					
Equities	-	**457**	454	3	302
Property	9	**321**	321	-	300
Bonds	-	**1,292**	1,264	28	1,094
Pooled investment vehicles	8	**7,761**	7,258	503	5,488
Derivative contracts	10	**17**	17	-	61
AVC investments	12	**114**	106	8	100
Cash	11	**395**	326	69	220
Other investment assets	16	**87**	87	-	82
		10,444	**9,833**	**611**	**7,647**
Investment liabilities					
Derivative contracts	10	**(40)**	(40)	-	(39)
Other investment liabilities	16	**(149)**	(86)	(63)	(55)
		(189)	**(126)**	**(63)**	**(94)**
Net investment assets					
		10,255	9,707	548	7,553
Current assets	-	**16**	16	-	10
Current liabilities	13	**(14)**	(14)	-	(9)
Net assets of the Plan at 31 March					
		10,257	**9,709**	**548**	**7,554**

The Notes on pages 17 to 31 form an integral part of the financial statements.

The financial statements summarise the transactions of the Plan and deal with the net assets at the disposal of the Trustee.

They do not take into account 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 into account such obligations, is dealt with in the Report on Actuarial Liabilities included on page 36 and these financial statements should be read in conjunction with that report.

Approved by the Trustee and signed on behalf of the Directors by:

J Matthews – Chair

G Cunningham – Director

C Hogg – Chief Executive

Accounting Policies

Basis of Preparation

The financial statements have been prepared in accordance with the Occupational Pension Scheme (Requirement to obtain Audited Accounts and a statement from the Auditor) Regulators 1996, Financial Reporting Standard 102 - the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice (SORP) (revised November 2014).

Basis of Accounting

The financial statements state the assets at market value. The long-term financial position of the Plan including liabilities for pensions and other benefits which are expected to arise in the future and which are not reflected in the financial statements, is dealt with in the Actuarial Valuation Reports as at 31 March 2015 (RMG Section) and 1 April 2015 (POL Section).

Basis of Consolidation

The results of subsidiary undertakings are included from the date of acquisition and up to date of disposal using the acquisition method of accounting.

The Plan holds some investments through wholly owned subsidiaries and partnerships. Such investments are consolidated by including the assets, liabilities, income and expenditure of those wholly owned subsidiaries and partnerships in the Plan's financial statements. Consolidation is based on the latest available financial statements augmented where necessary by unaudited management information made up to dates not earlier than three months before the Plan's year end. Adjustments have been made on consolidation to bring the accounting policies of the consolidated undertakings into line with those adopted by the Plan

Contributions

Normal contributions from employers and employees are made in accordance with the rates set out in the schedules of contributions in force for the Plan Year. Normal contributions relating to wages and salaries earned in the Plan Year have been recognised in these financial statements. Additional Voluntary Contributions are accounted for on an accruals basis when deducted from payroll.

Deficit funding and augmentation contributions are recognised in the financial statements in accordance with the due dates set out in the schedules of contributions.

Benefits

Benefits are accounted for on an accruals basis according to when they fall due for payment.

Transfers

Individual transfers out of the Plan are accounted for on a cash basis of amounts paid. Group transfers are accounted for when liability is accepted by the receiving scheme, which is usually on the basis of amounts paid.

Investment Income

Income from property, bonds and index-linked securities and other interest receivable is taken into account on an accruals basis. Income from all other marketable securities is taken into account on the date when stocks are quoted ex-dividend. Investment income is recognised in the financial statements net of associated tax credits which are not recoverable by the Plan. Any overseas withholding tax is recognised as income, but where this is not recoverable by the Plan it is shown separately as a tax charge.

Foreign Currencies

The functional and presentational currency for reporting purposes is Sterling. Foreign currency investments and related assets and liabilities are translated into Sterling at the rates ruling at the year end.

Foreign currency income and expenditure is translated at exchange rates prevailing on the appropriate dates, which are usually the transaction dates. Exchange differences arising from translation are dealt with in the Fund Account within the change in market value of investments.

Market Value of Securities

The majority of listed securities are valued at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the Net Assets Statement. For fixed interest and index-linked securities this valuation is reduced by the accrued interest therein; such interest is included in other investment assets.

Stock index and bond futures are included in the Net Assets Statement under derivative contracts at fair value. For exchange-traded derivatives that are assets, fair value is based on bid prices. For exchange-traded derivatives that are liabilities, fair value is based on offer prices. All gains and losses on open contracts are included within the change in market value of investments.

Open forward foreign currency contracts at the balance sheet date are over the counter contracts and are valued using forward currency rates at that point.The unrealised appreciation or depreciation of open foreign currency contracts is calculated by the difference between the contracted rate and the rate to close out the contract.

Open option contracts at the balance sheet date are over the counter contracts and fair value is calculated taking into account the strike price, maturity date and the underlying asset of the option. The unrealised appreciation or depreciation of open option contracts is calculated by the difference between the premiums paid for the options and the price to close out the options.

Interest rate and credit default swaps are over the counter contracts and fair value is the current value of the future expected net cash flows, taking into account the time value of money and market data at year end.

Unlisted securities and other pooled investment vehicles are valued at the Trustee's valuation using published prices, the latest information from investment managers, or at cost less any necessary provisions for impairment.

Securities on Loan and Sale and Repurchase Agreements

Securities on loan or sold subject to repurchase agreements are included in the financial statements within the respective investment classes at the year-end market value of the securities on loan, or of the securities to be repurchased. Collateral received on stock loans is excluded from the financial statements.

Market Value of Properties

Properties are valued on a market value basis for financial statements purposes as at the year - end date in accordance with RICS Valuations Standards.

The valuer, CB Richard Ellis, is a recognised firm of Chartered Surveyors which has the appropriate expertise within its practice to value these properties.

Commitments

Commitments represent funds to be allocated for future investments by the Plan.

Notes to the Financial Statements

1. Contributions

		2017 £m	2016 £m
Contributions by employer	– normal	350	369
	– augmentation	13	48
Contributions by members	– normal	123	130
	– additional voluntary	11	7
	– added years	2	2
		499	**556**

2. Benefits

	2017 £m	2016 £m
Retirement pensions	18	11
Lump sum/retirement benefits	25	27
Death benefits	2	1
	45	**39**

3. Payments to and on behalf of leavers

	2017 £m	2016 £m
Individual transfer values	12	10

Transfer values were calculated and verified in the manner prescribed by legislation. No allowance has been made for discretionary pension increases in respect of those sections of the Plan which do not guarantee pension increases fully in line with inflation.

Notes to the Financial Statements continued

4. Administration expenses

	2017 £m	2016 £m
Administrative expenses	9	7

Administrative expenses include costs totalling £2,500 in respect of the Pension Protection Fund (2016: £2,500). Administrative expenses also includes fees payable to the Plan's auditors (KPMG) of £106,000 (2016: £85,000) of which £4,000 (2016: £4,000) relates to the Plan's subsidiaries.

5. Investment management expenses

	2017 £m	2016 £m
Investment managers' base fees	5	5
Investment managers' performance fees	6	-
Other expenses	3	4
	14	**9**

6. Investment Income

	2017 £m	2016 £m
Dividends from equities	7	5
Income from bonds	45	36
Income from pooled investment vehicles	4	2
Net rental income	15	15
Interest on cash deposits	1	1
Income from derivatives	(4)	(4)
	68	**55**
Net recoverable withholding tax	-	-
	68	**55**

Net rental income is stated after deduction of £2 million (2016: £2 million) of property related expenses.

The Plan is a registered pension scheme for tax purposes under the Finance Act 2004. The Plan is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income.

7. Reconciliation of investments

This includes profits and losses on investments sold as well as increases and decreases in the value of investments held at 31 March 2017. An analysis of the change in market value of net assets is shown below:

Investment assets	Market value at 31 March 2016 £m	Purchases at cost and derivative payments £m	Sale proceeds and derivative receipts £m	Change in value £m	Market value at 31 March 2017 £m
Equities	302	140	(84)	99	457
Property	300	22	-	(1)	321
Bonds	1,094	607	(606)	197	1,292
Pooled investment vehicles	5,488	683	(394)	1,984	7,761
AVC investments	100	11	(10)	13	114
Cash	220	168	-	7	395
Derivative contracts*	22	75	(37)	(83)	(23)
	7,526	**1,706**	**(1,131)**	**2,216**	**10,317**
Other investment assets and liabilities	27	-	(89)	-	(62)
Net investment assets	**7,553**	**1,706**	**(1,220)**	**2,216**	**10,255**

*Derivative contracts include both derivative assets and liabilities which are shown separately on the face of the Net Assets Statements.

Note: The "Change in value" column comprises gains and losses on investments sold and increases and decreases in the value of investments held.

Transaction costs are costs that are directly attributable to the acquisition or disposal of an investment and are included in the cost of purchases and sale proceeds. Transactions costs incurred during the year amounted to £1,477,000 (2016: £453,000). In addition to these transaction costs, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. Further detail on Transactions costs can be found in note 17.

Notes to the Financial Statements continued

8. Pooled Investment Vehicles

	2017 £m	2016 £m
Bond funds	277	234
Equity funds	298	204
Absolute Return funds	343	332
Property funds	38	35
Private Equity funds	156	164
Liability driven investment funds	6,582	4,478
Private debt funds	67	41
	7,761	**5,488**
The Scheme is currently the sole investor in the Liability driven investment funds. The underlying assets in this pooled investment vehicle are as follows:		
Bonds	6,175	3,964
Swaps	716	697
Repurchase agreements	(380)	(198)
Net cash	71	15
	6,582	**4,478**

9. Property

	2017 £m	2016 £m
UK		
Retail	219	216
Industrial	36	32
Residential	66	52
	321	**300**

There was no property (2016: nil) which was leased back to Royal Mail at market rates.

10. Derivative contracts

	2017 £m	2016 £m
Assets		
Futures contracts	-	-
FX forward contracts	6	4
Options contracts	10	57
Swaps	1	-
	17	**61**
Liabilities		
Futures contracts	(1)	-
FX forward contracts	(2)	(2)
Options contracts	(9)	(13)
Swaps	(28)	(24)
	(40)	**(39)**

Objectives and Policies

The Trustee has authorised the use of derivatives by its investment managers as part of its overall investment strategy for the Plan. The main objectives for the use of derivatives are summarised as follows:

Futures contracts

Futures contracts are entered into as a method of balancing the Plan's exposure to a particular market or sector. Derivatives often provide a cheaper and more efficient way of modifying portfolio risk to remain within asset allocations governed by the investment strategy of the Plan. Options contracts are used to decrease the Plan's risk to adverse moves in equity markets.

Options Contracts

Options contracts are used to decrease the Plan's risk to adverse moves in equity markets.

Foreign exchange forward contracts

Foreign exchange forward contracts are used to hedge against adverse foreign exchange rate movements on investments denominated in non-Sterling currencies.

Interest rate swaps

Interest rate swaps are used to decrease the Plan's risk to interest rate movements on floating rate instruments.

Credit default swaps

Credit default swaps are used to decrease the Plan's credit risk on fixed interest instruments.

Notes to the Financial Statements continued

10. Derivative contracts (continued)

Disclosures of the derivatives held at year end are set out below:

Futures – exchange traded

Type of Future	Expiration	Economic Exposure Value £m	2017 Asset £m	2017 Liability £m
Long gilt*	June 17	(9)	-	-
Fixed interest – overseas*	June 17	(64)	-	(1)
			-	(1)

Type of Future	Expiration	Economic Exposure Value £m	2016 Asset £m	2016 Liability £m
Long gilt*	June 16	5	-	-
Fixed interest – overseas*	June 16	29	-	-
			-	-

*The value of the Long gilt assets was £nil (2016: £nil) and the Long gilt derivative liabilities was £152,000 (2016: £30,000). The value of Fixed interest - overseas assets was £23,000 (2016: £77,000) and Fixed interest - overseas liabilities was £121,000 in the prior year.

FX forwards

Currency Bought	Currency Sold	Notional Value £m	2017 Asset £m	2017 Liability £m
GBP	EUR	54	1	-
GBP	USD	292	5	(1)
USD	EUR	33	-	(1)
VARIOUS*	VARIOUS*	4	-	-
			6	(2)

Currency Bought	Currency Sold	Notional Value £m	2016 Asset £m	2016 Liability £m
GBP	EUR	35	-	(1)
GBP	USD	264	4	-
USD	EUR	37	-	(1)
VARIOUS*	VARIOUS*	2	-	-
			4	(2)

All FX forward contracts are over the counter settling in less than one year.
*The value of the FX forward various assets was £5,000 (2016: £91,000) and the value of the FX forward various liabilities was £27,000 (2016: £64,000).

10. Derivative contracts (continued)

Equity Options – over the counter

Type of Option	Expiration	Economic Exposure Value £m	2017 Asset £m	2017 Liability £m
Long put	2018	432	10	-
Short put	2018	432	-	(1)
Long call*	2018	216	-	-
Short call	2018	432	-	(8)
Package	2018	-	-	-
			10	(9)

Swaps – over the counter

Type of Option	Expiration	Economic Exposure Value £m	2016 Asset £m	2016 Liability £m
Long put	2018	545	49	-
Short put	2018	545	-	(7)
Long call*	2018	539	-	-
Short call	2018	545	-	(6)
Package	2018	267	8	-
			57	(13)

* The value of the long call assets was £9,000 (2016: £22,000) and the value of the long call liabilities was £nil (2016: £nil).

10. Derivative contracts (continued)

Swaps – over the counter

Type of Swap	Expiration	Economic Exposure Value £m	2017 Asset £m	2017 Liability £m
Credit default swap – index*	< 5 years	1	-	-
Credit default swap – single entity*	< 40 years	4	-	-
Credit default swap – single entity*	> 40 years	1	-	-
Interest rate swap – fixed for floating	< 5 years	173	-	(2)
Interest rate swap – fixed for floating	< 40 years	137	1	(6)
Total return swap – global equity short	April 2017	260	-	(20)
			1	**(28)**

Type of Swap	Expiration	Economic Exposure Value £m	2016 Asset £m	2016 Liability £m
Credit default swap – index*	< 5 years	3	-	-
Credit default swap – single entity*	< 40 years	6	-	-
Interest rate swap – fixed for floating	< 5 years	232	-	(5)
Interest rate swap – fixed for floating	< 40 years	179	-	(19)
			-	**(24)**

* The value of the credit default swap - index assets was £57,000 (2016: £143,000) and the credit default swap - index liabilities was £57,000 (2016: £285,000). The value of the credit default swap - single entity assets was £6,000 (2016: £100,000) and the credit default swap - single entity liabilities was £16,000 (2016: £10,000).

11. Cash

	2017 £m	2016 £m
Interest earning deposits		
Sterling	302	180
Foreign currency	93	40
	395	**220**

12. AVC investments

Members' Additional Voluntary Contributions are invested separately from the principal Plan on a money purchase basis with Zurich. There are legacy 'with profits' arrangements with Aviva, Standard Life and Equitable Life Assurance Society. Members participating in these arrangements each receive an annual statement confirming the amount held in their account and the movements in the year. The table below details the value held per provider:

	2017 £m	2016 £m
Zurich	96	81
Aviva	2	2
Standard Life	6	7
Equitable Life	10	10
At end of year	**114**	**100**

13. Creditors

	2017 £m	2016 £m
Accrued benefits	2	2
Other creditors	12	7
	14	**9**

14. Securities on loan

Securities have been lent to market makers in return for fee income earned by the Plan. Security for the loans is obtained by holding collateral in the form of financial instruments.

	2017 On loan £m	2017 Collateral £m	2016 On loan £m	2016 Collateral £m
Equities	18	20	18	20
Bonds	7	8	10	10
	25	**28**	**28**	**30**

Notes to the Financial Statements continued

15. Commitments and contingent liabilities

	2017 £m	2016 £m
Property	5	23
Other*	423	192
	428	215

*Other commitments represent funds allocated for specific private equity and alternative investments. There were nil contingent liabilities at 31 March 2017 (2016: nil).

16. Other investment assets and investment liabilities

'Other investment assets' consists of accrued income, amounts due from brokers and collateral placed with counterparties.

'Other investment liabilities' consists of amounts due to brokers.

17. Transaction Costs

Included within the purchases and sales are direct transaction costs of £1,477,000 (2016: £453,000) comprising fees, commissions and stamp duty. These costs are attributable to the following asset classes:

	Stamp Duty £m	Fees £m	Commission £m	2017 Total £m
Equities	-	0.2	0.1	0.3
Bonds*	-	-	-	-
Property	0.9	0.3	-	1.2
	0.9	0.5	0.1	1.5

	Stamp Duty £m	Fees £m	Commission £m	2016 Total £m
Equities	-	0.1	0.2	0.3
Bonds*	-	-	-	-
Property	-	0.1	-	0.1
	-	0.2	0.2	0.4

*There were fees amounting to £30,000 (2016: £7,000) and commissions of £2,000 (2016: £47,000) relating to Bonds during the year. Transaction costs are also borne by the Plan in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately reported.

18. Investment Fair Value Hierarchy

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

Level 1: The unadjusted quoted 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.

As at 31 March 2017:	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Equities	409	-	48	457
Bonds	533	680	79	1,292
Property		321		321
Pooled investment vehicles	6,882		879	7,761
Derivatives	-	(23)	-	(23)
AVC investments		114		114
Cash	395			395
Other investment balances	(62)			(62)
Total	**8,157**	**1,092**	**1,006**	**10,255**

As at 31 March 2016:	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Equities	301	-	1	302
Bonds	58	963	73	1,094
Property	-	300	-	300
Pooled investment vehicles	4,688	-	800	5,488
Derivatives	-	(2)	24	22
AVC investments	-	81	19	100
Cash	220	-	-	220
Other investment balances	27	-	-	27
Total	**5,294**	**1,342**	**917**	**7,553**

Notes to the Financial Statements continued

19. 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 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 Trustee's Report. The Trustee manages 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 Trustee by regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the Plan's exposures to credit and market risks are set out below. This does not include AVC investments as these are not considered significant in relation to the overall investments of the Plan.

(i) Credit risk

The Plan is subject to credit risk as the Plan invests in bonds, OTC derivatives, has cash balances, undertakes stock lending activities and enters into repurchase agreements. The Plan also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Analysis of direct credit risk	Investment grade £m	Non-investment grade £m	Unrated £m	2017 Total £m
Bonds	6,791	670	6	7,467
OTC Derivatives	689			689
Cash	395			395
Stock lending	7			7
Repurchase agreements	(380)			(380)
PIVs			277	277
Total	7,502	670	283	8,455

	Investment grade £m	Non-investment grade £m	Unrated £m	2016 Total £m
Bonds	4,521	530	7	5,058
OTC Derivatives	719	-	-	719
Cash	235	-	-	235
Stock lending	28	-	-	28
Repurchase agreements	(198)	-	-	(198)
PIVs	-	-	1,010	1,010
Total	**5,305**	**530**	**1,017**	**6,852**

Credit risk arising on bonds is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. The Plan also invests in high yield and emerging market bonds which are non-investment grade. The Trustee manages the associated credit risk by requesting the investment manager to diversify the portfolio to minimise the impact of default by any one issuer. Credit risk arising on other investments is mitigated by investment mandates requiring counterparties to be of at least investment grade credit quality. Credit ratings of counterparties can be monitored via the reports issued from the major credit rating agencies.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Plan is subject to risk of failure of the counterparty. The credit risk for OTC swaps and options is reduced by collateral arrangements which would require the transfer of cash between counterparties when OTC derivative positions are opened and during the life of the open position as the market value of the position changes over time. Credit risk also arises on forward foreign currency contracts. There are no collateral arrangements for these contracts but all counterparties are required to be at least investment grade.

Cash is held within financial institutions which are at least of investment grade credit rating.

The Plan lends certain fixed interest and equity securities under a Trustee-approved stock lending programme. The Trustee manages the credit risk arising from stock lending activities by restricting the amount of overall stock that may be lent, only lending to approved borrowers who are rated investment grade, limiting the amount that can be lent to any one borrower and putting in place collateral arrangements. At the year end, the Plan had lent £7 million (2016: £10 million) of fixed income securities and £18 million (2016: £18 million) of UK quoted securities and held collateral in the form of cash and fixed interest securities with a value of 108% (2016: 109%) of stock lent.

The Plan's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. For the liability driven investment fund, the Plan is the sole investor and the underlying assets of the fund (see note 8) have been reviewed for credit risk disclosure purposes. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled manager. This involves the review of internal controls reports which are externally audited, reviews of the audited annual accounts, monitoring and adherence to Service Level Agreements and ongoing discussions and meetings with the pooled fund manager and their custodians.

Notes to the Financial Statements continued

A summary of pooled investment vehicles by type of arrangement is as follows:

	2017 £m	2016 £m
Qualifying investor fund	6,582	4,478
Open ended investment companies	715	577
Shares of limited liability partnerships	464	433
Total	**7,761**	**5,488**

Indirect credit risk arises in relation to underlying investments held in the pooled investment vehicles. This risk can be mitigated by investing in pooled funds which invest in investment grade credit rated securities and transact with counterparties of an investment grade credit rating.

(ii) Currency risk

The Plan is subject to currency risk because some of the Plan's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee limits overseas currency exposure through a currency hedging policy.

The Plan's total net unhedged exposure by major currency at the year end was as follows:

	2017 £m	2016 £m
Currency		
Euro	167	170
US Dollar	694	386
Japanese Yen	25	22
Other	159	107
Total	**1,045**	**685**

(ii) Interest rate risk

The Plan is subject to interest rate risk on bonds and interest rate swaps held either as segregated investments or through pooled vehicles and cash. At the year end these comprised:

	2017 £m	2016 £m
Direct		
Bonds	1,292	1,094
Swaps	(27)	(24)
Indirect		
Bond PIVs	277	234
LDI PIVs	6,582	4,478
Other debt PIVs	67	41
Total	**8,191**	**5,823**

(iv) Other price risk

Other price risk arises principally in relation to the Plan's return seeking portfolio which includes directly held equities, equities held in pooled vehicles, equity futures, absolute return funds, private equity and investment properties.

The Plan manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets. At the year end, the Plan's exposure to investments subject to other price risk was:

	2017 £m	2016 £m
Direct		
Equities	457	302
Investment properties	321	300
Indirect		
Equity funds	298	204
Absolute Return funds	343	332
Investment property funds	38	35
Private equity funds	156	164
Total	**1,613**	**1,337**

20. Related party transactions

During the year there were transactions with Royal Mail Pension Trustees Limited (RMPTL). RMPTL provides the Plan with comprehensive trustee services including the provision of external supplies. The cost to RMPTL of providing these services is borne by the Plan and allocated between administrative and investment expenses. Contributions received and pension benefits paid in respect of Trustee Directors who are members of the Plan were in accordance with the Schedule of Contributions and Plan rules where appropriate.

There was no employer related investment during the year.

	2017 £m	2016 £m
Fees charged for the year including amounts payable to RMPTL as at 31 March 2017 of £2 million (2016: £2 million)	14	14

Independent Auditor's Report to the Trustee of the Royal Mail Pension Plan

We have audited the financial statements of Royal Mail Pension Plan for the year ended 31 March 2017 set out on pages 14 to 31. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Trustee 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 Trustee, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of Trustee's responsibilities set out on page 13, the Trustee is responsible for supervising the preparation of financial statements which show a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at **www.frc.org.uk/auditscopeukprivate**.

Opinion on financial statements

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 2017 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 Generally Accepted Accounting Practice; and
- contain the information specified in 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.

Nadia Dabbagh-Hobrow for and on behalf of KPMG LLP
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

12 July 2017

Independent Auditor's Statement about Contributions, to the Trustee of the Royal Mail Pension Plan

We have examined the summary of contributions payable under the schedule of contributions to the Royal Mail Pension Plan in respect of the Plan year ended 31 March 2017 which is set out on page 34.

This statement is made solely to the Trustee, 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 Trustee 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 Trustee, as a body, for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of Trustee Responsibilities set out on page 13, the Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Plan and for monitoring whether contributions are made to the Plan by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid under the schedule of contributions to the Plan and to report our opinion to you.

Statement about contributions payable under the schedule of contributions

In our opinion contributions for the Plan year ended 31 March 2017 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 actuary on 26 September 2013 for the RMG section and 15 October 2013 for the POL section.

Nadia Dabbagh-Hobrow for and on behalf of KPMG LLP
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

12 July 2017

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published.

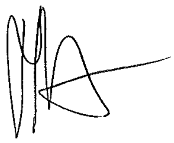
These matters are the responsibility of the Trustee but no control procedures can provide absolute assurance in this area. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Trustee's Summary of Contributions

The following summary of contributions is designed to show contributions as specified in the schedules of contributions and those paid in addition.

Contributions Receivable	**2017 Per Schedule £m**	**2017 Additional £m**	**2017 Total £m**	**2016 Per Schedule £m**	**2016 Additional £m**	**2016 Total £m**
Employers' normal contributions	350	-	350	369	-	369
Members' normal contributions	123	-	123	130	-	130
Employers' augmentation contributions	13	-	13	48	-	48
Members' additional voluntary contributions	-	11	11	-	7	7
Members' added years' contributions	-	2	2	-	2	2
Total contributions (see Note 1 to the financial statements)	**486**	**13**	**499**	**547**	**9**	**556**

Approved by the Trustee and signed on behalf of the Directors by:



J Matthews – Chair

12 July 2017

Actuary's Certification of Schedules of Contributions

Royal Mail Pension Plan – RMG Section

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 2015 to be met for the period for which this 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 8 May 2017.

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 Plan's liabilities by the purchase of annuities, if the Plan were to be wound up.

C G Singer

Fellow of the Institute and Faculty of Actuaries
Willis Towers Watson

Watson House
London Road
Reigate
Surrey
RH2 9PQ

8 May 2017

Royal Mail Pension Plan – POL Section

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 2015 to be met for the period for which this 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 21 March 2017.

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 Plan's liabilities by the purchase of annuities, if the Plan were to be wound up.

C G Singer

Fellow of the Institute and Faculty of Actuaries
Willis Towers Watson

Watson House
London Road
Reigate
Surrey
RH2 9PQ

21 March 2017

Report on Actuarial Liabilities (forming part of the Trustee's report)

Under Section 222 of the Pensions Act 2004, schemes are subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the employer and set out in the Statement of Funding Principles, which is available to Plan members on request.

The most recent full actuarial valuation of the Plan was carried out as at 31 March 2015.

The value of the technical provisions for the Plan was:

The value of the Technical Provisions for the Plan was:	The market value of the assets at that date was:
£4,451 million for RMG Section	£6,153 million for RMG Section
£315.2 million for POL Section	£377.9 million for POL Section

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 is the Projected Unit Method.

Significant actuarial assumptions

Nominal discount rate:

RMG	POL
Term-dependent discount rate equal to the forward yield on UK nominal gilts plus an initial margin of 0.95% in 2015/16, 2016/17 and 2017/18. The margin reduces to 0.55% for 2018/19 and thereafter reduces in equal annual steps of 0.06% until the margin is 0.25% in 2023/24. Thereafter the margin remains constant at 0.25%.	Term-dependent discount rate equal to the spot yield on UK nominal gilts less a margin of 0.2% per annum.

Price inflation (RPI):

Term-dependent inflation rate equal to the UK gilt implied inflation spot yield. Annual CPI inflation to be assumed lower than the assumed annual RPI inflation.

Pensionable pay increases:

Annual increases are assumed to take place in April each year in line with RPI inflation. In addition:

RMG	POL
The Technical Provisions will include a reserve for promotional increases to basic pay which increase benefits by more than RPI. As at 31 March 2015 this reserve is £10 million.	An allowance for promotions and increments of 0.12% per annum of the corresponding liability.
	The Technical Provisions will include a reserve for promotional increases to basic pay which increase benefits by more than RPI.

Pension increases and revaluation:

Index-linked pensions and pensions subject to a maximum increase of 5% per annum are assumed to increase in line with the relevant inflation index (RPI or CPI), according to the provisions of the appropriate section of the Plan Rules, with no adjustment for caps or floors.

Mortality:

The mortality tables to be used in deferment and after retirement in respect of a member and the member's dependant are set out in the table below.

	RMG*		POL	
	Base Table	Improvements	Base Table	Improvements
Male members	91% S2PMA	CMI 2014 with 2% trend	116% S2PMA	CMI 2015 with 1.5% trend
Male dependants				
Female members	89% S2PFA		109% S2PFA	
Female dependants	96% S2DFA		119% S2DFA	

*A loading of 10% is applied to the non-pensioner liability and a loading of 5% is applied to the pensioner liability to reflect an allowance for prudence.

Appendices

Appendix 1 – Membership Analysis 2015/16

RMG Section	2017	2016
Active Members		
Employee members	77,993	84,212
Dual Status – active members with part benefits in payment	10,241	9,287
Total Active members	**88,234**	**93,499**
Deferred Members		
Deferred members	11,285	9,703
Dual Status – deferred members with part benefits in payment	1,694	1,419
Total Deferred members	**12,979**	**11,122**
Pensioner members		
Pensioner members	14,247	10.913
Total Pensioner members (excluding dual status)	**14,247**	**10,913**
Total Membership – RMG Section	**115,460**	**115,534**

POL Section	2017	2016
Active Members		
Employee members	2,413	3.175
Dual Status – active members with part benefits in payment	283	349
Total Active members	**2,696**	**3,524**
Deferred Members		
Deferred members	1,741	1,244
Dual Status – deferred members with part benefits in payment	254	184
Total Deferred members	**1,995**	**1,428**
Pensioner members		
Pensioner members	992	737
Total Pensioner members (excluding dual status)	**992**	**737**
Total Membership – POL Section	**5,683**	**5,689**

Appendix 2 - Five Year History of the Fund

	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m
Income					
Employers' contributions	441	418	421	417	363
Member contributions and transfers-in	153	149	147	139	136
Investment income	42	44	50	55	68
Benefits Paid					
Retirement pension	0	6	6	11	18
Lump sum retirement benefits	5	11	18	27	25
Death benefits and leavers	6	7	11	11	14
Assets					
Assets	3,197	3,863	6,531	7,554	10,257

The above tables reflect the transfer to Government of the Plan's liabilities and most of its assets as at 1 April 2012.

The number of members in the Plan is **120,284.**

The total value of the Plan's assets is **£10.3 billion**.

Appendix 3 - Statement of Investment Principles

March 2015

1. Introduction

1.1 This Statement of Investment Principles (the 'Statement') has been prepared by Royal Mail Pensions Trustees Limited (the 'Trustee'), who acts as Trustee for the Royal Mail Pension Plan (the 'Plan').

1.2 Since 1 April 2012, the Plan's assets and liabilities have been sub-divided into two sections (the 'Sections') relating to Post Office Limited ('POL') and to Royal Mail Group ('RMG'). The Trustee seeks to maintain good working relationships with POL and RMG. Investment policy is determined separately for each Section and reflects separate consultations with POL and RMG.

1.3 The remainder of this Statement refers primarily to RMG/POL Section (the 'Section') or otherwise, as specified, to the Plan in general. RMG/POL (the 'Company'), has been consulted in preparing this Statement and will be further consulted regarding any proposed changes to the Statement.

1.4 The Statement sets out the principles governing the Trustee's decisions about the investment of the Section's assets. The Trustee refers to this Statement when making investment decisions, to ensure that they are consistent with the principles set out in it.

1.5 The Statement is designed to meet the requirements of Section 35 of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005.

1.6 The Trustee has obtained written professional advice from the Plan's investment consultant in preparing this Statement. The Trustee believes that the investment consultant meets the relevant requirements under Section 35 (3) of the Pensions Act 1995. In matters where the investment policy may affect the Section's funding policy, advice has also been obtained from the Scheme Actuary. The Trustee will obtain similar advice whenever it reviews this Statement.

1.7 The Trustee's investment powers are set out within the Plan's Trust Deed & Rules, subject to applicable legislation. If necessary, the Trustee will take appropriate legal advice regarding the interpretation of these. The Trustee notes that, according to the law, the Trustee has ultimate power and responsibility for the Section's investment arrangements.

1.8 In the normal course of events, the Trustee does not expect to revise this Statement frequently because the Statement covers broad principles. The Trustee will review this Statement in response to any material changes to any aspects of the Section, its liabilities, finances and the attitude to risk of the Trustee and the Company that it judges to have a bearing on the Statement. Reviews will occur no less frequently than triennially. All reviews will again be based on written expert advice and will include consultation with the Company.

2. Fund Governance

2.1 The Trustee is responsible for the investment of the Section's assets but is permitted to delegate execution of these responsibilities. When determining which decisions to delegate, the Trustee has taken into account whether it has the appropriate training and is able to secure the necessary expert advice in order to take an informed decision. The Trustee's ability to execute the decision effectively is also taken into account. Details of the Trustee's duties and responsibilities are included in Annex A (pages 51 to 53).

2.2 The Trustee has established the Investment Sub-Committee ('ISC') to focus on investment issues. Details of the ISC's duties and responsibilities are included in separate Terms of Reference.

2.3 The Trustee has appointed an investment consultant to advise the Trustee and the ISC as to the setting, implementation and monitoring of the investment policy.

2.4 The Trustee has chosen to delegate day-to-day management of the Section's investments to a number of investment managers, in accordance with Section 34 of the Pensions Act 1995. The terms of each investment manager's appointment are contained in the investment management Agreement between the investment manager and the Trustee and, where applicable, in the governing documentation of pooled vehicles.

2.5 The Trustee has appointed a performance and risk consultant independent of the Section's investment managers. The custodian is responsible for the safekeeping of the Section's assets and performs the associated administrative duties (e.g. trade settlement, dividend collection, corporate actions, tax reclamation and proxy voting). The details of the custodian's appointment and duties are set out in the contract between the Trustee and the custodian.

3. Investment Objective

3.1 Meeting the Section's Liabilities

The Trustee recognises that in setting investment policy to meet the liabilities, it must have regard to both the potential for the investment policy to generate positive return that would lead to an improvement in the Section's funding position and to the potential for poor returns that would cause it to deteriorate. The Trustee recognises that there is a natural conflict between improving the potential for positive return and limiting the potential for poor return. The Trustee has specified objectives for the investment policy that balance these requirements.

4. Risk and Return

4.1 The Trustee recognises that it is not necessarily possible, or even desirable, to select investments that exactly match the Section's estimated liabilities. Given the ongoing commitment of the Company to the Section and the current circumstances of the Section, a degree of investment risk can currently be taken, in the expectation of generating excess returns relative to the lowest risk strategy.

4.2 In deciding to take investment risk relative to the liabilities, the Trustee has carefully considered the following possible consequences:

- Over any time period, the assets might not achieve the anticipated excess return relative to the liabilities. This would result in the deterioration of the Section's financial position and consequently may result in higher contributions than currently expected from the Company.
- There may be a shortfall of assets relative to the liabilities in the event of discontinuance of the Section. This consequence is particularly serious if it coincides with the Company being unable to make good the shortfall.

4.3 The Trustee has taken advice on these issues from the investment consultant and the Scheme Actuary.

4.4 The Trustee's willingness to take investment risk is dependent on the Section's financial position from time to time, on the continuing financial strength of the Company and on its willingness and capacity to contribute appropriately to the Section. The financial strength and perceived commitment of the Company to the Section is monitored by the Trustee and the Trustee will review the level of investment risk relative to the liabilities should either of these change.

4.5 The Trustee will also monitor the Section's financial position and liability profile, with a view to reviewing the investment objectives, risk tolerance and/or return targets should there be a significant change in either.

4.6 There are many different combinations of assets and investment management approaches that could be adopted in targeting a particular level of investment risk and/or expected return. The Trustee's objective is to identify those combinations that it believes are likely to minimise the level of risk taken for the level of return sought.

5. Diversification of Risks

5.1 To control the risk of deterioration in the financial position of the Section, the Trustee requires the Section's assets to be adequately diversified between different asset classes, especially among those asset classes which represent significant risk relative to the liabilities.

5.2 The principal asset categories used by the Section are set out below.

5.2.1 UK Government bonds ('gilts') – although gilts are the lowest risk asset relative to the Section's liabilities, they are not risk free. **Interest rate risk** exists if the cash-flow profile of the gilts held by the Section differs from that of the Section's projected benefit cash-flows due to members. **Inflation risk** exists if the assets and projected liabilities have different linkages to inflation. A sovereign **credit risk** would exist if the UK government were not certain to make the payments due on the gilts (a default) and/or if markets perceived an increase in the risk of default and the market values of gilts fell as a result.

5.2.2 Non-Government Sterling bonds – carry interest rate risk, inflation risk and credit risk.

5.2.3 Non-Sterling bonds – in addition to the risks listed above, investing in non-Sterling bonds adds **currency risk** as the Section's liabilities are denominated in Sterling. Consequently, changes in exchange rates will impact the relative value of the assets and liabilities. Non-Sterling bonds may be issued by governments and non-governmental borrowers.

5.2.4 All interest bearing assets, including high yield bonds and emerging markets debt as well as cash, share the risk characteristics detailed above to varying degrees. The Trustee uses derivatives in combination with, or as an alternative to, bonds and as a means of managing currency exposures. In using derivatives, the Section is exposed to the associated **counterparty risks**, a form of credit risk in that the counterparty to the derivative transaction could fail to meet its obligations to the Section.

5.2.5 Equities – equities, whether public or private, represent an ownership stake in a company. The value of this stake is determined by the buyer and seller of the stake and there is no certain value to this investment (unlike the payments contracted under a bond, subject to credit and currency risk). A periodic payment, in the form of a dividend, might be made to an equity holder although the timing and amount of this is uncertain. The uncertainty of the return from equities relative to the liabilities means there is a significant **equity/liability mismatch risk**.

5.2.6 Property – the return generated by an investment in property can be broken down into income and capital. The income component is subject to interest rate risk and inflation risk relative to the liabilities. There is also uncertainty as to the long-term level of the income. The capital value of the property is determined by the buyer and seller of the property and is not certain. These uncertainties, including currency risk in the case of properties outside the UK, constitute a significant **property/liability** mismatch risk.

5.3 The Trustee has chosen to employ active management for a proportion of the Section's assets. The active managers are given asset class benchmarks which it is their objective to outperform. The asset class benchmarks have the risks relative to the liabilities mentioned above (interest rate and inflation risk, currency risk, equity mismatch risk etc.). Active managers will seek to outperform the benchmarks by taking positions against them and this introduces a further **active risk** into the investment policy. Part of this active risk is the risk taken by the Trustee in selecting active investment managers that some or all of the managers selected lack the skill to outperform their benchmarks with a sufficiently high degree of confidence.

5.4 Some of the managers may employ derivatives for the purposes of efficient portfolio management and subject to agreed restrictions. The risks associated with investing in derivatives are largely the same as those of investing in the underlying asset categories.

5.4.1 **Leverage** may be an additional risk introduced if the economic exposure arising from investing in a derivative is greater than the capital committed to the investment.

5.4.2 **Administrative risk** may also be present depending on the terms of the contract governing the derivative.

5.5 A **regulatory risk** arises from investing in a market environment where the regulatory regime may change. This may be compounded by **political risk** in those environments subject to unstable regimes.

5.6 There is a **liquidity risk** attaching to assets which may not always be readily realisable or whose market values may be adversely affected as a direct consequence of the Section seeking to realise them. This risk applies to all the asset categories listed above, albeit to varying degrees. The Trustee believes that the Section's long-term investment horizon justifies a degree of liquidity risk where such risk is rewarded and a proportion of the Section's assets are invested in less liquid investments.

5.7 The Trustee acknowledges that it is not possible to monitor all the risks listed above at all times. However, it seeks to take on those risks for which reasonable potential exists to be rewarded over time, in the form of excess returns, and it seeks to expose the Section to a diversified range of risks. The Trustee reviews the overall level of risk periodically and when considering the impact of any proposed change of investment strategy. The resulting combination of assets and investment management approaches has been selected to be consistent with the investment objective.

6. Strategic Management

6.1 The Section's strategic asset allocation has been designed to capture the strategic risks that the Trustee has decided to take. The detail of the strategic asset allocation for the Section as at 31 March 2016 is set out in the table below:

	POL (%)	RMG (%)
Equities (listed and private)	3.0	13.0
Property (incl. property-linked debt)	5.0	8.0
High yield credit	2.8	3.5
Alternative investments	7.5	7.5
Investment grade credit	11.0	11.0
Emerging market debt	-	2.0
Liability-hedging assets, derivatives and collateral	70.7	55.0
	100.0	100.0

6.2 The Section's current strategic target for liability-hedging assets is to hedge the interest rate and inflation risks attaching to liabilities expected to accrue in future. Overseas currency exposures may also be hedged in whole or in part. Strategic equity risk exposures may be managed through the use of equity index derivatives, including options. The strategy within 'alternative investments' will develop over time, but may include allocations to high-lease-to-value ('HLV') property, private debt and absolute return strategies. Similarly, the strategy within investment grade credit will develop over time and may include illiquid and less liquid forms of credit, such as senior infrastructure debt and collateralized loan obligations, as well as more liquid investment grade corporate bonds.

6.3 The Trustee will implement the strategic asset allocation, including the liability-hedging target, over time taking into account prevailing market conditions and the financial position of the Section.

7. Investment Managers

7.1 The investment managers have full discretion to buy and sell investments on behalf of the Section, subject to agreed constraints. They have been selected for their expertise in different specialisations and each manages investments for the Section to a specific mandate, which includes performance objectives, risk parameters, and timescales over which their performance will be measured.

7.2 Where assets are managed on a segregated basis, the Trustee is able to tailor the nature of the investment mandate and restrictions on how assets are managed to the Section's specific requirements. The precise terms differ between the investment managers depending on the nature of their mandate.

7.3 The Trustee accepts that it is not possible to specify investment restrictions where assets are managed via pooled funds, but nonetheless takes appropriate legal and investment advice regarding the suitability of the pooled fund and its documentation.

8. Cashflow Management

8.1 The Trustee recognises the liquidity risks associated with the level of cashflow required by the Section over a specified period.

8.2 The Section's administrator monitors the monthly benefit outgoings to ensure that sufficient cash balances are available.

8.3 In general, the Section's investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. In the event that the cashflow of the Section is negative, the Trustee decides from which asset classes and managers assets should be realised to meet the Section's cashflow needs.

9. Additional Voluntary Contributions

9.1 Additional Voluntary Contributions (AVCs) made by members are invested in a range of pooled investment vehicles to provide money purchase benefits. For certain eligible members, AVCs may also be used to purchase 'added years' of reckonable service which are invested with the main Section's assets. The Trustee's objective in relation to money purchase AVC funds is to provide a reasonable range of appropriate funds, recognising that members can choose to invest outside the Section.

10. Responsible Investment

10.1 Sustainable Investment

10.1.1 The Trustee aims to be an engaged and responsible long-term investor in the assets and markets in which it invests. The Trustee believes that the integration of these factors within investment managers' investment processes is not detrimental to the risks and the sustainable long term expected returns from the Section's investments. All of the Section's investment managers are encouraged to take these factors into account within their respective investment processes.

10.1.2 The Plan is a signatory to the United Nations backed Principles for Responsible Investment which acts as a framework for investors to take environmental, social and governance issues into account.

10.2 Corporate Governance

10.2.1 The Trustee has given the investment managers full discretion in exercising rights, including voting rights, in relation to the Section's investments.

10.2.2 The Trustee encourages best practice in terms of engagement with investee companies. It therefore seeks to require its investment managers to discharge their responsibilities in respect of investee companies in accordance with the UK Stewardship Code drawn up by the Financial Reporting Council. The Plan became a signatory to the Code in 2011.

10.2.3 The Trustee believes that good corporate governance is important and it expects the investment managers to have suitable policies which promote the concept of good corporate governance and, in particular, a policy of exercising voting rights. The Trustee holds the investment managers accountable for their decisions in the use of voting rights.

10.3 Social Investment

10.3.1 With regard to ethical and environmental considerations, the active investment managers have, where relevant, been instructed by the Trustee:

- Not knowingly to invest in:
  - Countries that are on the United Nations trade embargo list;
  - Companies that are involved in terrorism, money laundering, drug trafficking or any other serious crime;
  - Companies that do not take into account the reasonable long-term interests of their stakeholders.
- To use their best efforts to avoid investing in companies that in the investment manager's opinion persistently behave without due regard for the environment or society as a whole.

11. Compliance With and Review of This Statement

11.1 The Trustee will review compliance with this Statement on a regular basis. The regular review will occur no less frequently than triennially to coincide with the Actuarial Valuation, particularly in the light of any changes to the funding position of the Section.

11.2 Each investment manager will provide written confirmation that they have complied with their obligations under the Pensions Act 1995. The Trustee undertakes to advise the investment managers promptly and in writing of any material change to this Statement.

11.3 The Trustee will also periodically review this statement as stated in paragraph 1.8 above. Any review of this Statement will be in response to any material changes to any aspect of the Section, its liabilities, finances and the attitudes to risk of the Trustee and the Company, which it judges to have a bearing on the stated investment policy.

11.4 A copy of this Statement has been provided to the Company, investment consultant, investment managers, performance and risk consultant and custodian.

Appendix A to Appendix 3 – Plan Governance

This Annex sets out a summary of the Plan's current governance structure. It is not a formal part of the Statement of Investment Principles. The responsibilities of the Trustee and its current advisers are set out below.

A1. Trustee

The Trustee is responsible for the investment of the Plan's assets. The Trustee takes some decisions and delegates the balance. An overview of the Trustee's duties and responsibilities is as follows:

- Overall responsibility for the Plan's investments.
- Compliance with legislative and regulatory requirements.
- Define the terms of operation of the Investment Sub-Committee (ISC) of the Trustee.
- Appoint the members of the ISC.
- Appoint the investment consultant.
- Decide on investment strategy, based on recommendations from the ISC and the investment consultant.
- Appoint the investment managers and custodian, based on recommendations from the ISC and the investment consultant.

The Trustee has established the ISC under written Terms of Reference to focus on investment issues. The ISC has been delegated the responsibility for ongoing monitoring of the current investment arrangements against their agreed objectives and for reviewing and making recommendations to the Trustee for changes to investment policy as necessary from time to time. These include recommendations on the overall strategic benchmark and the appointments of investment managers and advisers.

A2. Administrator

Royal Mail Pensions Service Centre administers the benefits of the Plan and monitors the associated monthly outgoings.

A3. Custodian

In relation to the segregated investments the Trustee has appointed JP Morgan Chase Bank as the Plan's custodian, responsible for the safekeeping of a part of the Plan's assets and performing the associated administrative duties. The Trustee is not responsible for the appointment of the custodian of the assets contained within pooled fund investments.

A4. Investment Consultant

The investment consultant is Mercer Investment Consulting regulated by the Financial Conduct Authority.

A5. Performance and Risk Consultant

The performance and risk consultant is Kempen Capital Management. The details of their appointment, including reporting and analysis to be provided and the fees for the service are set out in a contract entered into between the Trustee and Kempen Capital Management.

A6. Covenant Adviser

The Covenant Adviser is PricewaterhouseCoopers.

Appendix 4 - The UK Stewardship Code

The Financial Reporting Council published 'The UK Stewardship Code' in July 2010. It was subsequently updated in September 2012.

The updated principles of the code are that institutional investors should:

- Publicly disclose their policy on how they will discharge their stewardship responsibilities
- Have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed
- Monitor their investee companies
- Establish clear guidelines on when and how they will escalate their stewardship activities
- Be willing to act collectively with other investors where appropriate
- Have a clear policy on voting and disclosure of voting activity
- Report periodically on their stewardship and voting activities

The Trustee has adopted the UK Stewardship Code.

Appendix 5 - The Principles for Responsible Investment

The Plan has signed up to the United Nations backed Principles for Responsible Investment. The principles are reproduced below.

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

1. We will incorporate ESG issues into investment analysis and decision-making processes.

Possible actions:

1.1 Address ESG issues in investment policy statements.

1.2 Support development of ESG-related tools, metrics, and analyses.

1.3 Assess the capabilities of internal investment managers to incorporate ESG issues.

1.4 Assess the capabilities of external investment managers to incorporate ESG issues.

1.5 Ask investment service providers (such as financial analysts, consultants, brokers, research firms, or rating companies) to integrate ESG factors into evolving research and analysis.

1.6 Encourage academic and other research on this theme.

1.7 Advocate ESG training for investment professionals.

2. We will be active owners and incorporate ESG issues into our ownership policies and practices.

Possible actions:

2.1 Develop and disclose an active ownership policy consistent with the Principles.

2.2 Exercise voting rights or monitor compliance with voting policy (if outsourced).

2.3 Develop an engagement capability (either directly or through outsourcing).

2.4 Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights).

2.5 File shareholder resolutions consistent with long-term ESG considerations.

2.6 Engage with companies on ESG issues.

2.7 Participate in collaborative engagement initiatives.

2.8 Ask investment managers to undertake and report on ESG-related engagement.

3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Possible actions:

3.1 Ask for standardising reporting on ESG issues (using tools such as the Global Reporting initiative).

3.2 Ask for ESG issues to be integrated within annual financial reports.

3.3 Ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives (such as the UN Global Compact).

3.4 Support shareholder initiatives and resolutions promoting ESG disclosure.

4. We will promote acceptance and implementation of the Principles within the investment industry.

Possible actions:

4.1 Include Principle-related requirements in requests for proposals (RFPs).

4.2 Align investment mandates, monitoring procedures, performance indicators and incentive structures accordingly (for example, ensure investment management processes reflect long-term time horizons when appropriate).

4.3 Communicate ESG expectations to investment service providers.

4.4 Revisit relationships with service providers that fail to meet ESG expectations.

4.5 Support the development of tools for benchmarking ESG integration.

4.6 Support regulatory or policy developments that enable implementation of the Principles.

5. We will work together to enhance our effectiveness in implementing the Principles.

Possible actions:

5.1 Support/participate in networks and information platforms to share tools, pool resources, and make use of investor reporting as a source of learning.

5.2 Collectively address relevant emerging issues.

5.3 Develop or support appropriate collaborative initiatives.

6. We will each report on our activities and progress towards implementing the Principles.

Possible actions:

6.1 Disclose how ESG issues are integrated within investment practices.

6.2 Disclose active ownership activities (voting, engagement, and/or policy dialogue).

6.3 Disclose what is required from service providers in relation to the Principles.

6.4 Communicate with beneficiaries about ESG issues and the Principles.

6.5 Report on progress and/or achievements relating to the Principles using a 'Comply or Explain'* approach.

6.6 Seek to determine the impact of the Principles.

6.7 Make use of reporting to raise awareness among a broader group of stakeholder.

*The Comply or Explain approach requires signatories to report on how they implement the Principles, or provide an explanation where they do not comply with them.

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of the environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.

We encourage other investors to adopt the Principles.

Appendix 6 - Statement on Risk Management and Internal Control

The Trustee Board has put in place a risk management framework for the identification, assessment, treatment, monitoring and reporting of risk. The process helps support the Trustee's objectives by linking to the business plan, identifying and reacting to emerging risks, and developing cost-effective solutions to risk.

Risks identified and action plans for their management are recorded in the Risk Register and reviewed regularly by the Audit, Risk and Finance Sub-Committee, together with reports testing the internal controls in place to mitigate the identified risks. All Sub-Committees of the Trustee Board regularly review the risks within their domain. The Trustee Board retains overall responsibility for risk management and receives a report, at least annually, on the Risk Register and effectiveness of internal controls.

It should be borne in mind that the system of internal control and risk management is designed to manage rather than eliminate the risk of failure to achieve the Trustee's objectives. Summarised below are the most important risks currently faced by the Plan. They are being managed to support the long-term objectives of the Trustee Board

1. Appropriate funding of the Plan does not take place

Continued funding of the Plan by Royal Mail Group and Post Office Ltd, so that all members receive the benefits they are entitled to, needs to be carefully monitored on an ongoing basis. The Trustee agrees a schedule of contributions following each triennial actuarial valuation of the Plan and receives regular management reports on changes to the funding position at its Board meetings. The Trustee also ensures that contributions from both Plan Sponsors are paid on time in accordance with the agreed schedule and regularly reviews the finances of the Plan sponsors.

2. Investment performance relative to the liabilities is adverse because of market movements or inappropriate strategy

Investment market movements affect the value of both the assets and the liabilities of the Plan. When liabilities increase relative to assets, the funding position deteriorates. The Trustee regularly reviews its investment strategy and as and when market conditions are favourable, it continues to reduce the level of risk inherent in its assets by diversifying its portfolio and by increasing its proportion of liability matching assets held.

3. Membership data is incorrect

Inaccurate or missing data can cause errors in Plan administration or provide misleading information on benefit illustrations sent to members. The Pensions Service Centre has a dedicated data integrity team working on verifying data.

4. Deflation (sustained period of negative inflation)

Sustained deflation would impact negatively on the Plan's funding position through adverse yields from index-linked gilts relative to the Plan's liabilities. Equities would also produce adverse returns. The Trustee constantly monitors economic forecasts and holds fixed interest as well as index-linked gilts.

5. Failure by a counterparty

Failure by a counterparty could impair the funding position. A number of procedures are in place to mitigate against this risk including daily collateralisation, diversification of counterparties and limits on amounts placed with single institutions.

Appendix 7 - Governance Policy

Trustee Mission and Key Objectives

The mission and key objectives of the Trustee Board of the Royal Mail Pension Plan ('the Plan') are:

Mission:

- **To pay all of the benefits as they fall due under the Plan, in accordance with the Trust Deed and Rules**

Key objectives:

- **To maintain an appropriate funding basis for the Plan.**
- **To maintain an appropriate investment strategy for the Plan.**
- **To ensure that the membership administration of the Plan is properly carried out to ensure best practice governance of the Plan.**

The key objectives are to be achieved in a cost-effective manner.

The Trustee also has a long-term aim of establishing the funding of the Plan on a self-sufficient basis for the financial security of all members.

Plan Governance

The Trustee has a responsibility to ensure that the Plan is managed and administered in accordance with its Trust Deed and Rules and in accordance with all relevant laws and regulations.

The Trust Deed and Rules stipulate primarily:

- How the Trustee conducts business including powers and discretions.
- The contributions payable by the participating employers and Plan members.
- The investment powers of the Trustee.
- The benefits payable to Plan members.

The Trustee has ultimate responsibility for funding decisions – the procedure for agreeing scheme funding is stipulated in Part 3 of the Pensions Act 2004.

The Trustee governs the Plan through a number of policies and procedures. These are shown in the Annex A on pages 51 to 53, categorised by each of the four main objectives of the Trustee Board.

Delegation of powers and duties

Under the Trust Deed and Rules the Trustee may delegate the powers, duties and responsibilities of managing the Plan. The administration of the Plan is carried out by Royal Mail Group (the 'Pensions Service Centre') but the Trustee retains the ultimate responsibility for ensuring its effectiveness. The Trustee has delegated limited powers with regard to certain discretionary benefits to the Trustee Executive and Pensions Service Centre.

Royal Mail Pensions Trustees Ltd ('RMPTL')

RMPTL is a wholly owned subsidiary of Royal Mail Group Ltd. Its sole purpose is to act as corporate Trustee to the Plan. It does not trade but it is a registered company and therefore it must act in accordance with the Companies Act and with its Memorandum and Articles of Association. The Memorandum states the principal purpose of the Company and its objects, whilst the Articles stipulate how business is conducted including proceedings at meetings, structure of the Board, appointment and removal of directors, voting and delegation of powers.

Trustee Board composition

The Trustee Board has an equal number of member and employer nominated Trustee Directors, together with an independent Chair. All Board members are appointed by Royal Mail, with the agreement of the Royal Mail Unions where appropriate. Three of the Board members are nominated by Royal Mail Group (RMG) of which two are currently independent, one by Post Office Ltd (POL) and four by the Royal Mail Unions overseen by the Trustee. The independent Chair is appointed by Royal Mail after agreement with the Unions.

RMG and POL may remove their own nominees at any time. A member nominated Trustee Director can normally only be removed if all his or her co-Directors agree.

No matter who they are nominated by, each Trustee Director is responsible for protecting the benefits of all members. Each Trustee Director contributes his or her own blend of business knowledge and experience when making Trustee decisions.

Sub-Committees

The Board has established the following standing Sub-Committees:

- Administration
- Audit, Finance & Risk
- Funding
- Investment

Additionally, the following Sub-Committees conduct business by correspondence and by meeting as and when required:

- Internal Disputes Resolution
- Discretions

Other Sub-Committees are established on an ad hoc basis as and when required, such as the Member Nominated Directors Sub-Committee. The Investment Sub-Committee has established an Implementation Working Group which monitors progress of investment strategy.

All the Sub-Committees of the Trustee Board have approved terms of reference which include details of how they operate, their duties and powers. In general terms, Sub-Committees monitor the services provided by key external service providers, have limited delegated powers of appointment, carry out scrutiny of reports and make recommendations for action to the Trustee Board.

The Trustee Executive

The Board of RMPTL is supported by an executive team of pensions management professionals who advise the Board on its responsibilities and ensure that Board decisions are fully implemented.

Trustee Training

The Board follows The Pensions Regulator's Code of Practice on Trustee Knowledge and Understanding, which was introduced by the Pensions Act 2004. All Trustee Directors are required to complete The Pensions Regulator's training course, the 'Trustee Toolkit'.

Assessment and Benchmarking

The Trustee carries out regular self-assessments of its Board's effectiveness. It also participates in governance surveys and is represented in several benchmarking groups of pension schemes.

Relationship with Royal Mail Group (RMG) and Post Office Limited (POL)

The Plan has distinct RMG and POL Sections. The Trustee engages with RMG and with POL on investment strategy and funding arrangements through the Trustee's Investment and Funding Sub-Committees and its Investment Working Groups for each Section. The Chair and Chief Executive of RMPTL present an annual report on the affairs of the Plan to the Board of Royal Mail Group.

Pensions Partnership

Regular dialogue is carried out between the RMPTL Executive, the Pensions Strategy Teams of RMG and POL, and the Pensions Service Centre (which provides administration services to the Plan) through the Pensions Partnership.

Other Stakeholders

The Trustee engages with its other stakeholders, including the following:

- Her Majesty's Government
- Members of the Plan;
- Representative bodies of the members of the Plan, namely the Communication Workers Union, the Communication Managers Association section of UNITE, and the Pensioner Federation;
- The Pensions Regulator;
- Ofcom

Annex A to Appendix 7 - Key Policies and Procedures

Policy/Procedure	Date Last Reviewed
Triennial Valuation Report	May 2017
Statement of Funding Principles	May 2017
Annual Actuarial Report	May 2017
Summary Funding Statement	May 2017
Schedule of Contributions	May 2017
Recovery Plan (if required)	N/A
Investment	
Statement of Investment Principles	Jun 2015
Responsible Investment Policy	Jun 2015
Myners Compliance Report	Jun 2013
Quarterly Investment Reports	Mar 2017
Administration	
Pensions Service Centre ('PSC') Pricing and Service Level Agreement	Jan 2014
Internal Dispute Resolution Procedure	Feb 2014
PSC Compliance Statements	Mar 2015
Member Communications Strategy	Feb 2015
Review of Discretionary Powers	Mar 2016

Key Policies and Procedures continued

Policy/Procedure Reviewed	Date Last Reviewed
Governance	
Trust Deed and Rules	May 2017
RMPTL Memorandum and Articles	Oct 2013
Trustee Board and Sub-Committee Meetings Schedule	May 2017
Business Plan	Mar 2017
Business Continuity Plans for RMPTL and Key Service Providers	Mar 2017
Member Nominated Trustee Nomination and Selection Process	Aug 2012
Induction Process for new Trustee Directors	Mar 2014
Conflicts of Interest Policy	Nov 2013
Risk Register	Nov 2016
Notifiable Events and Whistle-blowing Report	Mar 2017
Review of Compliance with The Pensions Regulator's Codes of Practice	Sep 2014
Board Effectiveness Review	Jul 2015
Trustee Knowledge & Understanding Review	May 2017
Gifts & Hospitality Policy	Jul 2016
Anti Bribery Policy	Jul 2016

Policy/Procedure		Date Last Reviewed
Sub-Committees' Terms of Reference:		
Investment		Feb 2016
Funding		Nov 2016
Audit & Accounts		Nov 2016
Administration		May 2016
Discretions		Sep 2012
Internal Dispute Resolution		Sep 2012
Assessment of Advisers:		
Lawyers:	Sackers & Partners LLP	Jan 2016
Actuary:	Willis Towers Watson	Jan 2016
Covenant Reviewer:	PriceWaterhouseCoopers LLP	Jan 2016
Auditors:	KPMG LLP	Nov 2016
Investment Consultant:	Mercer Investment Consulting	Jan 2016
Custodian:	JP Morgan Chase Bank	Nov 2016

Glossary of Terms

Actuarial Valuation
A valuation of a pension scheme which compares the scheme's assets to its liabilities. Economic and demographic assumptions are made to value the scheme's liabilities.

Added Years
A method of increasing pensionable service for those members wishing to provide for enhanced pension benefits by paying additional contributions.

Additional Voluntary Contributions (AVCs)
Contributions made by active members to purchase additional benefits.

Asset Allocation
The proportions in which the Plan's assets are distributed between different classes of investment.

Contingent Liability
A potential obligation which depends on whether or not some future event occurs.

Contracting Out
The use of the Plan to provide benefits in place of the State Second Pension (S2P).

Corporate Trustee
The Plan is managed by a corporate trustee company, acting as the Plan's Trustee.

Credit Default Swap
A financial swap agreement that transfers the credit exposure of fixed income products between parties.

Collateralized Loan Obligations (CLOs)
A form of securitization where payments from multiple middle sized and large business loans are pooled together and passed on to different classes of owners in various tranches.

Custodian
A financial institution that holds and manages a client's securities or other assets on their behalf so as to reduce the risk of the client losing those assets or having them stolen.

Deferred Members / Deferred Pensioners
Members of the Plan who have ceased contributing (and may have left the employ of the Plan sponsor). They each have a benefit preserved in the Plan, payable at normal retiring age or on earlier death or ill health based on their period of service.

Derivatives
Financial contracts which derive their value from some other underlying asset. Examples include futures, options and swaps.

Emerging Market Equities/Debt
These are overseas asset classes which cover countries with developing economies. This asset class currently covers certain countries in Asia, Latin America, Europe and Africa.

Employer Covenant
The ability of a pension fund's sponsoring employer(s) to fund its pension scheme and underwrite investment risk.

Equities
Shares in UK and overseas companies.

Fair Value
A rational and unbiased estimate of the market value of goods, services or assets.

Fixed Interest Securities
Investments on which a fixed rate of interest is received.

Foreign Exchange ('FX' Forward)
A contract in the foreign exchange market that locks in the exchange rate for the sale or purchase of a foreign currency at an agreed future date.

Futures and Options Contracts
A futures contract is a firm agreement to buy or sell a security or quantity of securities at an agreed price and future date. An option contract confers the right without the obligation to complete a similar transaction at an agreed price and future date. In particular, stock futures and options are used by the Plan as a means to buy or sell, with a single transaction, the equivalent of a wide range of shares that are the constituents of stock market indices. Similarly, bond futures and options contracts relate to future transactions in UK and overseas bonds.

Hedge
A hedge is an investment position intended to offset potential losses/gains that may be incurred by an organisation. Liability hedging typically involves investing in assets which mitigate against the adverse impact of changes to interest rates and inflation rates.

Index Linked Securities
Stocks of which the capital value is linked to the rate of inflation.

Internal controls
Processes for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies.

Investment Return
The return achieved by the Plan's investments in respect of both income and capital gains (realised and unrealised) normally expressed as an equivalent annual rate.

Lower Earnings Deduction

£3,328 per annum for full-timers (reduced pro rata for part-timers).

Money Purchase Benefits

Pensions and lump sums which are based on the accumulated value of contributions together with investment returns. Benefits on a money purchase basis are not related to either the member's salary or period of service.

Myners Principles

A set of high level principles compiled by a committee headed by Lord Myners relating to investment decision making and governance, recommended by The Pensions Regulator.

Options

An options contract is an agreement between a buyer and seller that gives the purchaser of the option the right to buy or sell a particular asset at a later date at an agreed upon price.

Over The Counter (OTC) Contracts

Contracts traded directly between the two parties rather than those which take place on a public, regulated exchange.

Pooled investments

Funds from many investors that are aggregated for the purpose of investment.

Private Equity

Equity capital that is not quoted on a public exchange as investors put capital directly into private companies.

Realised Gains

The net gain on investments sold, calculated by comparing the selling price with the price at which they were purchased, or with the value at which they were transferred to the Plan at inception.

Royal Mail Statutory Pension Scheme

The pension scheme established by Government which took over responsibility to pay all benefits earned by members of RMPP up to 31 March 2012.

Sections A, B, C, D and E

Section A essentially mirrors the provisions of the Principal Civil Service Pension Scheme and only those who became members of the Plan before 1 December 1971 have an opportunity to elect for Section A benefits. Section B provides benefits for members of the Plan who joined after 30 November 1971. Section C provides benefits for members of the Plan who joined since 1 April 1987 as members of Section C and Section C Supplementary Plan. Section D contains the matching AVC arrangement for Section C members. Section E replicates the provisions of Section A and B but without the enhanced pension benefits on redundancy.

Section C Supplementary Plan

A Plan to which full-time employee members may contribute £150 per annum (scaled down for part-timers). For most employee members, the employer matches these contributions; for higher earners there is a lower employer contribution or no contribution.

Short-term Investments

Securities with a maturity of a year or less. Examples are bank deposits, deposits in the interbank market, certificates of deposit and Treasury bills.

Swaps

Swaps are derivative contracts between two parties in which they agree to exchange one set of cash flows for another.

The Pensions Regulator

A statutory body in the UK which regulates pension schemes.

Total Return Swap (TRS)

A swap agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains.

Transfer Value

The cash equivalent or present value of a deferred pensioner's preserved benefit which can be used to purchase benefits in a new employer's scheme or a personal pension.

Unit Trust

An unincorporated mutual fund structure that allows funds to hold assets and pass profits through to the individual owners, rather than reinvesting them back into the fund. The investment fund is set up under a trust deed. The investor is effectively the beneficiary under the trust.

Unlisted Investments

Stocks and shares not traded on a recognised stock exchange.

Unrealised Gains

The net increase in the market value of investments held, but not yet realised.

Contact Details

Members' queries about the Plan generally or about individuals' entitlement to benefits should be addressed to:

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