Royal Mail Pension Plan – Royal Mail Group Section
Statement of Investment Principles – June 2025

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” or the “Company”). 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 the RMG Section (the “Section”) or otherwise, as specified, to the Plan in general.

1.4 As from 1 April 2018, there was a change in the benefits accrued by members of the Section. From that date, members accrued an entitlement to a cash lump sum paid at retirement. The assets backing accrual from 1 April 2018 are managed separately from those relating to accrual prior to that date and are also managed subject to a specific investment rule within the Trust Deed & Rules, which came into effect from 1 April 2018. That specific investment rule does not apply to the management of assets relating to benefits accrued prior to 1 April 2018. This Statement distinguishes between the investment policies adopted for these two parts of the Section where appropriate. RMG has been consulted in preparing this Statement and will be further consulted regarding any proposed changes to the Statement.

1.5 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.

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

1.7 The Trustee has obtained written professional advice from the Plan’s Strategic Investment Consultant in preparing this Statement. The Trustee believes that the Strategic 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.

1.8 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, and subject to the constraints set out within the Trust Deed & Rules, the Trustee has ultimate power and responsibility for the Section's investment arrangements.

1.9 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 the Appendix.

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

2.3 The Trustee has appointed a Strategic Investment Consultant to advise the Trustee and the SIF 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 BlackRock Investment Management (UK) Limited ("The Manager") to manage the Plan's assets in line with the Investment Management Agreement between the Trustee and the Manager (the "**IMA**"), in accordance with Section 34 of the Pensions Act 1995.

2.5 The Trustee has reflected its investment strategy and investment objective in the IMA with the Manager whereby, within certain permitted ranges, the Manager determines an appropriate asset allocation which seeks to achieve the investment objective. In doing so the Manager takes into account the restrictions contained within the IMA, which outlines the parameters the Manager must operate within. The IMA is subject to change over time as the strategy evolves.

2.6 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

Assets relating to benefits accrued prior to 1 April 2018

The Trustee recognises that in setting the investment policy to meet the liabilities, it must have regard to both the potential for the investment policy to generate positive returns 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.

Assets relating to benefits accrued from 1 April 2018

The investment of assets relating to benefit accrual from 1 April 2018 is subject to specific constraints within the Trust Deed & Rules. These are to the effect that the assets must be invested in a manner which the Trustee considers is reasonably consistent with its best estimate of what is required to achieve in future a long-term return objective. The return objective can range from an excess return over the yield on UK government bonds ("gilts") of +3.6% per annum to +1.4% per annum. Where within this range the objective lies is a function of the anticipated remaining term to payment of the retirement cash lump sum benefits accrued from 1 April 2018. The long-term return objective is also subject to a risk-control constraint based on the potential volatility of the underlying assets (see section 4 below). Currently and in the shorter-term, the objective is close to the upper end of the range. This Section of the Plan was closed to future benefit accrual from 7th October 2024.

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. Specifically for investment of assets relating to benefits accrued from 1 April 2018, the long-term return objective requires an unmatched strategy with gradual de-risking as the arrangement matures, but there is provision within the investment rule for the Trustee to de-risk faster than specified in that objective if it considers that the risks to accrued benefits (excluding potential future discretionary increases) are too great, taking into account the Company's covenant. In addition, there is a risk control specified in the investment rule, which is framed in terms of an upper limit on a forward-looking estimate of return volatility and this limit takes precedence over the return objective, if the two conflict. In this case, the return objective is reduced to the Trustee's estimate of the highest rate that can be achieved while meeting the risk control objective.

4.2 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.

4.3 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.

4.4 The Trustee has taken advice on these issues from the Strategic Investment Consultant, the Manager, and the Scheme Actuary.

4.5 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.

4.6 The Trustee will also monitor the Section's financial positions and liability profiles, with a view to reviewing the investment objectives, risk tolerances and/or return targets should there be a significant change in either. This monitoring will be undertaken separately for assets and liabilities relating to pre 1 April 2018 benefit accrual and for assets and liabilities relating to benefit accrual from that date. The investment policies for the two asset portfolios will differ to reflect the differing nature of the benefit arrangements and the liabilities that arise from them.

4.7 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 The Trustee considers a range of potentially financially material factors to which the Section is exposed. In considering the impact and management of these factors, outlined in this section and section 10, the Trustee has taken into account the anticipated lifetime of the assets relating to benefits accrued prior to 1 April 2018 and, separately, to the assets relating to benefits accrued after 1 April 2018.

5.2 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.

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

5.3.1 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.

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

5.3.3 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.

5.3.4 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 and equity 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. There may also be *basis risks* if the exposures gained through derivatives differ in some way from any liability or physical asset exposures they are designed to hedge.

5.3.5 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*.

5.3.6 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*.

5.4 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.

5.5 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.

5.5.1 *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.

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

5.6 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.

5.7 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.

5.8 There is a *Manager risk* arising from the failure by the Manager to achieve the rate of return required by the Trustee. This risk is considered by the Trustee upon the initial appointment of the Manager and on an ongoing basis thereafter (for example by regular monitoring).

5.9 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, with the aid of the Manager and the Strategic Investment Consultant, 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 is set separately for assets relating to benefit accrual pre 1 April 2018 and for assets relating to benefit accrual from that date. In each case, it has been designed to capture the strategic risks that the Trustee has decided to take, reflecting the differing investment objectives of the two asset portfolios. In each case, the investments are divided into two main categories: the liability-hedging asset portfolio and the return-seeking asset portfolio. Further details of the Section's investment strategies are set out in an Appendix II to this statement.

Assets relating to pre 1 April 2018 benefit accrual

6.2 For assets relating to pre 1 April 2018 benefit accrual, the Section's current strategic target for liability-hedging assets is to hedge the interest rate and inflation risks attaching to all accrued liabilities. The allocation to the liability-hedging asset portfolio reflects this strategic target and the requirement for there to be sufficient eligible collateral within the portfolio to support the derivatives used within it. Currently, the liability-hedging asset portfolio accounts for a majority of the Section's pre 1 April 2018 assets, although the allocation is variable as a result of changes in market conditions in particular.

6.3 For pre 1 April 2018 assets, the Section's overall investment objective is to seek a return of c.gilts +0.5% p.a. whilst avoiding material downside risk relative to the reference funding measure, i.e. the Self-Sufficiency basis, which is a prudent approach used for valuing the Section's liabilities.

6.4 For pre 1 April 2018 assets, the allocation to the return-seeking asset portfolio is also variable as a result of changes in market conditions. There is no systematic rebalancing between the return-seeking asset portfolio and the liability-hedging asset portfolio, but the Trustee will reduce the allocation to one in favour of the other if necessary to ensure the overall strategy is consistent with the Trustee's investment objectives and risk tolerance. Divergences between the investment strategy and the investment objective may arise due to market movements and the practical constraints on increasing or reducing allocations to illiquid assets in the shorter term.

6.5 Overseas currency exposures may be hedged in whole or in part.

Assets relating to benefit accrual from 1 April 2018

6.6 For assets relating to benefit accrual from 1 April 2018, the Trustee sets a strategic target for liability-hedging assets to hedge a majority (or all) of interest rate risks attaching to all accrued guaranteed liabilities (excluding future potential discretionary increases). Inflation exposure may be incorporated within the portfolio where the Trustee concludes this is appropriate to reduce risks to the real value of potential future discretionary increases, provided this does not represent an unacceptable risk to currently guaranteed benefits. The allocation to the liability-hedging asset portfolio depends upon the required collateral to achieve the target hedge. Subject to the long-term return expectation, and whilst staying within the risk control of the investment rule, the Trustee may hedge less than the strategic target for interest rate risk if there is a constraint on eligible capital.

The return-seeking asset strategy will be managed to achieve a return consistent with the composite benchmark defined by the Trustee from time to time and agreed with the Manager. The Trustee will review the return-seeking asset strategy on a regular basis to ensure that it remains reasonably consistent with its best estimate of what is required to achieve the future long-term return objective set out in the investment rule within the Trust Deed & Rules, within the risk control set out in that investment rule. The expected return and volatility is anticipated to reduce over time as the Section matures, as measured by its duration. For assets relating to benefit accrual from 1 April 2018, the allocation to the return-seeking asset portfolio is a function of the long-term return objective specified in the investment rule within the Trust Deed & Rules. The Trustee will establish a policy from time to time, to rebalance the return-seeking asset portfolio to the Trustee's strategic target in order to maintain an allocation consistent with the requirements of the investment rule. To effect such changes on a timely basis, the Trustee may choose to diverge materially from the target return-seeking asset strategy for interim periods of time. Divergences may also arise from market movements, changes to capital market assumptions, and the practical constraints on increasing or reducing allocations to illiquid assets in the shorter-term.

6.7 Overseas currency exposures may be hedged in whole or in part. Strategic equity risk exposures may be managed through the use of equity index derivatives, including options. The strategies within investment grade and high yield credit may include illiquid and less liquid forms of credit, such as infrastructure debt, asset-backed securities (including collateralised loan obligations) and loans as well as more liquid corporate bonds.

7. Investment Managers

Selection and Appointment of Investment Managers

7.1 The Trustee recognises that the arrangements with all the investment managers of the Plan (including the Manager) are important to ensure that its interests are aligned as far as is reasonably practicable. This includes arrangements with the Manager and the appointed investment managers. In particular, the Trustee seeks to ensure that the Manager is incentivised to act in a way which generates the best long-term results for the Plan.

7.2 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. Each specified mandate is chosen by the Trustee to implement a part of its strategic asset allocation and, in combination, to implement the Trustee's strategic policy as a whole.

7.3 When selecting and appointing investment managers, the Trustee will take into account how ESG, climate change and stewardship are integrated within the managers' investment processes. This will be balanced against other manager selection criteria such as (but not limited to) idea generation, portfolio construction, implementation, business management and fees and charges.

7.4 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.

7.5 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.

7.6 The investment managers are incentivised through remuneration (including, in some cases, via performance related fees) and performance targets. Investment managers are aware that their continued appointment is based on their success in delivering the mandate, which they have been appointed to manage. If the Trustee is dissatisfied, then it will look to replace the investment manager.

Review of Investment Manager Appointments

7.7 The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis.

7.8 For open-ended funds there is no set duration for the investment manager appointments. This is also true for the Manager appointment. The Trustee will therefore retain an investment manager unless:

7.8.1 There is a strategic change to the overall strategy that no longer requires exposure to that asset class or investment manager;

7.8.2 The investment manager appointed has been reviewed and the Trustee has decided to terminate the mandate. This may be on the grounds of sustained underperformance; a change in the portfolio management team; change in the investment approach or processes of the investment manager or the investment management firm that means the mandate is no longer in line with the Trustee's investment principles; or a proposal from the Manager where the investment manager no longer meets the due diligence requirements of the Manager.

7.9 The Plan has invested in private equity, private debt and some property/real estate mandates, which are in closed-ended funds. The Trustee expects to remain invested for the lifetime of those funds, although secondary market sales of fund holdings may take place where changes to strategic policy make such sales appropriate and the sale price is sufficiently attractive. At the time of each fund appointment, the investment managers provided an indication of the expected investment duration of their fund and have the discretion to extend the lifetime of the fund in line with the Investment Management Agreement between each fund and the Plan.

7.10 The Trustee receives and discusses investment performance reports from the Manager on a quarterly basis. Separate reports are made for assets relating to benefits accrued pre 1 April 2018 and for assets relating to accrual from that date. The reports present performance information over 3 months, 1 year and longer periods for the investment managers and at the total portfolio level. The Trustee reviews the absolute performance and the relative performance against any agreed benchmark and against the manager's stated performance target (over the relevant time period). For the liability hedging assets specifically, the focus is on maintaining the portfolio in line with the Trustee's stated hedge ratios relative to a liability benchmark. The Trustee's focus is on long term performance but will put a manager 'on watch' if there are sustained short term performance concerns.

Portfolio Turnover Costs

7.11 The Trustee collects Cost Transparency Initiative (CTI) template information from all non-alternatives managers and equivalent cost information from the absolute return and private markets managers.

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 will look to the Manager to decide from which asset classes and investment 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. 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 financially material environmental, social and governance ("ESG") factors within investment managers' investment processes is not detrimental to the overall level of risk and may enhance the sustainable long term expected returns from the Section's investments. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that may increasingly require explicit consideration.

10.1.2 Together with the other factors outlined above in section 5, ESG factors (including climate change) are integrated into the Trustee's investment process. As the Trustee does not directly manage the Plan's assets, it aims to appoint and retain investment managers whose beliefs and practices are consistent with the Trustee's beliefs on ESG risks and opportunities, in so far as relevant to the mandate in question. The Trustee's Manager is asked to, as part of its due diligence, assess current and potential managers in relation their ESG policies and practices, and such assessment is taken into account in relation to investment manager appointment, retention and withdrawal decisions.

10.1.3 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. The Plan has also signed up to multiple climate initiatives, such as Climate Action 100+ and the Transition Pathway Initiative ("TPI"), which commit the Plan to curbing emissions, strengthening climate-related financial disclosures, improve governance on climate change and ensure Responsible Investment is considered as part of decision making.

10.1.4 Non-financial factors are not taken into account in the selection, retention and realisation of investments. This position is reviewed periodically.

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. The Trustee monitors a manager voting summary on a quarterly basis.

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 that they invest in accordance with the UK Stewardship Code drawn up by the Financial Reporting Council. On an annual basis, the Plan's investment managers are required to provide the Trustee with a statement of their compliance with the UK Stewardship Code, where applicable. The Plan is a signatory of the UK Stewardship Code.

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.

10.2.4 The Trustee uses the services of a third-party specialist to assist with the engagement of individual companies within the equity and corporate credit portfolios that the Section holds on ESG matters. An ESG engagement update is reported to the Trustee quarterly.

10.2.5 the Manager, as part of its ongoing monitoring, reviews the execution of voting and engagement responsibilities and periodically reports back its findings to the Trustee (for example where the Plan invests in pooled funds, the Plan's investment managers are responsible for exercising voting rights and reporting on how they have exercised those rights).

10.3 Investment Restrictions

10.3.1 The segregated portfolio 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, in the light particularly 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 1.9 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, Strategic Investment Consultant, Manager, investment managers, and Custodian.

Signed on behalf of Royal Mail Pensions Trustees Limited (the Trustee of the Royal Mail Pension Plan).

Signed:

Position: Chair

Date: 5th June 2025

Appendix – Plan Governance

This appendix 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 Strategic, Investment and Funding Sub-Committee (SIF) of the Trustee.
- Appoint the members of the SIF.
- Appoint the Strategic Investment Consultant.
- Appoint the Manager for the Outsourced Chief Investment Officer role, as defined by the IMA.
- Decide on investment strategy, based on recommendations from the SIF, Strategic Investment Consultant, and Manager.
- Appoint the investment managers and Custodian, based on recommendations from the SIF and the Manager.

The Trustee has established the SIF under written Terms of Reference to focus on investment issues. The SIF 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 Sections' 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. Strategic Investment Consultant

The Strategic Investment Consultant is Mercer Limited, regulated by the Financial Conduct Authority.

A5. Outsource Chief Investment Officer

The day to day management of the Section's investments is managed by BlackRock under the terms outlined in the IMA. BlackRock are regulated by the Financial Conduct Authority.

A6. Performance Measurer

The Performance Measurer is BlackRock as Manager, with details of their appointment, including reporting and analysis to be provided is set out in the IMA.

A7. Covenant Adviser

The Covenant Adviser is Penfida

Appendix II – Investment Strategy

This appendix sets out the summary of each Section's investment strategies.

Assets relating to pre 1 April 2018 benefit accrual

The Total Portfolio is divided into two component strategies:

(i) Liability Hedging strategy

(ii) Return Seeking strategy

No rebalancing is prescribed between the two component strategies, unless it is required to support liquidity and collateral requirements of the Liability Hedging strategy.

The Return Seeking strategy is divided into two component portfolios:

(i) Liquid Assets, consisting of:

Lower Risk Credit (Investment Grade Credit; Buy & Maintain Credit)

Higher Risk Credit (High Yield; Emerging Market Debt)

(ii) Illiquid Assets, consisting of:

Private Equity (Private Equity; Infrastructure Equity; Real Assets)

Private Debt (Secured Finance; Infrastructure Debt; Private Debt; Emerging Market Debt)

Real Estate (Property)

No rebalancing is prescribed between the two component portfolios. Composite benchmarks are calculated on the basis of actual percentages of the asset class and underlying fund/ manager.

Assets relating to benefit accrual from 1 April 2018

The Total Portfolio is divided into two component strategies:

(i) Liability Hedging strategy

(ii) Return Seeking strategy

No rebalancing is prescribed between the two component strategies, unless it is required to support liquidity and collateral requirements of the Liability Hedging strategy.

The Return Seeking strategy is divided into two component portfolios:

(i) Liquid Assets, consisting of:

Equity (Developed; Emerging Markets; Small Cap)

Fixed Income (Government bonds; Investment Grade Credit; High Yield; Emerging Market Debt; Inflation Linked bonds, Cash)

Tactical Asset Allocation

(ii) Illiquid Assets, consisting of:

Absolute Return strategies

Private Equity (Private Equity; Infrastructure Equity; Real Assets)

Private Debt (Secured Finance; Infrastructure Debt; Private Debt; Emerging Market Debt)

Real Estate (Property)

No rebalancing is prescribed between the two component portfolios. Composite benchmarks are calculated on the basis of actual percentages of the two portfolios and where relevant the asset class and underlying fund/ manager.