

Royal Mail plc

Corporate Responsibility Report 2015–16



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This report primarily covers the Group's UK Parcels, International & Letters (UKPIL) delivery businesses, operating through the Royal Mail and Parcelforce Worldwide brands. The UK represents around 91 per cent of our employee headcount and our focus is therefore on the UK. We are increasing the coverage of our European business General Logistics Systems (GLS), and where stated, have included GLS data. The remaining data and narrative throughout the report represents UKPIL.

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Foreword from Moya Greene



As the UK's sole designated Universal Service Provider, we are proud to deliver a 'one-price-goes-anywhere' service on a range of letters and parcels to more than 29 million addresses, across the UK, six-days-a-week.

Royal Mail's vision is to be recognised as the best delivery company in the UK and across Europe. Against a backdrop of ongoing, profound change in the delivery and logistics industry, our focus remains on delivering that vision in a responsible and sustainable way. Our corporate responsibility (CR) priorities are aligned to our business strategy and to the delivery of sustainable value for our shareholders. We need to continue to be mindful of the environment. We will not succeed, and would not wish to operate, without

ROYAL MAIL'S VISION IS TO BE RECOGNISED AS THE BEST DELIVERY COMPANY IN THE UK AND ACROSS EUROPE

the continued support and engagement of our customers, our people, our communities and our suppliers.

Progress in 2015–16

This has been a year of resilient performance. We continue to be recognised for our efforts to be a responsible, equal opportunities employer. We have been recognised for the second consecutive year as a Times Top 50 Employer for Women.

For two years in a row, we were ranked first in the Transportation and Transportation Infrastructure sector in the Dow Jones Sustainability Index. In 2015, we gained inclusion in the prestigious FTSE4Good Index for the first time. We are proud to achieve these accolades.

They reflect the commitment we have to our people and the strong labour standards which we promote. We are expanding our support to address mental health, and I was delighted to sign the Time to Change Pledge with our partners Unite/CMA and the Communication Workers Union (CWU).

IN 2015, WE GAINED INCLUSION IN THE PRESTIGIOUS FTSE4GOOD INDEX FOR THE FIRST TIME

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM



We remain the UK's pre-eminent letters and parcels delivery company. We are becoming more flexible to suit the needs of our sending and receiving customers. For example, we have extended the latest acceptance times in our Mail Centres and Regional Distribution Centres. We are securing our financial future by improving our efficiency. We are conducting a nationwide review of our national and regional routes, which will help us to reduce mileage. We have continued to deliver improvements in employee engagement through initiatives like "the Big Conversation" where we have asked 23,000 people in Operations to provide feedback to help shape our vision. We are also taking steps to actively manage the environmental impact of our business and our supply chain, through cost control and driver behaviour programmes in our operation.

Pushing for decent employment standards in the delivery industry

We are proud to continue to make a significant contribution to the UK. According to the Centre for Economics and Business Research, Royal Mail makes the 5th biggest contribution of any UK company to the UK economy, with one in every 175 employees in the UK working for our business.

WE ARE SECURING OUR FINANCIAL FUTURE BY IMPROVING OUR EFFICIENCY



The advent of the sharing economy and the advance of delivery operator labour models that rely on more self-employed or contract employees are changing the shape of our marketplace. We continue to take a leadership position on this issue. Our people are paid a fair wage for a fair day's work, with all our permanent employees earning above the Living Wage. Our temporary workers are eligible for statutory sick and holiday pay, and are free from restrictions on other work.

Putting Royal Mail people at the heart of our business

Our people are the ambassadors of our brand and the living link between individuals, businesses and communities across the UK. We continue to make the most of this vital communications network. It is our people who delivered more than 130 million parcels, in all weather and across all types of terrain, to our customers in December 2015. It is our people who are changing the way



they work by scanning barcoded parcels in Mail Centres; by collecting parcels from the doorsteps of small businesses and marketplace sellers in North West England; and by delivering more than 693 million letters with postmarks supporting good causes.

Our employees also go the extra mile to support great causes. They raised £1.1 million for our Charity of the Year, the Stroke Association since the beginning of the partnership, including matched funding; they supported the efforts of the

**WE CONTINUE
TO WORK
CLOSELY WITH
THE CWU TO
ENSURE A
SUSTAINABLE
FUTURE FOR
OUR BUSINESS**



charity Missing People to help locate 70 vulnerable adults and children; and they continued to aid their colleagues in times of need through the Rowland Hill Fund. In 2015–16, our people have contributed more than £3.1 million to good causes, including £2.4 million through our payroll giving scheme.

We continue to work closely with the CWU to ensure a sustainable future for our business. Our Together for Growth joint training programme was delivered to over 6,000 of our managers and union representatives. We will begin rolling out a bespoke version of this important programme to 120,000 postmen and women in 2016–17. Through our focus on growth initiatives, we have launched a pilot of third-party vehicle maintenance services which may help us to secure new areas of growth in the years to come.

Continued progress

To meet the challenges that go hand-in-hand with an ever-changing marketplace, we must become more agile, more flexible and more responsive. This is the only way we will maintain our pre-eminent position, secure the provision of good quality jobs and deliver sustainable shareholder

value. Benchmarking and reporting on our progress helps to ensure that CR remains embedded within our business strategy. We are committed to continuing to improve our sustainability performance in the year ahead.

I hope this year's report demonstrates our continued, significant progress. We are becoming more efficient and continue to provide high quality, value for money services to sending and receiving customers. This helps us to win new contracts and grow existing relationships, which in turn drives investment in our business. This is the way we will secure a sustainable future and the continued provision of good quality jobs.

Moya Greene, Chief Executive

**OUR
EMPLOYEES
ALSO GO THE
EXTRA MILE
TO SUPPORT
GREAT CAUSES**



★ FEATURE Our scale of operations



c. 133,500 Royal Mail employees



c. 6,000 Parcelforce employees



c. 14,000 GLS employees



1.4m businesses served by Royal Mail

29m

addresses Royal Mail delivers to six-days-a-week



15.6bn letters handled by Royal Mail



431m parcels handled by GLS



1bn parcels handled by Royal Mail



96m parcels handled by Parcelforce Worldwide



Our Approach

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Our Approach

Royal Mail's vision is to be recognised as the best delivery company in the UK and across Europe. We believe that conducting our business in a responsible way has a fundamental role in achieving this vision.

At Royal Mail, being a responsible business means treating our people well so they are engaged, creating a safe working environment, being efficient and competitive for our customers, protecting the information we transport, supporting our local communities and managing our environmental impacts.

Our approach to corporate responsibility (CR) is to engage with our stakeholders to learn their views and identify the issues material to our business. We work to deliver a strategy that manages those issues and helps the business achieve its vision. We monitor our efforts through a series of key performance indicators (KPIs) and set targets where appropriate. We also have a series of policies that establish requirements for the business, our people and our suppliers. These are available on our website at www.royalmailgroup.com/responsibility/policies.

Our corporate strategy

Our strategy to achieve our vision leverages our strengths whilst delivering sustainable shareholder value and our Universal Service commitment. We are focused on winning in parcels business, defending letters and growing in new areas.

These three priorities are enabled by a strategic approach to costs, technology and innovation, and an engaged and motivated workforce. Becoming more efficient and productive allows us to price more competitively. This, in turn, helps us to grow our existing customer relationships and win new business. It helps to fund investment in our growth and provide attractive terms and conditions for our people.



Winning in parcels

We are maintaining our pre-eminent position by pursuing faster growing parts of the UK parcels market whilst making it easier for customers to use Royal Mail. We are building our capability to handle increased numbers of larger parcels and are winning new volumes. We are investing in tracking and automation to help us target faster growing areas of the market.



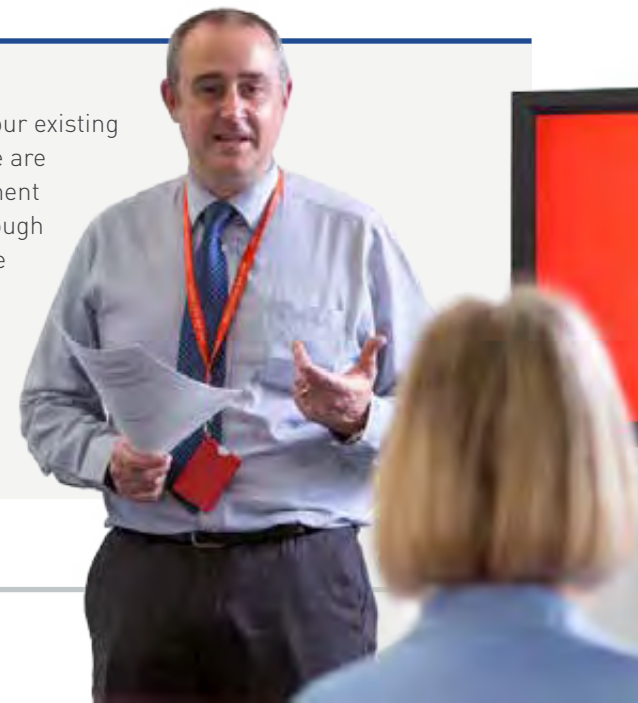
Defending letters

Our letters business accounts for around 60 per cent of our UK revenues. We continue to anticipate a decline of four to six per cent in addressed letter volumes in the medium-term. Royal Mail is managing this decline by continuing to promote the value of mail and increasing the efficiency and effectiveness of our delivery operations.



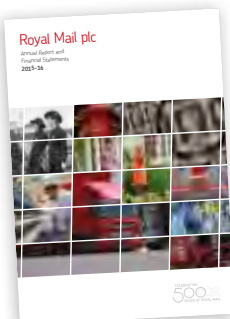
Growing in new areas

We are making the most of our existing assets. At the same time, we are focused on service development investment and growing through selected acquisitions. We are acting at pace to increase our e-commerce capability to retain and attract marketplace sellers.



FOR MORE
INFORMATION
ON THE
CORPORATE
STRATEGY, SEE
THE ANNUAL
REPORT
AND FINANCIAL
STATEMENTS

▶ VISIT LINK



Our CR strategy

Our CR strategy supports the delivery of the corporate strategy by seeking to manage risks to the business and maximise opportunities. Through sustainable business practices, we can help meet our responsibilities towards customers, people, communities and the environment.

The CR strategy comprises five priorities, which reflect the areas where acting as a responsible business impacts our ability to deliver our corporate strategy and vision:

- ▶ Delivering economic and social benefit to the communities we serve
- ▶ Driving colleague advocacy of the Royal Mail Group and its community role
- ▶ Managing the environmental impacts of our business operations
- ▶ Delivering our transformation responsibly
- ▶ Communicating our management of CR openly and transparently

The graphic overleaf highlights key activities against each of these areas during 2015–16. Across this Report, we provide further updates to our progress implementing the CR strategy.





FEATURE

Progress against CR strategy

Delivering economic and social benefit to the communities we serve

See Customers chapter ► (p22) and Communities chapter ► (p48)

- Added £10.8 billion to the UK economy, the 5th largest contribution of any UK corporation¹
- Employed 1 out of every 175 people working in the UK, and our share of employment is even higher in areas with high unemployment rates
- Delivered around 3.5 million items free of charge through our Articles for the Blind service
- Funded 5,500 Life After Stroke grants through our partnership with the Stroke Association
- Mobilised our people for 70 Missing People alerts, with 50 people found safely
- Alerted Trading Standards to 735 suspected victims of fraud

Driving colleague advocacy of the Royal Mail Group and its community role

See People chapter ► (p34) and Communities chapter ► (p48)

- Engaged around 10,000 employees in the 2015 Operations Fundraising Challenge
- Provided nearly £557,000 in matched funding to support causes important to our people
- Increased employee engagement by 1 point to 57

Managing the environmental impacts of our business operations

See Environment chapter ► (p58)

- Diverted 86 per cent of waste from landfill, up from 78 per cent
- Consumed two per cent less water than previous year
- Streamlined our approach to environmental management
- Delivered driver training for over 4,000 of the Royal Mail HGV drivers, which can help improve fuel efficiency

Delivering our transformation responsibly

See Customer chapter ► (p22) and People chapter ► (p34)

- Continued to advance the Agenda for Growth agreement with our unions, including rolling out Together for Growth training and launching a new Code of Conduct
- Reduced our Lost Time Accident Frequency Rate by 30% from 0.70² to 0.49
- 78 per cent of our customers say they are favourable to us and 86 per cent are satisfied with the service we provide, according to Ipsos MORI research³
- Enhanced our Click & Drop service across 200 international destinations, to make buying and printing postage quicker and easier for SMEs
- Conducted a successful trial that introduced Doorstep Collections for customers and now exploring opportunities to roll out more widely

Communicating our management of CR openly and transparently

- Achieved for second year in a row the number one position in the Transportation and Transportation Infrastructure sector in the Dow Jones Sustainability World Index and the Dow Jones Sustainability Europe Index
- Scored 4.1 out of 5 in the FTSE4Good Global Index, ranking Royal Mail in the 96th percentile
- Obtained independent assurance by Ernst and Young LLP of our CR reporting to AA1000AS and ISAE3000 standards.

1. Comprising direct and indirect contributions. Centre for Economics and Business Research (Cebr), conducted for Royal Mail in May 2016

2. Figure restated due to change in methodology

3. Ipsos MORI Corporate Image Survey Winter 2015





- ▶ **Shane O'Riordain**, Managing Director, Communications and Regulation, is responsible for shaping and implementing our CR strategy, including our community investment programme
- ▶ **Jon Millidge**, Group HR Director, is responsible for all People strands of our CR strategy
- ▶ **Mike Newnham**, Chief Customer Officer, is responsible for all Customer strands of our CR strategy
- ▶ **Matthew Lester**, Chief Finance Officer, is responsible for all financial reporting and issues such as responsible procurement. Matthew sits on the Royal Mail plc Board
- ▶ **Sue Whalley**, Chief Operations Officer, is responsible for all Environment strands of our CR strategy

Governance and management

Responsibility for CR starts at the top of our organisation, with overall responsibility residing with Moya Greene, our Chief Executive Officer (CEO). Accountability for each of the major strands of CR rests with members of her Chief Executive's Committee (CEC) as follows:

RESPONSIBILITY FOR CR STARTS AT THE TOP OF OUR ORGANISATION, WITH OVERALL RESPONSIBILITY RESIDING WITH MOYA GREENE, OUR CHIEF EXECUTIVE OFFICER

Further support for delivering our strategy is provided through our CR governance structure, comprising the following key elements:



CR framework

We also use a range of frameworks, tools, published policies and codes to embed CR objectives across our business. These include:

Corporate Balanced Scorecard (CBS)

Our CBS is divided into People, Customer, Efficiency and Financial segments. Our key performance indicators (KPIs) on our CBS reflect our business priorities and include employee engagement, health and safety, Quality of Service targets and customer satisfaction and complaints. In all, 55 per cent of our scorecard KPIs are CR-related. Our managers' bonuses, from Board members down, are linked to Royal Mail's performance against the scorecard. The CBS is being updated in 2016–17, for more information see the 2015–16 Annual Report and Financial Statements [▶ VISIT LINK](#)

Responsible Procurement Code of Conduct

Our policy that requires all suppliers to adhere to the United Nations Universal Declaration of Human Rights, act in accordance with the Ten Principles of the United Nations Global Compact (UNGC) and adopt and apply standards consistent with Royal Mail Group's internal standards on social, ethical and environmental issues. These include provisions against labour abuses, such as forced labour and child labour, prohibitions against corruption and bribery and a commitment to continuous improvement in environmental performance.

World Class Mail

Our framework for driving continuous improvement at the frontline, engaging and involving our people in the transformation of Royal Mail. Through World Class Mail, we promote improvements in safety and productivity performance, and it plays a key role in embedding our management of environmental impacts at all levels of our organisation.

Environment Policy

Establishes our commitment to environmental management and specifies responsibilities for all Royal Mail employees in this area.

CR Policy

Sets out our strategy, governance and commitments, including our support of the UNGC and Universal Declaration of Human Rights.

Other policies

We have policies covering a range of issues, including the Royal Mail Code of Business Standards and our Equality & Fairness, Bullying & Harassment and Anti-Bribery policies.

VISIT OUR WEBSITE TO EXPLORE OUR POLICIES [▶ VISIT LINK](#)



Sustainability risks and opportunities

Delivering items safely and securely to more than 29 million addresses, six-days-a-week is a complex business. Our industry is changing as letter volumes decline and parcels increase. We work in an active regulatory environment with a heavily unionised workforce. These forces create risks that we must overcome, but also present opportunities.

We have a risk management process through which we identify key risks to our business and report these up to Management and ultimately the Risk Committee of the Board. Some CR risks, such as health and safety, have separate risk reporting channels to ensure greater visibility.

Our key business risks are outlined on page 32 of our Annual Report and Financial Statements, which is available at www.royalmailgroup.com/investor-centre/report-download-centre/2016. Many of these risks have CR elements, for example the industrial action risk includes elements of employee engagement.

Responsible business practice helps us to pursue opportunities as well. Treating our people well and creating an engaging

culture can increase productivity and facilitate the change to a more customer-focused organisation. Making our vehicle fleet more fuel efficient will help to reduce costs and manage our environmental impacts. We outline opportunities resulting from our approach to CR in this report.

Determining materiality

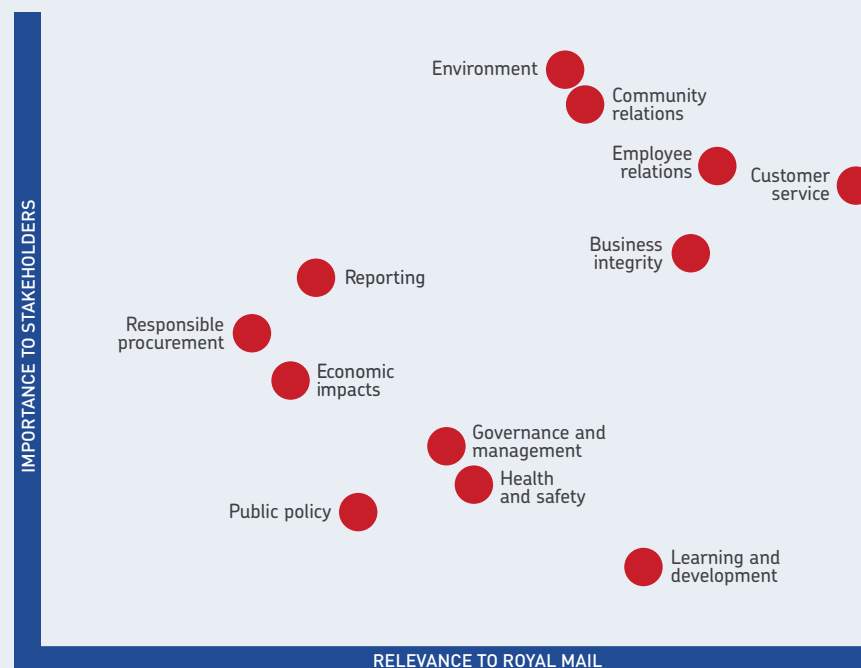
Royal Mail undertakes materiality assessments to learn the views of internal and external stakeholders and understand the environmental, social and governance issues that apply to our business. We assess our material issues at least annually and feed the results into our strategic reviews and reporting to ensure we are focusing on the most important areas.

ROYAL MAIL USES MATERIALITY ASSESSMENTS TO LEARN THE VIEWS OF INTERNAL AND EXTERNAL STAKEHOLDERS AND UNDERSTAND THE ISSUES THAT APPLY TO OUR BUSINESS

In 2015–16, we commissioned Corporate Citizenship, an independent CR and sustainability consultancy, to work with us to conduct our materiality assessment. We sought stakeholder views through surveys and interviews, as well as a stakeholder panel. The panel brought together a range of key stakeholders,

including customers, employees, our unions, investors and NGOs to discuss Royal Mail's CR strategy and programme. Participants were asked to prioritise the issues that had been identified as material to the business. We translated the results of these assessments into a materiality matrix below.

Materiality matrix



The materiality assessment identified five key issues for Royal Mail, as depicted in the materiality matrix. These are the issues prioritised within our CR programmes and activities.

1. **Customer service and relations**, the bedrock that will ensure Royal Mail's continued success in an increasingly competitive environment
2. **Employee relations and engagement**, recognising that our employees are our biggest asset and crucial to our future success



3. **Environment**, reflecting our large footprint and the very visible presence of our fleet of vehicles. The importance of this issue also reflects the fact that we have the potential to be an environmental leader
4. **Business integrity**, includes issues such as responsible business practices, compliance with the law and avoiding anti-competitive practice. It is imperative to maintain our reputation, to keep the trust in our brand, and to meet our regulatory requirements.

THE MATERIALITY ASSESSMENT IDENTIFIED FIVE KEY ISSUES FOR ROYAL MAIL, AS DEPICTED IN THE MATERIALITY MATRIX

5. **Community relations**, recognising that Royal Mail is a fundamental part of local communities. Our community footprint is one of the main factors that differentiates Royal Mail from the competition.

The remaining issues in the materiality matrix continue to be important for Royal Mail to address. The prioritisation of some issues has changed, compared to previous years, due to the success in managing them. For example, stakeholders acknowledged the progress in health and safety and chose to prioritise other issues as a result.

Our stakeholders

Royal Mail has a range of different stakeholders, including our customers, investors, unions, communities, suppliers and government. Our stakeholders are important to our success and the ongoing sustainability of our business. We must engage with these groups to obtain their views, gain constructive criticism and understand their needs and expectations.

We engage with our stakeholders in a number of different ways. Some we meet with through well-established channels that form part of the day-to-day operation of our business, such as customers, suppliers and investors.



OUR STAKEHOLDERS ARE IMPORTANT TO OUR SUCCESS AND THE ONGOING SUSTAINABILITY OF OUR BUSINESS

Others we meet with through bespoke engagements, such as our materiality assessment. This Report includes many examples of how we engage with

our stakeholders, as outlined in the stakeholder summary.

We encourage dialogue with our stakeholders and welcome feedback on

how our CR programme is doing. See below for some responses on our material issues.

WE ENCOURAGE DIALOGUE WITH OUR STAKEHOLDERS AND WELCOME FEEDBACK

Responding to stakeholder feedback

Material issues	Key stakeholder feedback ⁱ	Management response
 Customers	<p>“Royal Mail Group could do more to boost its ability to best serve customers.</p>	<p>Being customer focused is of the utmost priority at Royal Mail. During 2015–16, we introduced new and improved products and services to make life easier for all our customers, including enhancing our Click & Drop service across 200 international destinations for business customers and rolling out the ‘Nominate a Neighbour’ scheme for all of those receiving parcels. For more information</p>
 Employee relations	<p>“Royal Mail Group needs to do much more in order to have a workforce that is reflective of our society.</p>	<p>We strive to create a workforce that reflects the customers we serve and the communities in which we live. We have strong governance in place through the Diversity Council with representatives across key diversity issues. We have made good progress in embedding gender diversity and we have been recognised as a Times Top 50 Employer for Women. For more details</p>
 Environment	<p>“Royal Mail has not capitalised on the competitive advantage of being a green provider.</p>	<p>We are working hard to become a more efficient business, and that includes how we optimise our transport network and minimise CO₂e for each item we deliver. We have rolled out new technologies to improve fuel efficiency and are exploring other ways to make further savings.</p>
 Business integrity	<p>“Royal Mail needs to continue to convince people that it is operating in the public interest, despite being a private company.</p>	<p>Royal Mail prides itself as being the sole provider of the Universal Service in the UK. Becoming a plc has not changed this commitment; instead it has provided access to capital to invest into the business and ensure we can deliver the USO sustainably.</p>
 Community impact	<p>“Companies like Royal Mail have a responsibility to promote the cohesiveness of societies.</p>	<p>Our business has a number of positive social impacts. We connect people and businesses through a one-price-goes-anywhere postal service in the UK. We are one of the largest employers in the UK. We also seek to leverage our presence in local communities to help others, such as through our partnership with Missing People. For further details</p>

i. Feedback from the 2015–16 CR materiality assessment

Stakeholder summary

Stakeholder	What they expect	How we engage	Progress in 2015–16	What's next
Customers	<ul style="list-style-type: none"> ▶ Fulfilment of the Universal Service, delivering post six-days-a-week at competitive prices ▶ High Quality of Service ▶ That we respond to customer interests 	<ul style="list-style-type: none"> ▶ Customer services interact with approximately 7.5 million customer conversations a year through phone, email and twitter ▶ Our postmen and women interact with customers daily ▶ Sales teams interact with business customers 	<ul style="list-style-type: none"> ▶ Expanded Click & Drop to more than 200 countries and territories ▶ Extended our Local Collect network, our Click and Collect service, to over 1,200 Royal Mail Enquiry Offices ▶ Trialled next day parcel collection in North West England 	<ul style="list-style-type: none"> ▶ Rolling out parcel sortation machines over next two years ▶ Continue rollout of 76,000 new Postal Digital Assistants (PDAs) ▶ Drive down complaints ▶ Improve First Class Quality of Service performance
Colleagues	<ul style="list-style-type: none"> ▶ Safe working environment ▶ Fair pay, terms and conditions ▶ Equality and fairness at the workplace ▶ Learning and development support ▶ Engagement on important issues to the company 	<ul style="list-style-type: none"> ▶ Weekly Work Time Listening and Learning sessions for frontline employees ▶ Just Say It (an email link to CEO) ▶ Town Hall forums and engagements with senior managers ▶ Our monthly magazine, Courier 	<ul style="list-style-type: none"> ▶ Employee Survey was completed in March 2016, enabling employees to confidentially feedback views ▶ Launched new Royal Mail values: Be positive, Be brilliant, Be part of it ▶ Reduced both employee sick absence and the Lost Time Accident Frequency Rate 	<ul style="list-style-type: none"> ▶ Fully embed the new values across Royal Mail ▶ Complete the upgrade of our Safety, Health and Environment (SHE) Management System
Unions	<ul style="list-style-type: none"> ▶ Fair and respectful treatment of members ▶ Consultation and engagement on issues important to the company ▶ Negotiations on terms and conditions 	<ul style="list-style-type: none"> ▶ Weekly meetings between CWU representatives and frontline operational managers ▶ Ad-hoc meetings to support individuals ▶ Industrial Relations team engages with Unions on business-wide issues 	<ul style="list-style-type: none"> ▶ Continued to embed the principles which underpin the Agenda for Growth ▶ Signed the Time to Change pledge with CWU and Unite ▶ Rolled out Together for Growth training to over 6,000 managers and union representatives 	<ul style="list-style-type: none"> ▶ Continue to integrate the Agenda for Growth principles into the way we work with unions
Investors	<ul style="list-style-type: none"> ▶ Sustainable shareholder value 	<ul style="list-style-type: none"> ▶ Through a comprehensive investor relations programme ▶ Holding an Annual General Meeting (AGM) ▶ Publication of our Annual Report and Financial Statements ▶ Investors section on our website ▶ Internal communication channels for our employee shareholders 	<ul style="list-style-type: none"> ▶ During the year Management met with institutional shareholders and prospective institutional investors ▶ A total 11 per cent of Royal Mail shares have now been given to eligible employees for free ▶ 34,000 employees are part of the Save As You Earn scheme, giving employees the option to buy Royal Mail shares 	<ul style="list-style-type: none"> ▶ Deliver our strategy to drive sustainable shareholder value
Regulator Ofcom	<ul style="list-style-type: none"> ▶ Meet USO Quality of Service standards ▶ Continuously improve efficiency of our operation ▶ Update on our performance ▶ Respond to public consultations 	<ul style="list-style-type: none"> ▶ Our Regulation and Competition Policy team regularly engages through face-to-face meetings, reporting and consultation responses 	<ul style="list-style-type: none"> ▶ We responded to Ofcom's Fundamental Regulatory Review call for evidence. We stressed that regulatory intervention is not required in the fiercely competitive UK parcels market ▶ We have adhered to our regulatory reporting requirements ▶ Narrowly missed First Class mail target, however Second Class mail target exceeded 	<ul style="list-style-type: none"> ▶ Respond to Ofcom's Fundamental Regulatory Review consultation ▶ Continue to engage with our regulators and meet our regulatory requirements ▶ Meet USO Quality of Service standards
Elected representatives and officialsⁱ	<ul style="list-style-type: none"> ▶ Deliver the USO without government subsidy ▶ Comply with applicable laws ▶ Ensure regulatory certainty ▶ Engage with government and contribute to policy development ▶ Pay our fair share in taxes 	<ul style="list-style-type: none"> ▶ Public Affairs and EU Policy teams engage regularly with elected representatives and government officials by responding to formal consultations, providing briefings and managing our outreach programme to postal operations including "Walking in your postie's shoes" 	<ul style="list-style-type: none"> ▶ Worked closely with UK and EU elected representatives and government officials to feed into policy developments that impact the business ▶ Hosted more than 1,000 visits to our postal operations for MPs, MEPs and other elected officials ▶ Lobbied in respect of cross-border parcel pricing regulation in conjunction with other postal operators 	<ul style="list-style-type: none"> ▶ Continue to engage with government stakeholders to feed into policy discussions, respond to queries and raise awareness of our operations
Local communities	<ul style="list-style-type: none"> ▶ Operate in a responsible manner ▶ Keep Royal Mail's presence in local communities 	<ul style="list-style-type: none"> ▶ Our CR Team engages with charity partners ▶ Colleagues interact with communities daily 	<ul style="list-style-type: none"> ▶ Contributed £10.8 billion to the UK economyⁱⁱ ▶ Contributed £6.7 million to charity ▶ Fundraised £1.1 million for Stroke Association, including matched funding ▶ Funded Missing People's Child Rescue Alert system for 2016 	<ul style="list-style-type: none"> ▶ Selecting our new Charity of the Year partner ▶ Continuing to work with Missing People and national police organisations to find vulnerable missing people
Suppliers	<ul style="list-style-type: none"> ▶ Fair contracting and ordering ▶ Payment to agreed terms ▶ Information about Royal Mail policies 	<ul style="list-style-type: none"> ▶ Group Procurement liaises with our suppliers before sourcing, and then engages with contract managers afterwards 	<ul style="list-style-type: none"> ▶ Deployed the expanded Responsible Procurement Code that includes diversity and inclusion ▶ Delivered Sedex training to Group Procurement employees 	<ul style="list-style-type: none"> ▶ Continuing the promotion of the Modern Slavery Act ▶ Communicate Royal Mail values

i. Includes MPs and other UK elected officials; BIS and other UK government departments; the EU institutions (European Commission, Council of the European Union and the European Parliament)

ii. Comprising direct and indirect contributions. Centre for Economics and Business Research (Cebr), conducted for Royal Mail in May 2016

Business integrity

Trust is an important asset and one we want to protect. Ipsos MORI research from December 2015 indicates 78 per cent of the British public have a favourable attitude towards Royal Mail, the strongest of the surveyed brands. Business integrity is an essential issue for Royal Mail and we want to operate responsibly to protect this trust and meet our regulatory obligations.

Internal and external stakeholders ranked business integrity as a material issue in our materiality assessment

Responsible political engagement

Royal Mail operates in a heavily regulated market where public policy decisions can affect key aspects of our operations such as the Universal Service Obligation.

We engage with a wide range of stakeholders to ensure they understand our business, industry and the value Royal Mail brings to the UK. We meet with Ministers, Special Advisors, Members of Parliament, Members of the European Parliament, Members of the Scottish Parliament, Welsh Assembly Members, Members of the

TO ENSURE THE PROVISION OF THE UNIVERSAL SERVICE IN THE UK, WE ENGAGE WITH OUR REGULATOR OFCOM. SEE THE 2015–16 ANNUAL REPORT AND ACCOUNTS FOR MORE INFORMATION

[▶ VISIT LINK](#)



Northern Ireland Assembly, Members of the London Assembly, Councillors and other stakeholders on a regular basis.

Royal Mail ensures responsible political engagement in the following ways:

- ▶ Royal Mail has a policy of political impartiality, as committed to in the Code of Business Standards.
- ▶ Royal Mail adheres to the regulations set out in the Political Parties, Elections

ROYAL MAIL HAS A POLICY OF POLITICAL IMPARTIALITY

and Referendum Act 2000 (PPEPRA) and does not make political donations.

- ▶ Royal Mail adheres to the Public Relations Consultants Association Professional Charter and Codes of Conduct
- ▶ Shane O'Riordain, MD Communications and Regulation, is a member of the Chief Executive's Committee and briefs the senior leadership and Board on political activity.

Anti-bribery and corruption

We have a strict zero tolerance policy towards bribery and corruption. We set this out in our Anti-bribery Policy, available on our website. We provide customised anti-bribery e-learning for all our managers, and 98 per cent of managers across the business completed the training in 2015–16.

Human rights

We are committed to upholding human rights and support the UN Universal Declaration of Human Rights and the International Labour Organisation

Fundamental Conventions. Our CR Policy outlines these commitments and is available on our website at www.royalmailgroup.com/responsibility/policies. We extend these commitments into our supply chain by asking our suppliers to respect the requirements set out in our Responsible Procurement Code of Conduct

Royal Mail welcomes the UK Government's Modern Slavery Act, and is committed to continuing to eliminate practices in our business and supply chain that impinge human freedom through servitude, forced

and compulsory labour and human trafficking. We will make our formal Modern Slavery Act statement available in accordance with the Act and within the statutory time scales.

We have implemented measures for a number of years to protect human rights, including avoiding slavery and human trafficking. Measures outlined in the Suppliers section help to minimise the risk of human rights issues in our supply chain.

In 2014–15, we set out a commitment to undertake a review of our business against the UN Guiding Principles on Business and Human Rights. The review was carried out with support by Corporate Citizenship in 2015–16 in accordance with the UN Guiding Principles Reporting Framework, published in 2015. The review focused on identifying the potential human rights impacts associated with our activities and business relationships, and assessing whether adequate measures are in place for their prevention, mitigation and remediation. The exercise found no instances of human rights impacts. It helped us pinpoint processes that we can strengthen, which will further help to avoid human rights and modern slavery impacts within our business and supply chain.

Assurance and framework

Our Corporate Responsibility Report is assured against the dual standards of AA1000AS and ISAE3000, to ensure the content is material and relevant to stakeholders, and to provide confidence in the robustness of the data. Ernst & Young LLP conducted the limited assurance and their statement can be found online at www.royalmailgroup.com/responsibility/assurance.

We report in accordance with the Global Reporting Initiative framework (GRI) Sustainability Reporting Framework, G4, at the comprehensive level. Our GRI Index can be found online at www.royalmailgroup.com/responsibility/performance.

Our key performance indicators (KPIs)

We monitor our progress implementing CR with KPIs in our Corporate Balanced Scorecard (CBS), available on page 18 of the Annual Report and Financial Statements, and a wider set of KPIs for the CR programme. Our CR KPIs are outlined on the next page. The CBS is linked to managers' remuneration, helping to embed responsible business practices into the organisation. All our performance data is reported together in the '2015–16 CR Performance and GRI Data appendix', which is available on our website at www.royalmailgroup.com/responsibility/performance.



Our CR key performance indicators (KPIs)

Focus area	KPI	Commitments 2015–16	Performance 2015–16	Performance 2014–15	What's next
Customers	First Class Quality of Service – regulatory (%)	93.0%	92.5%	93.0%	Work to achieve our target set by Ofcom
	Composite parcels Quality of Service (%)	95.4%	94.4%	95.0%	
	Mean business customer satisfaction (score)	76	76	76	
	Customer complaints (number)	430,000	476,040	452,538 ⁱ	Drive down complaints with a focus on resolving issues first time
People	Employee engagement (score)	57	57	56	
	Employee customer focus (score)	69	67	69	
	Gender split among senior management (Female/Male) (%)	Improve gender balance across the business	29%/71%	29%/71%	Continue to promote diversity within our business
	Lost Time Accident Frequency Rate (per 100,000 hours worked)	0.62	0.49	0.70 ⁱⁱ	
	Sick absence (%)	Reduce sick absence to 4.50%	4.51%	4.74%	
	Fatalities (number)	0	2	4	Strive to achieve zero work-related fatalities
	Average training hours per FTE (number)	Measure only	4.8	4.9	Maintain and improve the average training hours per FTE
Communities	Total community contributions (£)	Measure only	£6.7m	£7.6m	Continue to support good causes and to encourage our people to do so
	Colleague engagement (£)	£2 million fundraising for Stroke Association ⁱⁱⁱ	£921,889	£145,000	Achieve our £2 million fundraising target for the Stroke Association
	Raising awareness (number)	15,000 employee blood pressure readings by end of Stroke Association partnership	9,818	810	Complete 15,000 employee pressure readings by end of Stroke Association partnership
Environment	UKPIL total carbon emissions (kt CO ₂ e)	20% reduction in carbon emissions by 2020–21 compared to 2004–05 baseline	726.1 (16.8% reduction)	746.5 (16.1% reduction) ^{iv}	20% reduction in carbon emissions by 2020–21 compared to 2004–05 baseline
	Waste diverted from landfill (%)	Maintain our progress to divert waste from landfill	86%	78%	Continue to maintain our progress to divert waste from landfill
	Water consumption per year ('000 m ³)	Manage and reduce our use of water	1,474.4	1,507.3 ^v	Continue to reduce water consumption
Suppliers	New suppliers that are bound by the Responsible Procurement Code ^{vi} (%)	Measure only	100%	100%	100% of new suppliers bound by the Responsible Procurement Code ^{vi}
	Group Procurement employees that have undertaken CR induction training (%)	Measure only	100%	NA	Deliver induction training to 100% of Group Procurement employees

i. Total number of complaints for 2014–15 has been restated from 445,476 to 452,538 to include 7,062 complaints relating to mail consumables.

ii. Figure restated due to change in methodology.

iii. Includes matched funding by Royal Mail

iv. UKPIL total carbon emissions restated for 2014–15 due to improvements in invoicing

v. Royal Mail water usage data restated for 2014–15 due to availability of better quality data

vi. Covers suppliers awarded contracts by Royal Mail Group Procurement. Also includes suppliers that can demonstrate adherence to the same standard.

Celebrating 500 years



1516

The first postal routes

As the first Master of the Posts, Sir Brian Tuke was given authority by Henry VIII to build the first formal postal network.

1853

The first post box

The novelist Sir Anthony Trollope introduced the first pillar boxes to the mainland UK after first seeing them in France.



1948

Sam King MBE

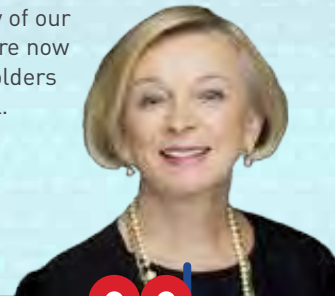
Arriving in the UK from the West Indies in 1948, World War II RAF veteran Sam King first found work as a postman, before going on to become one of the most influential figures in London's West Indian community. He helped to launch the Notting Hill Carnival and was elected Mayor of Southwark in 1983.



2013

Royal Mail becomes a private company

The privatisation of Royal Mail, in October 2013, marks the beginning of an important new era for our business. One of the most significant aspects of the change is the fact that the vast majority of our employees are now also shareholders in Royal Mail.



1500

1600

1700

1800

1900

2000

2016



1635

First public postal services

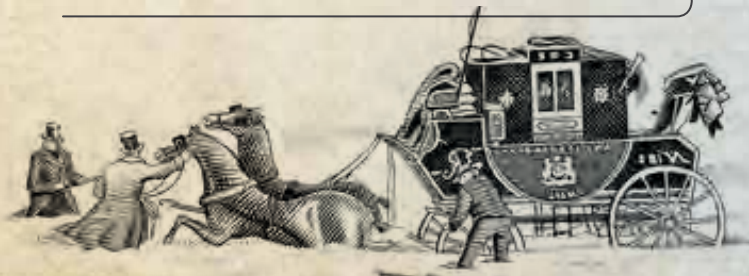
When a public postal service was first opened to the public in 1635 by Charles I, letters were carried between 'posts' by mounted post-boys and delivered to the local postmaster. This was a slow process, but the system remained unchanged for almost 150 years.



1784–2016

Transporting the mail

Today, Royal Mail's fleet of c. 47,000 vehicles transports mail to all parts of the country using stop-start technology and other features to reduce environmental impacts. Horse-drawn carriages (introduced in 1784), dedicated trains (launched in 1838) and even five-wheel bicycles (trialled unsuccessfully in 1882) have all played a role in the history of transporting the mail.



1905

Charles Garland

Postal Telegraph Clerk Charles Garland was a driving force behind the foundation of the Post Office Sanatorium Society, which pooled contributions from postal workers' salaries to make healthcare available to those in need. Besides helping to launch this pioneering form of health insurance, Garland campaigned tirelessly for better working conditions for his colleagues.



2008

Celebrating notable women

In 2008, Royal Mail launched a series of Women of Distinction stamps celebrating the contribution of women such as civil rights activist Claudia Jones, family planning pioneer Marie Stopes and women's rights campaigner Millicent Garrett Fawcett.

[VISIT LINK](#) to see the full interactive timeline online

CELEBRATING
500
YEARS OF ROYAL MAIL

Our Customers

- 24 Understanding our customers' needs ▶
- 26 Being easy to do business with ▶
- 29 Maintaining a high Quality of Service ▶
- 31 Providing value for money ▶
- 32 Dealing fairly and openly ▶



Our Customers At a glance

Royal Mail is the sole Universal Service Provider for the UK, with the capability to deliver to more than 29 million addresses, six-days-a-week. Our one-price-goes-anywhere service connects businesses with customers and communities across the country. Getting customer service right is a priority and essential for Royal Mail to be recognised as the best delivery company in the UK and across Europe.

Key highlights

- Enhanced Click & Drop functionality with international delivery services to over 200 countries and territories worldwide
- Rolled out a 'Service-Point-System' (online booking-in tool) to 460 Enquiry Offices to enable us to find customers' items quickly and efficiently
- Introduced a dedicated service and account management for more than 17,000 business customers
- Parcelforce Worldwide extended its tracked globalpriority® return service to retailers sending items to Australia
- Launched a trial offering marketplace traders and SMEs next day parcel collection service from their addresses
- GLS, together with DPD and Hermes, founded ParcelLock GmbH, which is trialling the introduction of carrier-neutral parcel boxes for households in Germany

Key facts



CAPABILITY TO DELIVER TO MORE THAN 29 MILLION ADDRESSES IN THE UK, SIX-DAYS-A-WEEK



LEADING DELIVERY PARTNER FOR SMALL BUSINESSES INCLUDING HOME AND SMALL OFFICES AND SMALL BUSINESSES AND ENTERPRISES



ROYAL MAIL HANDLED AND DELIVERED AROUND 15.6 BILLION LETTERS



UKPIL HANDLED AND DELIVERED AROUND 1.1 BILLION PARCELS



GLS DELIVERED 431 MILLION PARCELS IN 2015-16 ACROSS EUROPE

Performance table

KPI	Target 2015-16	Performance 2015-16	Performance 2014-15
First Class Quality of Service – regulatory (%)	93.0%	92.5%	93.0%
Composite parcels quality of service (%)	95.4%	94.4%	95.0%
Mean business customer satisfaction (score)	76	76	76
Customer complaints (number)	430,000	476,040	452,538 ⁱ

ⁱ Total number of complaints for 2014-15 has been restated from 445,476 to 452,538, to include 7,062 complaints relating to mail consumables

Our Customers

Royal Mail is the sole provider of the Universal Service in the UK. This means we have the capability to deliver the one-price-goes-anywhere service to more than 29 million addresses, six-days-per-week. We are proud of the role we play in connecting customers, businesses, organisations and communities, including those in remote, rural areas.

79 PER CENT OF ONLINE SHOPPERS SAY THEY TRUST ROYAL MAIL, COMPARED TO 64 PER CENT FOR THE NEAREST COMPETITOR²



Against a backdrop of rapid change, our continued transformation will enable us to become more agile and respond quickly to changing customer needs. Further information on our transformation is outlined in our CEO Foreword

As we evolve, we want to continue to deliver a high quality service so we can retain the trust our customers and stakeholders have in Royal Mail. We were pleased to find that 78 per cent of our customers say they are favourable to us, while 86 per cent are satisfied with the service we provide, putting us ahead of the pack of companies surveyed.¹ In addition, 79 per cent of online shoppers say they trust Royal Mail, compared to 64 per cent for the nearest competitor.²

To become our customers' first choice, we are focused on four priorities:

- ▶ Understanding our customers' needs
- ▶ Being easy to do business with

- ▶ Maintaining a high quality of service
- ▶ Providing value for money to all customers

We measure customer service performance through four metrics on our Corporate Balanced Scorecard, which is linked to managers' remuneration. for our customer KPIs, or view our Annual Report and Financial Statements ▶ www.royalmailgroup.com/investor-centre/report-download-centre/2016.

Understanding our customers' needs

Customers are sending fewer letters and more parcels, so we are adapting our business to respond to their needs. We are investing and introducing new and improved products and services at pace

for our sending and receiving customers. We are also becoming more flexible and increasing our reach. We learn what our customers want through dialogue. We speak with around 600 businesses and 3,000 consumers every month as part of two ongoing research initiatives. We also carry out post-call surveys with businesses and consumers who get in touch with us over the phone. This provides real-time feedback and enables us to tackle issues proactively and prevent the need to escalate complaints. We conduct a separate Online Satisfaction Survey to measure customer experience with our website and mobile applications.

1. Ipsos MORI Corporate Image Survey Winter 2015

2. Independent research conducted by Hall & Partners asking a nationally representative sample of 1,500 UK consumers

Our materiality assessment confirms customer service ranks highly as a priority both to the business and to external stakeholders. For stakeholders, customer service is a determining factor in choosing Royal Mail as a provider. It is the bedrock that will ensure Royal Mail's continued success in an increasingly competitive environment



The priorities we identified in 2015–16 were consistent with last year and are outlined below.

Business customers' priorities:

- Being easy to do business with
- Providing value for money
- Providing a consistently high-quality service; collecting and delivering successfully and in line with customer expectations

Consumers' priorities:

- Items arriving in good condition
- Deliveries arriving on time

We are making progress on improving customer experience, as seen by the trends in Table 1.1. However, there is still more we can do to meet and exceed our customers' expectations.

**THROUGH
CUSTOMER
RESEARCH WE
SPEAK WITH
AROUND 600
BUSINESSES
AND 3,000
CONSUMERS
EVERY MONTH**

During 2015–16 we implemented a number of changes as a result of insights gained from customer research. For example, we created a dedicated team to help all business customers make the transition to barcoding their parcels and launched the 'Nominate a Neighbour' initiative to further increase convenience for consumers in a 24-hour world. for more information.

Our own people can also tell us how customer-focused our products and services are. We use our annual Employee Survey to ask employees what they think about the customer experience. In 2015–16, we achieved a customer focus score of 67 out of 100, a decrease of 2 from the previous year.

Table 1.1 – Customer metrics	2015–16	2014–15
Mean business customer satisfaction (score)	76	76
Consumer satisfaction (score)	72	71
Business customer satisfaction following a call to Royal Mail (%)	90.4%	89.7%
Consumer satisfaction following a call to Royal Mail (%)	83.4%	82.6%
Business customer satisfaction with online experience (score)	48	53
Consumer satisfaction with online experience (score)	61	58

**WE CREATED A DEDICATED
TEAM TO HELP ALL BUSINESS
CUSTOMERS MAKE THE TRANSITION
TO BARCODING THEIR PARCELS**



The importance of Royal Mail's service to key customer groups³

Consumers without internet access

Some UK households (14 per cent) do not have access to the internet, particularly among low-income groups and pensioners not familiar with online technology. These customers typically rely on in-store services to send parcels, and benefit from Royal Mail's services via the Post Office network of approximately 11,500 access points to do this.

Households in remote areas

For households in remote areas, Royal Mail's network coverage is vital. Royal Mail's access points are on average far closer to residences in remote areas. In some locations, for example the Shetland Islands, there are no alternative ways to send parcels. For receiving parcels, Royal Mail's service also typically ensures faster transit times to households in remote locations at no additional cost to consumers.

Small businesses

Royal Mail's parcel shipping options help small businesses and enterprises keep costs low through affordable delivery prices. In addition, Royal Mail's high compensation coverage and relatively fast transit times help SMEs ensure a high-quality service for their customers. We offer flexibility for SMEs through our improved Click & Drop service and we are also trialling doorstep collection.

3. Based on research conducted by Triangle Management Services in November 2015

Articles for the Blind

We work to make postal services accessible to blind and partially sighted people through our free of charge, Articles for the Blind service. We have provided this service for over 50 years, and during 2015–16, we delivered around 3.5 million items. This represents an investment by Royal Mail of £3.1 million.

We also support Royal National Institute of Blind People with a grant to provide a confidential transcription service for MPs that receive or wish to send braille or audio letters to blind or partially sighted constituents.



Keep Me Posted

Royal Mail is a partner of the Keep Me Posted campaign, which champions the right for people to choose to receive important information from banks, utility companies and other service providers in paper form. Launched in 2013, Keep Me Posted ensures that such information remains accessible to all, including vulnerable people and those without internet access.

In August 2015, the campaign entered a new phase with the launch of its Marks of Distinction accreditation to recognise those service providers offering their customers a choice in how they receive their bills and statements. Seven service providers had received the Mark of Distinction by March 2016. The campaign now has the support of 87 leading charities, consumer organisations, trade unions and businesses from across the United Kingdom.



Being easy to do business with

Our customers, both businesses and individual consumers, want convenience and value from their delivery provider. In 2015–16, we delivered initiatives to make our services easier and better value for customers.

For business customers

We implemented new approaches to help businesses send mail, aiming to save them time and money, as well as enable them to improve their own customers' experiences.

- We extended acceptance times for our Tracked 48® service up to midnight on any working weekday. As part of the Tracked 48® service, we collect parcels from the business customer's location or they can use drop-off centres at

Mail Centres and Regional Distribution Centres. We deliver items within two working days. Later collection times better meet the needs of the UK's 24/7 retailers and their customers. We are a key player in enabling businesses around the UK to ensure that their customers get their orders faster.

- We launched a trial for SMEs and online marketplace sellers offering next day parcel collection in North-West England. Results have been very positive with more than 300 sellers participating in the trial.
- In October 2015, we extended our Local Collect network, our Click and Collect service, to over 1,200 Royal Mail Enquiry Offices, which enables businesses to offer greater flexibility to

their customers. This means more than 11,700 Post Office branches and Enquiry Offices now offer Local Collect where customers can choose to pick up their parcels. The extended network offers more collection points across the UK than the two competitor third-party click and collect networks combined.⁴

- Our Click & Drop service integrates data from online shopping platforms to make it quicker and easier to buy postage and print address labels online. Since April 2015, customers have printed more than 870,000 labels. Exporting customers can now purchase international postage and send packages to more than 200 countries and territories worldwide through Click & Drop.
- We adapted our sales structure by introducing a dedicated service and account management for more than 17,000 business customers. This provides a more tailored service including a named service contact for our largest customers and sector-specific advisors.
- Parcelforce Worldwide also extended its tracked globalpriority® return service to retailers sending items to Australia. Australia is the first country outside the EU to benefit from this express returns service.

- In Austria, GLS introduced a range of new services to fulfil the needs of business customers. Larger clients have access to a Key Account Hotline that provides a dedicated service to meet their particular needs. We also provide customer-specific reporting to show at what stage of delivery their parcels are.

CASE STUDY

Increasing our share of the e-commerce market

The flexibility available through services like Local Collect and Click & Drop has resulted in more businesses choosing Royal Mail to deliver to their customers. In November 2015, we won a three-year contract to handle Waterstones.com deliveries in the UK and internationally.

Click & Drop®



LOCAL COLLECT OFFERS MORE COLLECTION POINTS ACROSS THE UK THAN THE TWO COMPETITOR THIRD-PARTY CLICK AND COLLECT NETWORKS COMBINED⁴

4. The two largest networks competing with Royal Mail's Local Collect, are Collect+ and MyHermes with around 5,800 and 5,000 collection points respectively. Combined, they offer a total of 10,800 collection points to Local Collect's 11,700.

Supporting UK exports

Royal Mail's annual tracker of small online retailers found that there is a huge appetite for exporting among UK small businesses. Significantly, 35 per cent of respondents said that they based their export plans on how easy it was to ship and deliver to those markets. We launched a new business page on our website to provide support to SMEs on topics such as sending parcels abroad quickly and cost-effectively, building trust with every parcel delivery and ensuring businesses have all they need to send international letters. As at year end, the new section was visited over 6.6 million times since the launch in February 2015.

Royal Mail and Parcelforce Worldwide have launched dedicated export sites in support of the UK Government's Exporting is GREAT campaign. The campaign aims to inspire 100,000 additional UK exporters to sell their goods and services overseas by 2020. In addition, Parcelforce Worldwide has launched a new digital shopfront, within China's leading e-commerce platform TMall, which promotes UK exports by giving Chinese consumers easy access to British goods.

THE NEW BUSINESS SECTION ON OUR SITE WAS VISITED 6.6 MILLION TIMES SINCE THE LAUNCH IN FEBRUARY 2015

For Consumers

Our consumer customers want convenience and value in their delivery providers. We continue to evolve our delivery options to offer ways for parcels to be collected and delivered that are easier for consumers.

- We launched a new 'Nominate a Neighbour' scheme, an idea developed by our postmen and women, which invites people to nominate a specific neighbour to receive their parcels when they are out. The new initiative offers further choice and convenience if there is no-one at home.
- Individual consumers told us that using the standard 'Something for You' card to notify them when an item had been delivered to their neighbour was causing confusion. We responded by rolling out a purpose-designed 'With your Neighbour' card that makes it clearer where their parcels have been delivered.
- We are working with Post Office Limited to improve our customers' experiences, including more access to our Local Collect network at Post Offices open on Sunday. We have also started accepting some prepaid items to increase convenience.

“

The tracking is simple and on time, easy to access on the internet, on a desktop and also on a mobile”

Comment from the consumer satisfaction survey in October 2015



- For those sending urgent items, we extended access to our premium Royal Mail Sameday collection and delivery service, which was previously available only to account customers. Any business or individual consumer can now use Sameday as a pay-as-you-go service, booking online with a credit or debit card.
- Of the 38.2 million visits to the Parcelforce Worldwide website in 2015–16, 34 per cent of consumers used a mobile phone and 11 per cent used a tablet. We have invested in the Parcelforce Worldwide website and supporting systems to ensure that customers using these devices can access all of our services and receive the experience they expect.

Our Customer and You programme

Customer and You was a three-year programme, ending in March 2016, to improve Enquiry Offices. Under the programme, facilities were modernised to create more welcoming and well-maintained environments; improved and standardised processes to ensure greater consistency in quality across sites; and equipped our people with more customer-facing skills.

The aims of the programme included:

- Improving customer service with reduced waiting times and better customer experiences
- Ensuring sufficient storage space for the growing parcels market, and consistent processes for handling returns
- Reducing complaints at Enquiry Offices

By the end of 2015–16, 175 Enquiry Offices had been modernised into Customer Service Points. We have also deployed a 'Service-Point-System' to 460 Enquiry Offices. The tool allows colleagues to locate customers' items quickly and easily, providing a better, more efficient service. We completed Customer and You training for a further 1,856 of our people, taking the total number of employees trained to 3,980, exceeding our overall target of 3,500.

BY THE END OF 2015–16, 175 ENQUIRY OFFICES HAD BEEN MODERNISED INTO CUSTOMER SERVICE POINTS



The ParcelLock system

GLS has been working with other delivery companies in Germany to develop parcel boxes and parcel bags with the ParcelLock system to enable secure delivery of parcels whilst customers are not at home. The ParcelLock system will enable all parcel and delivery services to make secure deliveries. In addition, parcel boxes and bags can also be used for the private shipping of parcels and return shipments.



Maintaining a high Quality of Service

Delivering all mail on time and in good condition is an essential component of the Universal Service. Doing so is vital if we are to remain the first choice for our customers in an increasingly competitive environment. The UK has some of the highest specifications on quality for postal services among major European countries. We strive to meet these obligations while also transforming our business to become more efficient and competitive.

Ofcom set demanding Quality of Service targets as part of the obligation to deliver the Universal Service. We are the only UK postal services company to have these specific targets and we must publish performance against them quarterly.

Royal Mail is committed to delivering a high Quality of Service. We are extremely disappointed that our full-year First Class performance was 92.5 per cent, slightly below the target to deliver 93 per cent of First Class mail the next working day. Whilst our First Class performance is disappointing, we are pleased that we again exceeded our Second Class target, delivering 98.9 per cent of Second Class mail within three working days. We are

talking to Ofcom about exceptional events during the year, which were outside the company's control and which impacted our First Class performance.

In recent years, Cyber Week, the heavy online shopping period at the end of November, has become a significant part of the festive retail calendar. Christmas itself has always been exempt from the regulatory reporting period, however Cyber Week can fall within or outside the exemption period. In 2015–16, all of Cyber Week fell outside the exemption period. In addition, significant disruption in parts of the country due to poor weather and road closures impacted delivery performance during the period. We have written to Ofcom to ask them to review the inclusion of Cyber Week in the regulatory Christmas period, regardless of when it falls.

**IN 2015–16,
WE DELIVERED
98.8 PER CENT
OF SECOND
CLASS MAIL
WITHIN THREE
WORKING DAYS**



Table 1.2 – Regulatory Quality of Service (%)	2015–16 Target	2015–16	2014–15
First Class mail	93.0%	92.5%	93.0%
Second Class mail	98.5%	98.8%	98.9%

Technology and innovation

To deliver consistent, high-quality service we are investing in new technologies. Our Mailmark® barcode technology allows us to track where letters are in our network and when they are due to arrive. More than three billion items have been sent with Mailmark since April 2015.

In November 2015, Royal Mail announced the launch of 2D barcoding of parcels at Post Office branches. The data-rich 2D barcodes are capable of capturing more information about an item and are integral to our plan to provide greater visibility and efficiency in our network.

We have started to roll out 76,000 new PDAs across our operations. With larger screens, the units provide easier signature capture for customers and, in time, will enable better tracking information. They also offer more accurate billing for the services we provide.

We also deployed 3,000 finger scanner devices in Regional Distribution Centres and Mail Centres around the UK. Our people use the devices to scan barcoded parcels at key points to record items as they are processed through the network.

Customer complaints

Royal Mail is a large business, handling billions of items every year. While we strive to get everything right, every time, unfortunately, sometimes problems do arise. While our performance improved in two out of our four⁵ main complaints categories, we were disappointed to see that total complaints rose from 452,538⁶ in 2014–15 to 476,040 in 2015–16.

We take complaints seriously and have developed a 'root cause' approach to complaints management. This helps us to resolve customer issues quickly, while identifying hotspots and issues. Underpinning this, there is also a focus on first time delivery within our operation and constantly driving improved performance in our operational units.

Compared with others within Ofcom's remit, postal services account for a small percentage of the complaints sent to the Regulator. The level of telecoms complaints over the last two years have generally fluctuated between 6,000 and 7,000 per month. This compares with around 25 per month for postal services. According to the 2014 Consumer Action monitor survey, only one per cent of consumer complaints sent to regulators were related to post.

Collections on Delivery



The UK has the highest density of postboxes in Europe. The convenience of having a postbox nearby is a key aspect of the Universal Service. However, as letter volumes fall, many of these postboxes receive only a handful of letters each day, making them expensive to service.

We introduced Collections on Delivery in 2014–15 to collect mail from these postboxes. By having our postmen and women collect letters while out on delivery, we were able to avoid dedicated van visits for collections. Through greater efficiency, we have avoided the need to decommission loss-making postboxes. The new system involves a change to how mail is collected from more than circa 42,000 postboxes. We have made progress in rolling out the new approach during 2015–16, and will continue to expand Collections on Delivery during 2016–17.



**WE DEPLOYED
3,000 FINGER
SCANNERS
IN OUR MAIL
PROCESSING
UNITS**

5. Redirections, redeliveries, misdeliveries and 'Something For You' cards. Performance improved in 'Something For You' and redirection complaints.

6. Total number of complaints for 2014–15 has been restated from 445,476 to 452,538 to include 7,062 complaints relating to mail consumables.

Providing value for money

The requirements for the Universal Service and meeting the Quality of Service standards mean that overheads in delivery are high and relatively fixed. Our prices have to cover the costs of delivering six-days-a-week across the UK. Large parts of the country are rural and costly to serve. We are also facing an ongoing structural decline in addressed

OUR PRICES HAVE TO COVER THE COSTS OF DELIVERING SIX-DAYS-A-WEEK ACROSS THE UK

letter volumes of around four to six per cent a year in the medium term. Royal Mail must set prices that reflect the costs of delivering the Universal Service.

Earlier this year we announced new stamp prices. We thought carefully about the impact on our customers and our own business before deciding to increase our stamp prices. On 29 March



2016, the price of a First Class stamp increased by one penny to 64 pence and the price of a Second Class stamp increased by one penny to 55 pence. We have limited the increase to the lowest

possible amount, balancing our aim to provide good value with the need to maintain a high quality Universal Service.

Royal Mail prices continue to represent some of the best value in Europe, with the cost of sending letters up to 100g significantly below the European average for both First and Second Class. The European average for First Class is 78 pence and Second Class is 64 pence.

After the price rises in April 2013, Royal Mail's average consumer parcel prices have fallen by around one per cent per annum in real terms. Ofcom found recently that post is the only communication activity they track where consumers get better value for money now than they did 10 years ago.

ROYAL MAIL PRICES CONTINUE TO REPRESENT SOME OF THE BEST VALUE IN EUROPE

THE REQUIREMENTS FOR THE UNIVERSAL SERVICE AND MEETING THE QUALITY OF SERVICE STANDARDS MEAN THAT OVERHEADS IN DELIVERY ARE HIGH AND RELATIVELY FIXED



Dealing fairly and openly

Our stakeholders expect Royal Mail to be transparent in all of our dealings. Transparency strengthens our brand and helps people understand our business including the challenges and opportunities we face.

Key areas of transparency for Royal Mail include our work to help identify victims and perpetrators of fraud, our approach to undeliverable mail, how we respect privacy and our dealings with legislators.

Fraudulent mail

We work with the National Trading Standards to protect customers targeted by fraudulent mail and who may suffer financial loss as a result. Our postmen and women play an important role in

**WE TRAINED
2,335
EMPLOYEES
TO IDENTIFY
SUSPECTED
VICTIMS
OF FRAUD**

this effort, identifying scam mail, protecting those at risk and helping to stop the activities of fraudsters. In 2015–16, we trained 2,335 employees to identify suspected victims of fraud, and our people were able to report 735 such cases. By identifying these people, we were able to make sure they received the support and advice that they needed to prevent further losses.

In 2015–16, Royal Mail cancelled the postal contracts of three businesses for defrauding individuals, based on evidence provided by the National Trading Standards.

Returned mail

The overwhelming majority of our mail is delivered safely to the correct address. However, a small proportion of items are unfortunately undeliverable for reasons that include incomplete addresses and the lack of forwarding addresses for recipients who have moved home. This mail is processed by our National Returns Centre in Belfast, which aims to return all undeliverable mail to the sender.

In 2015–16, our National Returns Centre processed 14.68 million items, for Table 1.3 – Returned mail, compared with a total of 12.6 billion pieces of addressed mail delivered successfully. If returning mail is not possible, we securely dispose of it, and we auction valuable items that cannot be returned to help fund the cost of the Returns Centre.

CASE STUDY



Keeping an eye out for vulnerable customers

Chris Wilcox is one of the postmen playing a key role in protecting vulnerable customers from fraud following scam mail awareness training. When he noticed that a customer was being inundated with suspicious mail, Chris raised concerns. Trading Standards confirmed that the customer had indeed been targeted by fraudsters and had lost £100 as a result. Chris is just one of the many delivery men and women who have taken on a frontline role in stamping out fraud, thanks to Royal Mail's partnership with Trading Standards.



Delivery exceptions

Royal Mail aims to collect and deliver every item of mail that passes through our network. In some cases though, we cannot do so due to a variety of reasons, including difficulties in accessing postboxes and dangerous dogs. We term these cases “Universal Service exceptions” and we report on them in detail each year to our regulator Ofcom. We publish these reports on our website at www.royalmailgroup.com/about-us/regulation/regulation-framework.

Our 2015 Exceptions Report, published in June 2015, showed there were 3,963 addresses where it was not possible to deliver mail six-days-a-week for more than 12 months. This represents 0.01 per cent of the 29 million addresses to which we deliver.

**WE HANDLE
PERSONAL
INFORMATION
FAIRLY,
SECURELY AND
IN LINE WITH
THE RIGHTS OF
INDIVIDUALS**

In addition, there were 2,006 long-term Universal Service collection exceptions in the report published in June 2015. This represents one per cent of around 202,000 collection points across the UK.

Data protection and privacy

We know that privacy is very important to the public, our customers and our people. Compliance with the Data Protection Act underlies all our business policies and procedures governing the use of personal information. We handle personal information fairly, securely and in line with the rights of individuals. Our privacy policy explains how we collect, use, share and protect personal information.

The privacy policy can found at www.royalmailgroup.com/about-us/our-policies/our-privacy-policy.

Transparency and the European Union

The European Transparency Register informs European citizens about how businesses like ours engage with European Union (EU) decision-makers. Royal Mail's entry on the Register remains up to date. It shows the resources we allocate to EU affairs and indicates our core areas of interest in policy developments.

Our customer priorities for 2016–17

- ▶ Achieve our Quality of Service targets
- ▶ Increase first time delivery rates
- ▶ Continue the roll out of 76,000 new PDAs across our operation
- ▶ Achieve our customer complaints target
- ▶ Continue to roll out Mailmark, targeting 90 per cent of suitable letters
- ▶ Launch MailshotMaker, a new online tool that enables SMEs to design and implement direct mail campaigns

Table 1.3 – Returned mail	2015–16	2014–15	2013–14	2012–13
National Returns Centre employees (headcount)	145	146	150	134
Items processed (m)	14.68	16.03	17.05	19.15
Revenue generated at auction (£)	£2.75m	£2.01m	£1.86m	£1.32m
Cost of running National Returns Centre (£)	£3.84m	£3.95m	£3.98m	£3.25m



Our People

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Our People At a glance

Success at Royal Mail depends on our people. They represent the company among communities and with customers, six days a week. We rely on them to fulfil the Universal Service and go the extra mile in delivering a high quality customer service. Engaging our people within a fair, rewarding and customer-focused culture is therefore essential for our future success.

Key highlights

- Employee engagement increased by one point to 57 since 2014–15
- Sick absence down by more than four per cent from 4.74 per cent in 2014–15 to 4.51 per cent in 2015–16
- Lost Time Accident Frequency Rate reduced by 30 per cent
- Together for Growth training delivered to over 6,000 managers and union representatives
- Lead company status in the BITC Wellbeing benchmark
- New Royal Mail values launched: Be positive, Be brilliant, Be part of it
- Times Top 50 Employer for Women for the second consecutive year
- Named as one of the top 10 service and retail employers in The Telegraph's 2015 Top Apprenticeship Careers list

Key facts



139,000

ROYAL MAIL
EMPLOYS AROUND
139,000 PEOPLE



1 IN EVERY 175 JOBS
IN THE UK ARE
ROYAL MAIL JOBS



16 PER CENT OF
OUR EMPLOYEES
ARE WOMEN, 84
PER CENT ARE MEN



4.3bn

£4.3BN PAID IN
WAGES ACROSS
UK AND EUROPE



AWARDS, SUCH
AS TIMES TOP 50
EMPLOYER FOR WOMEN



98.6%

PER CENT
PERMANENT
VERSUS TEMPORARY

Performance table

KPI	Target 2015–16	Performance 2015–16	Performance 2014–15
Employee engagement (score)	57	57	56
Customer focus (score)	69	67	69
Lost Time Accident Frequency Rate (per 100,000 hours worked)	0.62	0.49	0.70 ⁱ
Sick absence (%)	4.5%	4.51%	4.74%
Fatalities (number)	0	2	4

i. Figure restated due to change in methodology.

Our People

The future success of Royal Mail depends upon our people. Their active support and engagement enables us to achieve our corporate strategy of winning in parcels, defending letters and growing in new areas.

Royal Mail is one of the largest employers in the UK, directly employing around 139,000. On average, one in 175 employed people in the UK work for Royal Mail. We also support a further 114,100 people¹ in the wider UK economy. GLS employs nearly 14,000 people across Europe in a range of frontline, operational and support roles.

We promote strong labour standards in our industry, and our permanent employees receive salaries above the Living Wage. We believe good employment conditions drive quality.

Each day, thousands of our people are on the roads, pavement or knocking on doors. This creates

**ON AVERAGE,
ONE IN 175
EMPLOYED
PEOPLE WORK
FOR ROYAL
MAIL IN THE UK**



many opportunities to support our local communities but also presents our people with risks, whether that's from traffic accidents or dog attacks. We strive to create a healthy and safe work environment.

Our people strategy

To achieve a more efficient and competitive business, our people strategy focuses on:

- ▶ **Engagement and culture:** creating a customer-focused culture
- ▶ **Equitable workplaces:** leading the industry in employment standards
- ▶ **Working with our unions:** maintaining a stable industrial relations climate
- ▶ **Health and safety:** maintaining an incident-free working environment where everyone is safe, healthy and secure
- ▶ **Diversity:** celebrating diversity and creating an inclusive environment
- ▶ **Learning and development:** investing in people and providing opportunities for all

During 2015–16, we made progress in each of these areas. However, we recognise there is still more to do. We continue to create an environment that enables our people to thrive so we can transform our business.



Our Corporate Balanced Scorecard measures progress against our business strategy. In 2015–16, we linked a greater share of managers' potential bonuses to employee engagement, employee customer focus, mean business customer satisfaction and total customer complaints. Nearly 100 per cent of managers had bonuses tied to these measures.

**GLS EMPLOYS
ALMOST 14,000
PEOPLE ACROSS
EUROPE**

1. Centre for Economics and Business Research (Cebri), conducted for Royal Mail in May 2016

Our materiality assessment confirms the enduring importance of these aspects both to the business and to external stakeholders. How we engage employees, manage health and safety, and attract and retain talent all continue to rank as important issues for Royal Mail, in both the business and stakeholder view. For more information on materiality

Engagement and culture

Our aim is to develop an inclusive, supportive and customer-focused culture. We want all our people to work together to deliver their part in the strategy to build sustainable business. Achieving this is essential for Royal Mail's future competitiveness.

Measuring our performance

We measure employee engagement through our Employee Survey. In 2015–16, employee engagement increased one point compared with the year before. See Table 2.1 for other key outcomes from the survey.

Another key measure is employee turnover, which influences recruitment and training costs. Our turnover rate is 3.9² per cent which is below the median voluntary resignation rate in the UK of 12.8 per cent.³

Using the Employee Survey results, we identified four drivers of employee engagement. Outlined below, we sought to reflect these in the initiatives we delivered throughout 2015–16.

- ▶ Providing opportunities for development and training

- ▶ Ensuring employees feel valued and recognised
- ▶ Building better relationships
- ▶ Supporting our cultural change journey

Delivering cultural change

We need a customer-centric culture that enables us to be competitive.

We worked with our colleagues and unions to develop new values for Royal Mail that captures this essence (see box out). We launched these among management community in 2015 and will be expanding the roll out to non-managerial colleagues in 2016–17.

Royal Mail values

Be positive...

because it leads to better things, faster:

- ▶ Give it a go
- ▶ Trust each other
- ▶ Say thank you

Be brilliant...

because we always want to be the best:

- ▶ Deliver great service
- ▶ Do the little things well
- ▶ Find a better way

Be part of it...

because it's great to be part of something that matters

- ▶ Listen to each other
- ▶ Support each other
- ▶ Appreciate diversity

OUR TURNOVER RATE IS 3.9² PER CENT WHICH IS BELOW THE MEDIAN VOLUNTARY RESIGNATION RATE IN THE UK OF 12.8³ PER CENT

2. This figure is not comparable to last year due to a change in methodology.

3. <http://www.xperthr.co.uk/survey-analysis/labour-turnover-rates-2015-survey/156198/>

Table 2.1 – People metrics	2015–16	2014–15	2013–14
Employee engagement (score)	57	56	54
Job satisfaction (score)	68	69	67
Per cent say Royal Mail values diversity (%)	56%	56%	52%
Per cent say they understand how their roles contribute to success of RMG ⁱ (%)	67%	65%	43%

i. This question in the Employee Survey changed slightly from previous years, so results may not be directly comparable.



We are working hard to engage and involve our people on the cultural change journey. To do this, we started the 'Big Conversation', where 23,000 people in Operations were asked to provide feedback to help shape the vision for Royal Mail going forward. Areas such as recognition, trust and simplification were key themes in the feedback.

We held a further nine 'town hall' meetings where senior management team members addressed hundreds of frontline colleagues and middle managers. Nearly 50 senior managers also held 270 on-site engagement sessions, briefing an estimated 13,500 frontline colleagues about the changes taking place.

With such a large business, ensuring consistency and standardisation is important to ensure all our people are treated in the same, fair way. In 2015–16, we simplified policies and systems to align with our new values

WE STARTED THE 'BIG CONVERSATION', WHERE 23,000 PEOPLE IN OPERATIONS WERE ASKED TO PROVIDE FEEDBACK TO HELP SHAPE THE VISION FOR THE OPERATION GOING FORWARD

and customer-centric culture. We developed and launched a new Conduct Policy in collaboration with our unions that puts greater emphasis on treating people fairly. A total of 1,032 training courses were provided for managers and union representatives to learn how to implement the policy effectively.

Our Code of Business Standards sets out the standards of behaviour that we expect from our people at Royal Mail. It is about doing the right thing: following the law, acting honourably and treating others with respect. In 2015–16, 2,437 breaches to the Code of Conduct were recorded. Breaches include relatively minor incidents, such as a failure to follow workplace practices, through to bullying and harassment and theft of mail. In the year, 15 per cent (376) of cases resulted in suspended dismissal or dismissal. Information is reviewed centrally in order to inform policies and procedures and to provide coaching for managers.

A driver of employee engagement is the relationship between people and their manager. We launched a range of tools in 2015–16 to help managers build relationships. A new intranet site gives managers a single source of information on culture and engagement. A 'Hints and Tips' guide on employment policies was

WE HAVE A WIDE RANGE OF INNOVATIVE CHANNELS TO HELP REACH OUR PEOPLE, 80 PER CENT OF WHOM ARE WITHOUT ACCESS TO A COMPANY EMAIL ADDRESS



released for managers to drive consistency when implementing the requirements.

We assess our progress in the culture journey through the Cultural Index. This is obtained through our Employee Survey and measures how well we are embedding our new values and culture in the business. In 2015–16, we saw the Cultural Index remain flat at 48 against 2014–15.

Internal communications

All of our employee engagement initiatives are supported by a broad range of internal communications channels. We have a wide range of innovative channels to help reach our people, almost 80 per cent of whom are without access to a company email address. Some of these channels include:

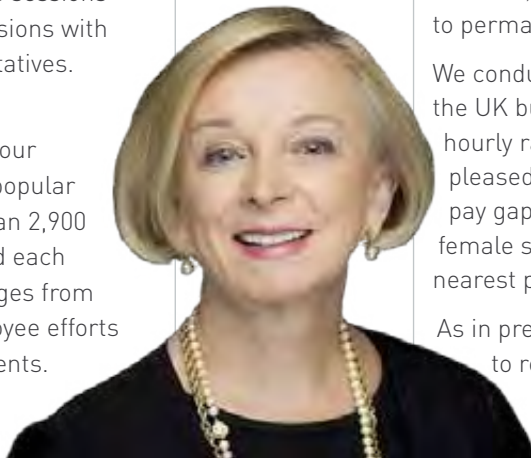
WE DEVELOPED AND LAUNCHED A NEW CONDUCT POLICY IN COLLABORATION WITH OUR UNIONS THAT PUTS GREATER EMPHASIS ON TREATING PEOPLE FAIRLY

- ▶ **Royal Mail TV (RMTV)** – produced weekly
- ▶ **Courier** – a magazine printed monthly and delivered to employees' homes
- ▶ **PFW news** – a bi-monthly magazine printed and delivered to Parcelforce Worldwide employees' homes
- ▶ **Royal Mail intranet** – for employees with access to work computers
- ▶ **MyRoyalMail** – an extranet site enabling all employees to access information from their own computers

During 2015–16, we streamlined and re-launched our Work Time Listening and Learning programme following feedback from frontline managers. This weekly, half-hour engagement session for operations colleagues is now managed centrally to ensure business messages are delivered consistently and to the right audiences. The sessions also offer time for local discussions with managers and union representatives.

Just Say It, a direct channel for employees to give feedback to our CEO Moya Greene, remains a popular platform for dialogue. More than 2,900 employees contacted Moya and each received a reply. Feedback ranges from recognising outstanding employee efforts to ideas for product improvements.

**MORE
THAN 2,900
EMPLOYEES
CONTACTED
MOYA
AND EACH
RECEIVED
A REPLY**



Our engagement and culture priorities for 2016–17

- ▶ Fully embed the new values across Royal Mail
- ▶ Embed the performance management process

Equitable workplaces

As one of the largest employers in the UK, we are proud to provide fair pay and terms and conditions to our people.

Most of our workplace is permanent or on fixed-term contracts and therefore receive employment rights such as paid holiday, sick leave, maternity and paternity leave, and competitive pension contributions. At the end of 2015–16, 98.6 per cent of employees were permanent. We also moved 5,492 workers from temporary to permanent contracts.

We conducted a gender pay review across the UK business. Analysing the median hourly rates from April 2015, we are pleased to verify that we have no gender pay gap, with the average male and female salaries being the same to the nearest penny.

As in previous years, we have continued to recruit temporary workers to



OUR TEMPORARY WORKERS ARE FREE FROM RESTRICTIONS ON OTHER WORK

help with the increased workload that Royal Mail faces over particular periods. We recruited 19,000 temporary workers during Christmas 2015, providing valuable additional work for many people. These temporary workers are eligible for statutory sick and holiday pay, and are free from restrictions on other work.

In November 2014, we called on Ofcom to develop a standard for acceptable practices across the delivery industry to increase customer confidence in the market. We proposed inclusions of a rigorous vetting process for employees, proof of safe delivery, fair wages and clear compensation guidelines. The Department for Business, Innovation and Skills has supported our proposal to Ofcom.

Working with our unions

Maintaining a productive and co-operative working relationship with our unions is essential to our success. Royal Mail and its unions share a common goal: to help secure Royal Mail's future so it can grow and remain successful.

We recognise two unions: the Communication Workers Union (CWU) and the Communication Managers Association (CMA)/Unite. We estimate that approximately 84 per cent of our operational and administrative grade employees are members of the CWU and over 57 per cent⁴ of our managers are members of Unite/CMA.

The Agenda for Growth agreement remains an important factor in the relationship with our unions. Through this, only 325 days were lost due to unballoted strikes in 2015–16, a reduction of 37 per cent compared with the previous year. In total, the number of days lost due to strike action was 378⁵ during 2015–16.

We took several key steps in advancing initiatives under the Agenda for Growth agreement during 2015–16 (see box on the right). A joint programme of activity with our unions, culminating in a joint recommendation, helped to drive the development of a new strategy for Logistics. We also worked with



our unions to create a new, unified Conduct Policy that is more focused on informal resolution and incorporates a new approach to precautionary suspension, which should only be used in serious incidents.

DAYS LOST TO UNBALLOTTED STRIKE ACTION DOWN 37 PER CENT COMPARED WITH 2014–15

4. Previous estimates were based on members paying subscriptions via deductions from pay only which understated the members who pay subscriptions by other means.

5. This figure includes 53 days lost to balloted strike action and 325 days lost due to unballoted strike action. The number of days lost to strikes is reported in line with the definition provided by the Office For National Statistics. We identify the number of hours of pay abated for employees taking part in industrial action and divide by eight to arrive at the number of days lost.

Creating a culture of ownership

During 2015–16 HM Government disposed of all of its remaining shareholding in Royal Mail meaning that the Company is now 100 per cent privately owned. As part of the disposal, a further one per cent of Royal Mail shares were gifted to the Royal Mail Share Incentive Plan Trust for eligible employees, meaning that in total, eligible employees will have been given 12 per cent of the Company as Free Shares.

By the end of 2015–16, eligible full-time employees have received a maximum of 832 Free Shares, regardless of grade. This is one of the largest free stakes of any major UK privatisation.

In addition, our popular Save As You Earn (SAYE) scheme, which launched in September 2014, resulted in more than 34,000 employees setting aside money from their salary for options to buy Royal Mail shares.

Agenda for Growth

- ▶ Commitment to working together
- ▶ Legally binding commitments
- ▶ Three year employee pay deal
- ▶ Enhanced processes to resolve disputes
- ▶ Maintenance of existing Terms & Conditions for employment
- ▶ Commitment to a predominantly full-time workforce
- ▶ No additional franchising or outsourcing
- ▶ Objective to manage change at pace without recourse to compulsory redundancy

Health and safety

We want our people to enjoy a safe and healthy working environment. We work to manage safety risks and empower people to take ownership of their wellbeing.

Safeguarding our colleagues

Keeping our people safe is an enduring priority for our business and we are committed to achieving an accident free workplace.

Our safety performance in 2015–16 is outlined in Table 2.2. During 2015–16, we once again succeeded in reducing our Lost Time Accident Frequency Rate (LTAFR) to 0.49 from 0.70⁶ last year. This is a result of maintaining the awareness of the key risks to our people, such as

**WE WORK
TO MANAGE
SAFETY RISKS
AND EMPOWER
PEOPLE TO TAKE
OWNERSHIP
OF THEIR
WELLBEING**



animal attacks and slips and trips. We do this through an on-going communication programme, the reinforcement of business-as-usual activity and ensuring compliance with our standards. Besides keeping our employees safer, reducing the time lost to accidents amounted to an estimated saving of over £1 million for our business.

It is with great regret that we report two people lost their lives in connection with our activities in the UK in the past year. Both fatalities were associated with road traffic collisions involving our vehicles. We liaise closely with the relevant authorities and undertake our own detailed investigations to establish the root cause of each accident and, where possible, to determine what lessons can

be learned. We have a Fatal and Serious Accident Standard and Protocol, which tracks investigation report production and the closure of actions. This is discussed at Board level and is communicated across the Group.

Our approach to continuing to improve safety and reducing risk of harm is built on the following principles:

- ▶ Standardising our safety standards and procedures across Royal Mail Group
- ▶ Embedding a sense of accountability for employee safety at all levels
- ▶ Identifying the highest risks and prioritising our efforts in these areas
- ▶ Providing employees with the information, training and support that they need
- ▶ Improving managerial monitoring on compliance to Safety, Health and Environmental (SHE) Standards
- ▶ Simplifying reporting to expose issues and monitor compliance

We continued to upgrade our SHE Management System in 2015–16. We plan to complete the upgrade in 2017 and seek independent verification against OHSAS 18001 when it is fully implemented.

**REDUCING THE
TIME LOST TO
ACCIDENTS
AMOUNTED TO
AN ESTIMATED
SAVING OF OVER
£1 MILLION FOR
OUR BUSINESS**

Table 2.2 – Safety metrics ⁱ	2015–16	2014–15	2013–14	2012–13
Lost Time Accident Frequency Rate (per 100,000 hours worked)	0.49	0.70 ⁱⁱ	0.81 ⁱⁱ	1.17
Total accidents (number)	8,040	9,738	10,999	13,878
Days lost due to accidents (number)	23,038	29,903	33,351	42,393
Fatalities ⁱⁱⁱ (number)	2	4	4	7
Sick absence (%)	4.51%	4.74%	4.34%	4.33%

i. Data represents UKPIL safety performance

ii. Figure restated due to change in methodology.

iii. Comprises the total number of fatalities in the UK of Royal Mail employees and third parties.

6. Figure restated due to change in methodology.

Road traffic collisions remain the lead cause of the most serious accidents suffered by our employees. In 2015–16, we launched a new Road Safety Taskforce to co-ordinate our efforts to reduce traffic incidents. With representatives from both our unions and all vehicle operating units within Royal Mail, the Taskforce co-ordinates driver training, focuses on ensuring that the right people are in driving roles, and works proactively to detect and deal with any risk-taking on the roads. The Road Safety Taskforce also

**IN 2015–16,
THE DAYS LOST
TO SICKNESS
REDUCED BY
8.7 PER CENT
COMPARED
TO 2014–15⁷**

promotes quarterly Road Safety Weeks, using channels such as Royal Mail TV to raise awareness of our Safe Driving Code of Practice. It is supported by our Road Safety Activity Plan, which focuses on driver recruitment, development and recognition.

Our Mail Centres and sites continue to prioritise safety through our World Class Mail (WCM) programme in which safety is the first of the ten main pillars. At sites, the person leading the safety pillar promotes initiatives and campaigns to drive improvements in safety. Sites are audited on their implementation of WCM, including on safety.

Animal attacks, specifically dog attacks, are a significant hazard faced by postmen and women on a daily basis. An average of seven postmen and women are still attacked by dogs every day in the UK. We continue to tackle the issue by raising awareness of the risks that dangerous dogs pose and supporting responsible dog ownership. We held our third annual Dog Awareness Week from June 29 to July 4 2015. We educate our people about how to reduce risks and we seek to prosecute owners of dogs responsible for attacks. With increased awareness, we have seen the number of attacks on our people reduce by 10 per cent compared to 2014–15.

Improving health and wellbeing

Keeping employees healthy is crucial to our people strategy. Providing support for employee health and wellbeing boosts workplace morale and demonstrates the value we attach to our people. It also reduces the costs and disruption of sick absence.

Two years ago, our levels of sick absence increased, driven by mental health and musculoskeletal problems. We responded by rolling out a new occupational health system with dedicated case managers for mental health and musculoskeletal absences and by launching an Attendance Management Taskforce. In 2015–16, we have dealt with 3,616 cases in this way, cutting the length of absence by an average 23 days for mental health cases and 18 days for musculoskeletal issues. As a result, in 2015–16, the days lost to sickness reduced by 8.7 per cent compared to 2014–15, and 3.9 per cent compared to 2013–14⁷. We have now merged the Attendance Management Taskforce with a new national Attendance team to ensure the improvements are maintained.

Attendance initiatives are supported by a broad range of underlying programmes. We have upgraded our Feeling First Class wellbeing website and improved

**THE NUMBER OF
DOG ATTACKS
ON OUR PEOPLE
REDUCED BY
10 PER CENT
COMPARED
TO 2014–15**

7. Calculations based on figures not included in safety metrics table on page 41.



**THE STROKE
ASSOCIATION
HAS VISITED
HUNDREDS OF
ROYAL MAIL SITES
ACROSS THE UK**

Stroke
association



the mobile portal enabling employees to access support and health information. We also acted as lead partner with IOSH (the Institute of Occupational Safety and Health) on their 'No Time To Lose' campaign, to raise awareness of skin cancer and the importance of sun safety, which is important for our people that spend a lot of time outdoors.

Mental health has been a major priority for us in 2015–16 and is actively championed by our CEO Moya Greene. Our programme 'First Class Mental Health' aims to remove the stigma

and raise awareness of mental health conditions and the support available. We partnered with the Mental Health Foundation to produce a series of five mental health awareness training films, which have been watched by around 4,500 managers. We also signed the Time to Change Pledge with Unite/CMA and the CWU.

In 2015, over 140 of our people attended stress awareness workshops and 55 managers participated in a pilot Mental Health First Aid course to help deal with crisis situations should they occur.

**MENTAL HEALTH HAS BEEN
A MAJOR PRIORITY FOR US
IN 2015–16 AND IS ACTIVELY
CHAMPIONED BY OUR CEO
MOYA GREENE**

In addition to our health and wellbeing activities, our Charity of the Year partnership with the Stroke Association raised awareness of the risks of stroke – and the steps that people can take to reduce them. The Stroke Association has visited hundreds of Royal Mail sites across the UK. They tested the blood pressure of more than 10,000 Royal Mail colleagues since the start of the partnership and gave advice on how high blood pressure can affect health.

BITC Wellbeing



One of only four companies to have achieved lead company status in the 2015 Business in the Community's Wellbeing Benchmark

**Our health and safety
priorities for 2016–17**

- ▶ Work with operational teams on developing and deploying key action plans to manage Road Traffic Collisions to improve our performance in this priority area
- ▶ Continue to reduce Lost Time Accident Frequency Rate
- ▶ Complete update of SHE Management System
- ▶ Focus on behavioural safety coaching to reduce unsafe behaviour/acts and promote safe behaviours
- ▶ Develop the Occupational Health and Wellbeing Strategy
- ▶ Improve attendance performance
- ▶ Develop musculoskeletal health programmes in line with those that support mental health
- ▶ Roll out mental health training for managers and employees

Diversity

Supporting diversity and equal opportunity

Royal Mail strives to employ a diverse mix of people that reflects the communities we serve. Women and ethnic minorities are traditionally underrepresented in our industry and we want to change that. We are committed to being an equal opportunities employer and proactively seek to recruit people from socially excluded groups.

Initiatives we support:



Diversity steering groups

- ▶ Gender
- ▶ Black, Asian and Minority Ethnic (BAME)
- ▶ Lesbian, Gay, Bisexual and Transgender (LGBT)
- ▶ Parents & Carers
- ▶ Disability

FOR MORE INFORMATION ABOUT ROYAL MAIL'S ETHNIC DIVERSITY AND AGE DISTRIBUTION, PLEASE SEE THE 2015–16 CR PERFORMANCE AND GRI DATA APPENDIX

[VISIT LINK](#)

Our Diversity Council is responsible for driving improvements and creating a culture of inclusiveness. Chaired by Mick Jeavons, Royal Mail's Chief of Staff, the Council oversees the work of diversity steering groups (see box), and monitors diversity performance KPIs regularly.

We continue to roll out our unconscious bias workshops to all those with assessment responsibilities, and launched a new e-learning tool on unconscious bias for managers. We partner with relevant organisations to ensure that opportunities at Royal Mail are accessible to people from all backgrounds and circumstances, and that our commitment to equality is understood by those considering applying for roles.

Gender diversity

We have relatively high gender diversity at our Board and senior management grades compared to operational functions, as outlined in Table 2.3. At Board level, our gender diversity of 38 per cent compares well to the FTSE 100 average of 26⁸ per cent.

Inclusive recruitment has a vital role to play in embedding equality of opportunity within Royal Mail and increasing the diversity of our workforce. We take a proactive role to redressing the traditional



male bias in our sector. Following a successful pilot programme, we rolled out a balanced shortlist approach to recruitment in 2015–16. This has helped increase the number of women hired to fill frontline operational roles from 28 per cent to 32 per cent. We also report on our gender pay gap

Our progress to improve gender diversity at Royal Mail gained us recognition as a Times Top 50 Employer for Women. Helen Diksa, Director of HR Operations,

OUR PROGRESS TO IMPROVE GENDER DIVERSITY AT ROYAL MAIL GAINED US RECOGNITION AS A TIMES TOP 50 EMPLOYER FOR WOMEN

8. <http://30percentclub.org/>

won the Diversity Champion of the Year award at the Women in Logistics Awards in June 2015.

Our Spring Forward programme is designed to help junior female managers take the next steps on the career ladder within Royal Mail. Following a successful pilot, we are preparing for a roll-out across the business during the coming year. Spring Forward is a natural extension of our Springboard programme, which helps develop the potential of female employees in non-management positions. During 2015–16, we have trained a further 12 female managers to facilitate the programme. In 2015–16, 269 female employees have attended Springboard courses.

In addition we launched Connect, an online mentoring programme designed to support the career development of

WE TAKE A PROACTIVE ROLE TO REDRESSING THE TRADITIONAL MALE BIAS IN OUR SECTOR

women at Royal Mail. Using an internal online directory, employees can search for potential mentors and request their support through the site.

We recognise though, that there is more to be done to challenge traditional biases in our industry, and we are working to build support structures that can drive continuous improvement.

Disability

As a Disability Two Ticks employer, we welcome job applications from candidates with a disability or health condition. Approximately eight per cent of Royal Mail employees identify themselves as having a disability. We make reasonable adjustments to the workplace to support employees who become disabled, and provide additional training where required, helping them adjust to working life.



We have been a national partner of disability charity Remploy since 2006, working together to provide jobs and placements for people with disabilities. Since 2006, we have employed over 2,000 disabled and disadvantaged candidates through Remploy.

Ensuring dignity and respect in the workplace

We are committed to dignity and respect in the workplace and are determined to eliminate any form of behaviour that undermines our people and their ability to flourish and thrive at Royal Mail. There is no place for bullying and harassment of any kind.

The majority of our bullying and harassment complaints in the UK relate

EIGHT PER CENT OF ROYAL MAIL EMPLOYEES IDENTIFY THEMSELVES AS HAVING A DISABILITY

Table 2.3 – Gender diversity (headcount)	UKPIL female		UKPIL male		GLS female		GLS male	
	2015–16	2014–15	2015–16	2014–15	2015–16	2014–15	2015–16	2014–15
Royal Mail plc Board ⁱ	3	3	5	6				
Senior Management	686	664	1,651	1,646	36	36	242	251
Management	1,399	1,509	5,441	5,896	2,783	2,910	2,314	2,308
Administrative	1,495	1,566	1,016	1,085				
Operational	19,030	18,810	108,642	111,716	1,768	1,802	6,848	7,102

i. The Board represents Royal Mail Group

to 'inappropriate banter'. In 2014–15, we worked with our unions to develop an award winning anti-bullying and harassment campaign, 'We can sort it out'. Launched in January 2015, the campaign uses a 10 minute film inspired by actual incidents to highlight the damage such behaviour can cause. Toolkits for managers are also available. The film received the highest ever viewing figures on RTMTV.

We have supported 'We can sort it out' with a new mediation process for dealing with incidents of bullying and harassment when they do occur. Of the mediations that have taken place so far, 92 per cent have been successful in reaching an agreement between the parties involved, without the need for a full hearing. Together with our unions, we have now put in place a process for handling all bullying and harassment mediations in-house.

Our anti-bullying and harassment campaign, 'We can sort it out', won Silver for Internal Communications at the International Content Marketing Awards 2015



Our diversity priorities for 2016–17

- ▶ Roll out unconscious bias training to the rest of the Business
- ▶ Create a development programme for BAME individuals

Learning and development

We are committed to the training and development of our people at all levels of Royal Mail. We provide them with opportunities to learn new skills and equip them to help deliver our business strategy.

Our learning strategy is focused on things that make the biggest difference to company performance and shifting the emphasis to leader-led learning in the workplace. We invested over £20.5 million in training during 2015–16, delivering the equivalent of over 90,000 training days.

A range of initiatives were undertaken in 2015–16, including the following highlights:

- ▶ Launched a new performance management process and system, as well as a capability framework to support managers in creating development plans

- ▶ Put in place a new induction programme for all new starters at all levels to support our aim for building a customer-focused culture
- ▶ Piloted one to one meetings for our frontline colleagues and will continue to develop this in 2016
- ▶ Published, 'Positive Conversations', an interactive e-learning tool to support one to one meetings. 93 per cent of learners reported an improvement in the way they approach difficult conversations
- ▶ 1,856 employees completed the 'Customer and You' training course, which builds skills for first-class customer service in our Enquiry Offices
- ▶ Our Executive Leadership Development Programme and our Management Acceleration Programme received the EFMD Excellence in Practice Gold Award in 2015
- ▶ New Manual Parcel Scanning training prepared 15,000 employees to use new PDAs and finger scanners in mail processing units
- ▶ Launched 'My Future' careers portal to provide advice to all employees about personal and career development opportunities. This was shortlisted for the prestigious RAD awards for employee engagement

- ▶ Introduced a capability framework in July 2015 to embed our values and working practices into the organisation. All managers now have core capabilities that they can use to drive development
- ▶ Delivered 1,032 joint training days with the CWU, aimed at upskilling managers and union reps to ensure an overall understanding of the new Conduct Policy and how to implement the process for conduct cases

Royal Mail delivered the Together for Growth programme to over 6,000 managers and union representatives, the UK's largest ever investment in this form of joint training. 87 per cent of managers and union representatives in the programme completed the three, one day modules. This high level of completion was achieved whilst continuing to deliver our operational services. Launched in 2014, we have invested over £9.5 million in the programme and 87 per cent of delegates would recommend the programme to their colleagues.

Our GLS operations are working on employee development in various ways. In Denmark, every employee is invited to participate in an annual personal development interview with their manager. This has generated more than 230 requests for work-related personal development from amongst our 440 Danish employees.

Apprenticeships, Management Trainee programme, and graduate opportunities for young people

Apprenticeships help young people from diverse backgrounds to develop their career skills. In 2015–16, we expanded

our apprenticeship programme to include Finance, in addition to Project Management, Vehicle Technician and Engineering apprenticeships. 50 apprentices joined our programme in September 2015.

WE OFFER A RANGE OF NINE GRADUATE PROGRAMMES THAT PREPARE GRADUATES FOR A REWARDING CAREER AT ROYAL MAIL



In 2015–16, we re-launched our Logistics Management Trainee programme for young people leaving college with an interest in the operational side of our business. The programme enables participants to fast track into a management role upon completion. We recruited 16 young people onto the programme in September 2015. The Telegraph's Top Apprenticeship Careers List for 2015 named Royal Mail as one of the Top 10 service and retail employers in the apprenticeship market.

This year, we opened up the opportunity for a law graduate to train with our legal team. We also offer a range of nine graduate programmes that are structured to prepare people for a rewarding career at Royal Mail. We offer programmes in Operations Management, Central Operations, Commercial, Human Resources, Finance, Technology,

NAMED AS ONE OF THE TOP 10 SERVICE AND RETAIL EMPLOYERS IN THE TELEGRAPH'S 2015 TOP APPRENTICESHIP CAREERS LIST

Engineering, International, and Strategy. 131 graduates joined our programme in September 2015.

Ready for Work

We are one of eight business partners in Business in the Community's Ready for Work programme. The programme has now helped over 9,000 long-term unemployed people to find a job. Royal Mail offered 43 placements under the scheme during 2015–16, bringing the total number of people we have helped prepare for work to 661.

Our learning and development priorities for 2016–17

- ▶ Provide learning that supports business change through the parcel transformation programme
- ▶ Drive our focus on development planning through the uptake of our capability assessments and feedback conversations

Our Communities

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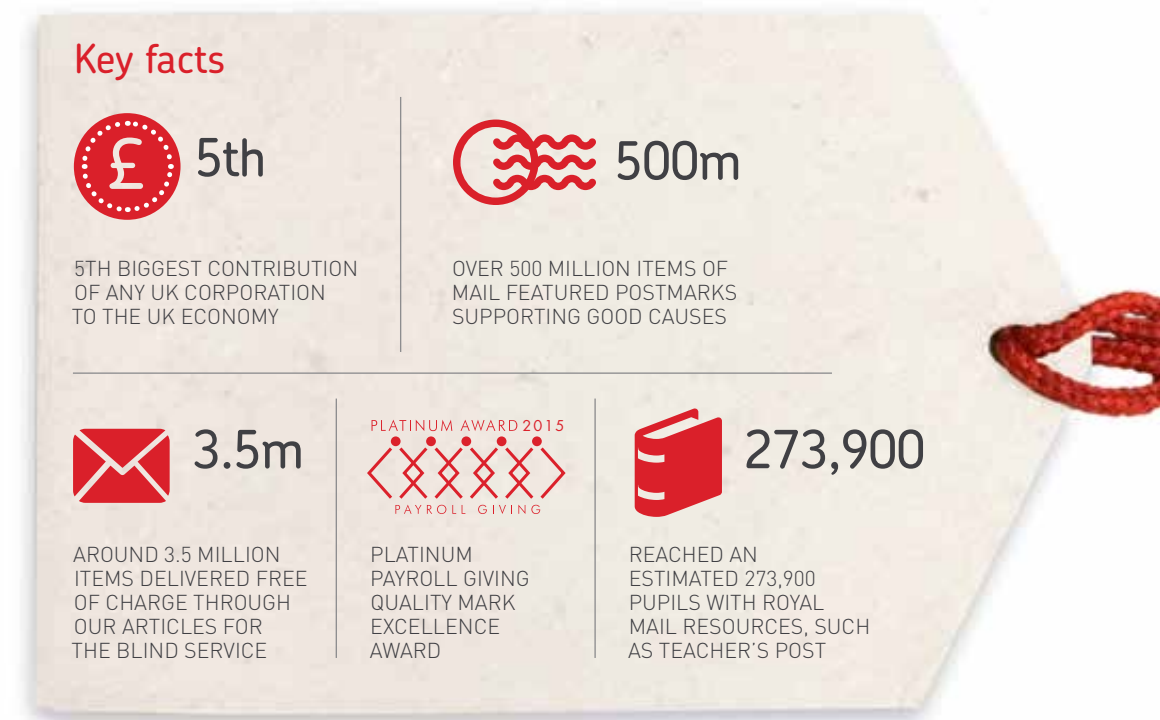


Our Communities At a glance

Royal Mail delivers economic and social benefit to local communities through its core business activities and its community programme. As the sole provider of the Universal Service, we play a vital role, connecting millions of customers, businesses, organisations and communities, including those in the most remote rural areas. We seek to be an integral, valued and trusted part of every community where we operate.

Key highlights

- £1.1 million raised for Charity of the Year partner, the Stroke Association, enough to fund around 5,500 Life After Stroke grants
- Over 10,000 employees took part in the Operations Fundraising challenge
- £6.7 million total community contributions by Royal Mail
- Distributed 70 Missing People alerts to our network of up to 139,000 employees, since our partnership with Missing People began in November 2014, with 50 missing people found or returned home
- £3.1 million raised by our people for charities and good causes



Performance table

KPI	Target 2015-16	Performance 2015-16	Performance 2014-15
Total community contributions (£)	Measure only	£6.7m	£7.6m
Colleague engagement (£)	Raise £2 million for the Stroke Association over a two-year partnership ⁱ	£921,889	£144,785
Raising awareness (number)	15,000 blood pressure readings of RMG employees during two-year partnership	9,818	810

i. Includes matched funding

Our Communities

Royal Mail makes a difference to the lives of millions of people. We keep communities connected and link businesses with their customers. As the sole provider of the Universal Service in the UK, we have a presence in local communities six days a week. We aim to use this unique position to maximise the economic and social benefit we bring to the communities we serve.

We make a significant socio-economic contribution through our everyday business. We don't stop there however. We search out opportunities to enhance the difference we can make through our community investment programme. We have a Charity of the Year programme, currently with the Stroke Association, to enable the scale of our organisation to make a major difference to a specific cause. We also create strategic partnerships to leverage our assets and networks to benefit society, such as our relationship with the charity Missing People.

Our economic and social contributions have a significant impact on local communities.

Community relations

Community relations is one of our material issues, as identified in the materiality matrix. Stakeholders noted that Royal Mail's community footprint is one of the main factors that differentiates the company from competitors and helps instil the brand in the mind of the consumer.



Our economic and social impact

As the UK's largest delivery provider by volume and one of the biggest employers in the country, we have a significant socio-economic impact in the UK. We contribute to social inclusion through employment and earnings. This is also disproportionately weighted towards areas with high levels of deprivation and where job opportunities are fewer, which means Royal Mail jobs tend to 'cluster' where they are most needed.

We commissioned the Centre for Economics and Business Research (Cebr) to assess the economic and social impact of our UK Parcels, International & Letters (UKPIL) business. In 2015–16, we added £10.8 billion to the UK economy, the 5th largest contribution of any UK corporation. We also employ one out of every 175 people working in the UK.

Royal Mail's regional impact is also calculated. In England, Royal Mail supports 60,490 jobs in the wider economy and achieves £8.9 billion direct and indirect economic contributions.

In Wales, Royal Mail supports 2,339 jobs in

the wider economy and delivers £328 million direct and indirect contributions, while in Northern Ireland, 1,687 jobs are supported with £202 million in direct and indirect contributions. In addition, Royal Mail supports 5,743 jobs in Scotland's wider economy and generates £710 million direct and indirect contributions.

Cebr used a combination of national statistic sources and data supplied by Royal Mail, relating specifically to the UKPIL business unit. We provided the following information from the financial year 2015–16 for the study:

- ▶ Taxes, less subsidies on products (on a gross and net basis)
- ▶ Taxes, less subsidies on production: this consists of business rates and employers' National Insurance Contributions
- ▶ Compensation of employees, taking in basic salaries, bonuses and overtime
- ▶ Profit before tax and depreciation
- ▶ Intermediate consumption (supply chain)
- ▶ Employment: headcount and number of full-time equivalent employees

★ FEATURE Royal Mail's socio-economic impact in the UK

Cebr calculated the economic contribution of Royal Mail's UK Parcels, International and Letters business unit to the UK. The analysis was done in May 2016 using our 2015-16 financial figures. For further details on the methodology and the information provided, see our website at www.royalmailgroup.com/responsibility/impactmethodology

National impact

5th

largest contribution
to the UK economy
of all UK corporations

£5.6bn

contributed to the
UK economy by
Royal Mail

£5.2bn

of gross value
added in the wider
economy through
indirect impacts

£10.8bn

of gross value added
by Royal Mail's UKPIL
business unit

£1.7bn

contributed in taxes
to the Exchequer

£2.5bn

on goods and
services in the UK

National social impact



139,000

Across the UK
we have around
139,000 employees



114,100

A further 114,100 jobs are
supported by Royal Mail
in the wider economy



£0.59

£0.59 employment
income is generated for
every £1 of income from
employment paid



Our approach to communities

Our community investment programme seeks to build on the economic and social impact our business already has through our core business operations. We align our community investment with our business strategy and the interests of our people. We aim to drive employee advocacy of the business, provide opportunities to make a real impact in the communities we serve and build brand loyalty in an increasingly competitive market. We do this by:

- ▶ **Leveraging our national scale:** our Charity of the Year programme focuses our national scale around a single cause chosen by our people, which can improve employee engagement and make a measurable difference to a national cause.
- ▶ **Using our local presence:** we seek to leverage our presence within local communities through our Missing People partnership and empower our employees to support the causes that they feel most strongly about through our Community Support and Payroll Giving schemes, which helps to manage our reputation and strengthen local communities.
- ▶ **Unlocking potential through education:** we provide materials to teachers and students

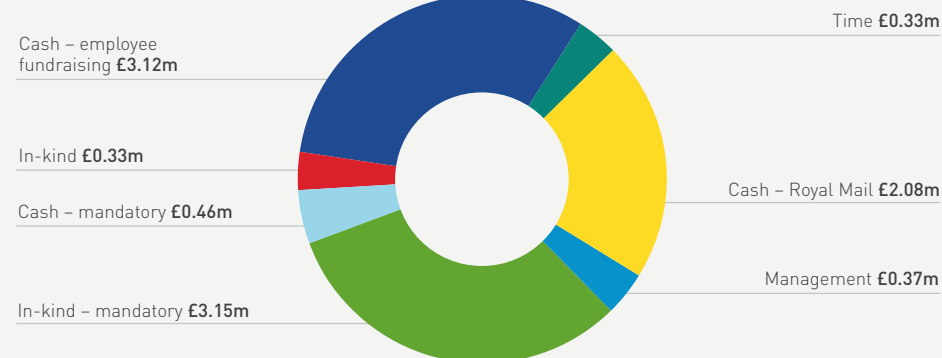
through our online magazine, Teacher's Post, and prepare young people for the world of work through our partnership with the charity Career Ready, which helps to develop skills and give more young people access to learning resources and support.

Getting our people engaged and energised is a key factor in the successful delivery of our community initiatives. High levels of engagement translate into a more significant difference to the community. With such a large workforce, where 80 per cent of people do not have access to a company email address, all of our community investment initiatives are supported by a broad range of communications distributed via multiple channels.

We are committed to measuring and evaluating our business's impact on our communities. We monitor our people's advocacy of Royal Mail's support for communities annually through our Employee Survey. The 2016 Survey showed that 55 per cent of employees believe Royal Mail does good things in the community. However, we have more to do to map the impact of our community programmes. By doing so, we will be able to focus our efforts where they can have the greatest impact.



Total community investment



Leveraging our national scale

With around 139,000 employees across the UK, Royal Mail has the scale and coverage to make a significant difference when we align our efforts behind a common goal. Our Charity of the Year programme is designed to focus our potential for positive change on a nation-wide issue of relevance and importance to our workforce. The programme provides opportunities to enhance employee engagement as well through team building

activities and friendly competition. As such, the community programme is contributing to the wider transformation agenda at Royal Mail to build a more competitive and efficient business.

Our people select the Charity of the Year every two years through a national vote. We aim to raise £2 million, including matched giving, for the selected partner over the two-year partnership. Royal Mail matches employee fundraising for the Charity of the Year up to a total of £2,500 per employee.

Table 3.1 – Community metrics (£m)	2015–16	2014–15	2013–14
Amount contributed by Royal Mail	£6.72m	£7.60m	£9.79m
Amount contributed through employee fundraising	£3.12m	£3.03m	£3.25m
Total contributions supported by Royal Mail	£9.83m	£10.63m	£13.04m

Our Charity of the Year partnership

We are in the second year of our two year partnership with the Stroke Association. The £2 million, including matched giving, that we aim to raise will help up to 10,000 stroke survivors by providing access to vital Life After Stroke Grants for specialist equipment and support. At the same time, we aim to raise awareness of the steps that people can take to reduce their risk of stroke, both amongst our employees and the wider community.

Every year around 150,000 people have a stroke in the UK, making it the single largest cause of disability and the fourth largest cause of death in the country. In choosing to support the Stroke Association, our employees have chosen to tackle an issue that is likely to affect every community that we serve.

We fund two types of grants to help stroke survivors and their families handle the often huge expenses they face because of stroke. Recovery grants cover a range



WE SET A TARGET TO UNDERTAKE 15,000 BLOOD PRESSURE TESTS OF ROYAL MAIL EMPLOYEES AND REACHED OVER 10,000 BY THE END OF 2015-16



Pennies from Pay

Pennies from Pay, a new initiative launched in September 2015, enables employees to have their salary rounded down to the nearest £1 with the difference going to our Charity of the Year. 665 employees have signed up so far, contributing over £7,600.

of vital home adaptations and equipment such as handrails, specialist kitchen and bathroom equipment. Activity grants support stroke survivors to make their way back into their local communities with activities linked to their recovery plan.

We are on track to meet our fundraising target. Since the beginning of our partnership, we raised more than £1.1 million, including matched giving, enough to pay for around 5,500 Life After Stroke Grants.

Through the partnership, we are raising awareness of the risks and symptoms of stroke. We are encouraging our people and others to measure and manage their blood pressure. We set a target to undertake 15,000 blood pressure tests of Royal Mail employees, and had completed 10,628 since readings began. Besides helping our own employees, this helps to raise awareness amongst their families and friends.

Royal Mail
proud to support
Stroke
association



An estimated 374 million items featured a Stroke Association postmark, complete with contact details

“

If you are given the opportunity to have your blood pressure checked, it's a good idea to take it. It is really fantastic that this opportunity is being offered to people in their workplace, giving thousands and thousands of employees the chance to do something so simple, but which could be life changing.”

Jane Ellison MP,
at a visit to Stroke
Association

🔍 CASE STUDY

Taking on the challenge for Charity of the Year

Our Operations Fundraising Challenge asked teams from our three regions, plus a combined team from International Operations and Logistics, to go head-to-head for the title of Royal Mail's top fundraisers. The three-month challenge, which launched in March 2015, was designed to promote teamwork and heighten employee engagement at the same time as raising funds and awareness for the Stroke Association. Backed by an extensive internal communications campaign, the challenge inspired creative solutions from cake bakes to skydives. It exceeded our fundraising target, raising £510,000 including matched giving, enough to pay for 2,500 Life After Stroke grants. Coverage of the challenge in local press reached almost 600,000 people, and our Know Your Blood Pressure events organised alongside enabled 3,500 employees to have their blood pressure taken. The Challenge was shortlisted for the 2016 Business Charity Awards for employee engagement initiative of the year.

🔍 CASE STUDY

Joining the race against stroke

We organised Fun Runs in Glasgow, London and Birmingham to bring our Charity of the Year challenge to communities. More than 1,400 people took part in the 5K and 10K Runs but the awareness created by the events extended much further. We delivered door-drop mailings to 400,000 homes getting the message out about the events themselves and the work of the Stroke Association. The Fun Runs gave the Stroke Association the opportunity to talk face-to-face about the risks of stroke and the importance of managing blood pressure. In a survey of event attendees, 73 per cent said that it had helped to raise their awareness of the condition.



🔍 CASE STUDY

Putting life back together after stroke

Stroke can have a huge physical impact on sufferers' lives, but the mental health implications are often overlooked. James Taylor's story shows how Life After Stroke Grants can make a huge difference in this important area.

Having served in the armed forces and worked as a coach driver, James has always enjoyed being around other people. But after his stroke in 2013, socialising became more difficult and he became depressed about the future. Looking for something to help him feel more positive about his life again, he applied for a Life After Stroke Grant to fund a trip to Brussels to watch the re-enactment of the Battle of Waterloo with friends from the forces.

Since the trip, James has stayed in touch with his friends and has started to feel happier and more connected. "The trip to Brussels was worth every second and meant a lot to me," he said. "It was so good to see the lads from the regiment again and have some banter like the old days. We've been in touch ever since and I can't thank you enough for making it happen."

Doing more through our local presence

We seek to harness the unique role and reach of our organisation by enabling our people to make a positive contribution to communities. Our postmen and women are the communities' eyes and ears, and they can make an important contribution to the areas in which they live and serve. We develop strategic partnerships that leverage this local presence, and in 2015–16, we expanded our award-winning partnership with the charity Missing People.

Our people also have issues important to them. We want to empower them to support the community causes that matter most to them through payroll and matched giving schemes.

Missing People charity partnership

Our partnership with Missing People, launched in November 2014, utilises our core operation – a nationwide network of trusted postmen and women on the ground in communities and our network of PDAs – in addition to our wider employee base to find vulnerable missing people. The partnership is a multi-stakeholder collaboration between Royal Mail, the charity Missing People and the police authorities they work with, including every local police force and the National Crime Agency.

The brainchild of one of our postmen, Royal Mail has provided the charity with a national network through which alerts for missing people can be quickly distributed to our people. We send out alerts through our PDA network to postmen and women as well as putting alerts out on our intranet and on office television screens. This enables us to reach up to nearly 139,000 employees. We also distribute Child Rescue Alerts in the same way to help in the search for missing children believed to be in immediate danger. By sharing Child Rescue Alerts through our national network, we effectively doubled the number of people who received alerts before our partnership began. Since our partnership started, we have distributed 70 alerts for high-risk missing people, with 50 of those people later found safe.

In 2015–16, we expanded our partnership by contributing £50,000 to fund the national Child Rescue Alert system for 2016. Our donation ensures the operation of a 24 hour, seven-days-a-week, 365-days-a-year alert system. We also supported Missing People by creating a new freepost service, in the run-up to Christmas, to encourage missing people to take the first step in getting back in touch with their families. 'Freepost Missing People' enables people to send a message to their families, and to do so without being traced, if they

“

By sending out Child Rescue Alerts via their PDA systems and other communications channels, Royal Mail provides an excellent potential lifeline to vulnerable people and their families. Their approach is an innovative and resourceful way of supporting the charity Missing People in its promotion of Child Rescue Alerts and it is richly deserving of the awards it has received.”

Chief Constable Mike Veale, national policing lead for missing people



Royal Mail won two high profile awards for its partnership with Missing People



choose. Our partnership uses our existing assets for a social cause, drives colleague advocacy for the business and highlights Royal Mail's intrinsic role in communities across the UK.

Empowering our people to support community causes

We enable our people to support the causes that matter most to them by creating a range of fundraising and volunteering initiatives, providing matched funding for charitable causes and offering grants for sports foundations.

Our payroll giving scheme, which holds the Platinum Payroll Giving Quality Mark Award, provides a tax-efficient way for employees to support charities and community organisations. During 2015–16, a total of 31,006 of our people gave money through payroll giving, raising £2.4 million for almost 800 charities. Our people have contributed over £55 million to at least 1,350 charities since our payroll giving scheme began in 1989.

Royal Mail matches the funds that our people raise for any registered charity or good cause besides our Charity of the Year, up to a total of £200 per employee per year. In 2015–16 our people raised over £3.1 million for good causes across the UK.

During 2015, we extended our matched giving scheme to include contributions of retired Royal Mail employees, up to £50 per person per year.

In addition, our Sports Foundation supports local sports clubs through grants for our people to provide funds for equipment, trophies and training. During 2015–16, we supported 59 community sports clubs and individual sporting events by providing a total of almost £28,000 through grant funding.

Volunteering plays an important role in helping to build an engaged and committed workforce. It also allows our employees to forge important relationships in the communities where they work.

OUR SPORTS FOUNDATION GRANTS SUPPORT LOCAL SPORTS CLUBS



“

We are extremely grateful to the Royal Mail for running such a substantial payroll giving scheme, and I want to take this opportunity to thank Royal Mail staff for their support and fantastic generosity. Their donations will support our work to rebuild and refurbish the hospital, buy vital life-saving equipment, fund research to pioneer new treatments for childhood illness, and offer essential support services for patients and their families across the UK.”

Olivia Jary, Deputy Director, Corporate Partnerships, Great Ormond Street Hospital



We offer grants of up to £400 to help employees meet the costs of volunteering in their local communities. We provided over 1,300 days of paid leave and over 1,150 additional days of unpaid leave for volunteering during 2015–16, with almost £7,000 of additional support through volunteering grants.

Since 2012, we have participated in the Business in the Community Business Connectors programme, which places employees in community-based organisations where they help to connect businesses and local causes. During 2015–16, Helen Rutherford, HR Manager at Royal Mail, worked as a Business Connector in Newcastle West where she has been tackling local issues. Since Helen was seconded as a Business Connector in 2013, she has facilitated the provision of 384 instances of support to community organisations leveraging £446,749 in cash and time. Since March 2012, Royal Mail's Business Connectors are estimated to have leveraged over £597,000 in cash, time and in-kind donations.

In 2015, we also participated in an effort to help deliver aid for Syrian refugees. Royal Mail vehicles and employees formed part of two humanitarian aid convoys organised by the CWU Humanitarian Aid division, to deliver vital supplies



EVERY YEAR, GLS GERMANY DELIVERS 38,000 FREE BOXED BREAKFASTS TO CHILDREN STARTING LOCAL SCHOOLS

to Syrian refugees in Eastern Europe. Within the UK, we also provided free distribution for goods supplied to Save the Children, in response to the charity's appeal on behalf of refugees. This saved the charity approximately £2,000 in transportation costs.

GLS delivers for community causes

Our community outreach extends to Europe where our European delivery network, GLS, leverages its distribution network to support local community causes. Every year GLS Germany delivers 23,000 boxed breakfasts in Frankfurt and 15,000 boxed breakfasts in Hamburg for free for children starting at local schools, as part of a campaign to promote healthy eating choices for young people. GLS also helps to direct community

investment towards local causes. During 2015–16, GLS Belgium provided 20 free tickets to every home football match of the Belgian national team for physically or mentally handicapped young people. In addition, GLS employees in Poland collected public transport tickets to donate to a local children's home. The tickets helped around 30 children get to various appointments and activities.

Unlocking potential through education

Royal Mail has a long-standing commitment to helping young people develop across the UK's communities. Well-educated and enterprising young people are essential to Royal Mail's future success. To help young people develop, we create and distribute free educational resources aligned to the National Curriculum, promote literacy skills and provide schemes to help young people from all backgrounds take their first steps on the career ladder.

THE 'POP IT IN THE POST' PENNY BLACK LEARNING RESOURCE HAS BEEN DOWNLOADED NEARLY 5,000 TIMES

Published eight times a year, our online magazine, Teacher's Post, supports teachers by providing downloadable resources for pupils at all Key Stage levels. During 2015–16, Teacher's Post resources were downloaded on over 500 occasions, reaching an estimated 26,000 pupils. Last year, we expanded the role of Teacher's Post in the classroom with an innovative approach that encourages students to interact with our educational content directly. Both pupils and their teachers are invited to submit articles, drawings, photographs and ideas. The classroom resource packs are available at www.teacherspost.co.uk.

We developed a learning resource with the British Postal Museum and Archive covering a range of National Curriculum subjects for Key Stages 1, 2 and 3. The 'Pop it in the Post' learning resource marked the 175th anniversary of the Penny Black stamp, and explored the impact of the Penny Black stamp and postal system on life in the UK. To date, the learning resource has been downloaded almost 5,000 times, reaching nearly 248,000 pupils. A teacher from Rye Oak Primary School in Peckham said it was "a fun way to learn about a famous Victorian and a communication revolution. Excellent."

In August 2015, we launched a new partnership with the charity Career Ready to help prepare 16–19 year-olds for the world of work. 66 Royal Mail employees are mentoring the young people, offering support and advice for 12 months, exceeding our target to engage 50 employees in the first year.

Our objectives and priorities for 2016–17

- ▶ Raise £2 million including matched funding for the Stroke Association
- ▶ Achieve our target to provide 15,000 blood pressure readings for our people
- ▶ Continue in the search for missing people by distributing High Risk missing people alerts

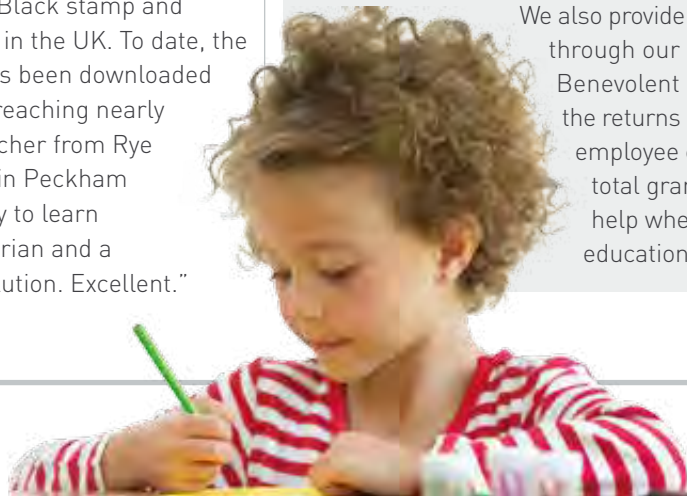
Supporting vulnerable employees and their families in the community

The Rowland Hill Fund supports current and former Royal Mail employees who fall on hard times, including those dealing with sudden illness or long-term sickness, disability, or serious financial problems. It is funded through a £50,000 annual contribution from Royal Mail and an additional £60,000 in in-kind donations. During 2015–16, the fund provided 322 grants totalling over £366,000 to help with essential spending. To raise awareness of the Rowland Hill Fund among our people, 150 Rowland Hill Fund Ambassadors volunteered to promote the fund and its importance across Royal Mail. We expect to see more applications for grants from the fund as a result.



Rowland Hill Fund
Helping each other in times of need

We also provide support for the children of Royal Mail employees through our involvement with the Post Office Orphans Benevolent Institution (POOBI). POOBI is funded through the returns generated by investing a fund built up through employee contributions in the past, and distributes a total grant fund of £250,000 each year. Its grants provide help when children face hardship, to support them in education, and to help develop their talents.



Our Environment

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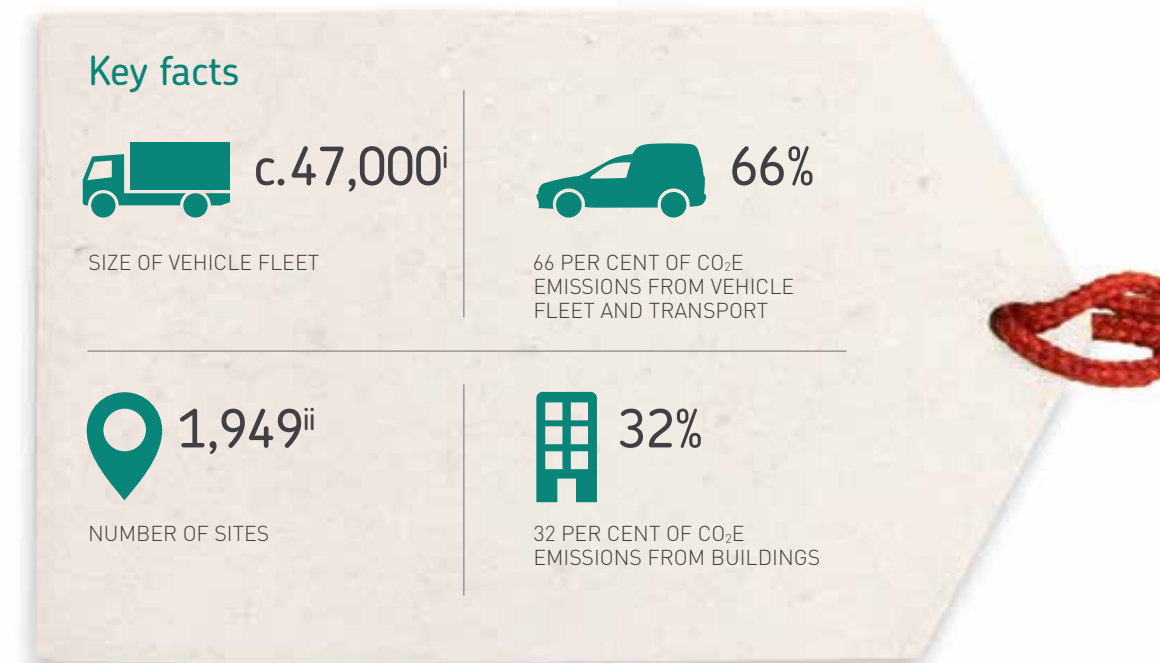
Our Environment

At a glance

Managing our use of natural resources is a commercial and environmental imperative. We have the largest fleet of road vehicles in the UK and have Royal Mail sites all around the country. We manage our environmental impacts by focusing on energy use, waste, water and engaging with customers and suppliers. Having a clear strategy promoting environmental improvement helps us control operating costs, engage our people and build a sustainable and competitive business.

Key highlights

- Almost 60 per cent of our sites now send no waste to landfill
- Royal Mail developing clothing that is 100% recycled
- UKPIL carbon emissions down 2.7 per cent compared with 2014–15. 16.8 per cent reduction against 2004–05 baseline
- LED replacement lights installed at over 50 per cent of our Mail Centre estate
- 91 per cent of our 7.5-tonne HGV fleet fitted with driver telemetry to help reduce fuel consumption
- Retained triple certification for measuring, managing and reducing our environmental impact through carbon, water and waste from the Carbon Trust



Performance table

KPI	Target 2015–16	Performance 2015–16	Performance 2014–15
UKPIL carbon emissions ('000 tonnes)	20% reduction in carbon emissions by 2020–21 compared to 2004–05 baseline	726.1 (16.8% reduction)	746.5 (16.1% reduction) ⁱⁱⁱ
Waste diverted from landfill (%)	Maintain our progress to divert waste from landfill	86%	78%
Water consumption per year ('000 m ³)	Manage and reduce our use of water	1,474.4	1,507.3 ^{iv}

i. Includes c. 2,500 trailers

ii. The majority of UKPIL sites include Regional Distribution Centres, Mail Centres, Delivery Offices, Parcelforce Depots, office buildings and vehicle parking sites

iii. UKPIL carbon emissions restated for 2014–15 due to improvements in invoicing

iv. Royal Mail water usage data restated for 2014–15 due to availability of better quality data

Our Environment

The scale and scope of our operations means that Royal Mail has a large environmental footprint from its buildings and fleet. Aside from our people, we spend more on transport, vehicles and utilities than anything else. Increasing our efficiency in these areas can positively impact the environment as well as controlling costs and helping our business performance.

Our environment strategy and approach

We believe that the responsible management of natural resources is a commercial and environmental imperative. We are committed to protecting the natural and built environment and we aim to minimise our use of resources and save money. We do this by seeking continuous improvement through operational efficiencies in property and logistics. Good environmental management supports our aim to be a responsible and more cost efficient and competitive business.

We identify and manage relevant environmental risks that result from our operations. We outline our commitments in our Environment Policy, which we review annually. A copy of the policy is available

In our materiality assessment, external stakeholders ranked the environment as the top priority, with the business also ranking it as material. Stakeholders encouraged Royal Mail to capitalise on customer preferences, notably businesses looking to manage their own environmental footprints.
for more information on materiality.



to view at www.royalmailgroup.com/responsibility/policies. Our environmental strategy focuses on the following four aims:

- ▶ **Energy:** Reducing our energy use in fleet and property to cut greenhouse gas emissions
- ▶ **Waste:** Minimising the amount of waste we create and diverting more waste from landfill
- ▶ **Water:** Reducing our demand for water and the amount of water that is lost or wasted on our premises

- ▶ **Customers and Suppliers:** Working with our customers and suppliers to address our environmental impacts

A key component of how we implement our strategy is World Class Mail, our programme of continuous improvement. Environment is one of ten pillars in World Class Mail and Royal Mail sites are tasked to identify impacts and create action plans for improvement. Sites are audited throughout the year and performance is overseen by our Operations Leadership Forum.

Environment management and governance

Our environment strategy and performance is overseen by the Environment Governance Board (EGB), which includes senior leaders accountable for functional areas material to our environmental impacts. The EGB approves strategy, reviews plans and drives performance. During 2015–16, the EGB led the streamlining of our approach to environmental management. This approach is aimed at integrating our

WE ARE DEVELOPING GROUP-WIDE STANDARDS FOR ENERGY USE IN OUR BUILDINGS, WASTE, WATER, FUEL AND CARBON MANAGEMENT



World Class Mail philosophy with our Safety Health and Environment (SHE) management system at an individual site level.

We continue to align our management system with environmental standard ISO 14001. In the UK, we are developing standards that cover energy use in our buildings, waste, water, fuel and carbon management. We have maintained our accreditation to ISO 14001 and have agreed a renewal and expansion strategy from 2017 onwards. Currently, all of our Parcelforce Worldwide sites are accredited, as well as 14 Royal Mail sites and all GLS subsidiaries.

Environmental risks and opportunities

Our environmental impacts present business risks and opportunities. We seek to proactively manage our risks to minimise costs to the business, while seeking opportunities to strengthen the environment.

We maintain an environmental risk register that is updated on an ongoing basis and refreshed annually. Members of the EGB feed into this process, along with other key internal and external stakeholders who have a good understanding of current and future environmental risks

and issues. Information on the Group's overarching risk management framework is set out on page 55 of the Annual Report and Financial Statements.

Our principle environmental risks for our business are:

- ▶ price rises due to resource scarcity
- ▶ increased landfill taxes
- ▶ increased carbon taxes and compliance and operational costs due to climate change
- ▶ reputational risks associated with not effectively addressing and managing our resource use.

These environmental risks are balanced by opportunities that exist for the business through effective management. These include:

- ▶ reduced running costs and increased efficiency
- ▶ reduced waste disposal costs
- ▶ opportunities for revenue generation through recycling as well as through new product and service developments
- ▶ reputational benefits that engage our customers, employees and other stakeholders in recognising Royal Mail as a responsible business.

WE MAINTAIN AN ENVIRONMENTAL RISK REGISTER THAT IS UPDATED ON AN ONGOING BASIS AND REFRESHED ANNUALLY



Energy

In the UK, fleet and transport make up around 66 per cent of our carbon footprint, whilst our buildings contribute around 32 per cent. The remainder comprises emissions from business travel.

Our long-term target is to reduce carbon emissions for our UKPIL operations by 20 per cent by 2020–21, compared with the 2004–05 baseline. Achieving our target requires us to reduce our usage

and improve energy efficiency in both our fleet and our building estate.

In 2015–16, our UKPIL carbon footprint decreased by 2.7 per cent compared with the previous year, as seen in Table 4.1. On a normalised basis, UKPIL emissions decreased by 1.6 per cent per £1 million revenue, compared with 2014–15. Emissions are down by 16.8 per cent against the 2004–05 baseline, but our target remains very challenging due to

parcel volumes increasing and the length of time and investment needed to overhaul our fleet. We are reviewing opportunities to achieve it, such as through optimising our transport networks, trialling new vehicles and changing driver behaviour.

In line with the Greenhouse Gas Protocol, we are reporting our Scope 2 market-based carbon emissions for the first time. These take into account the use of lower carbon forms of energy such as renewables. Using the Scope 2 market-based figures outlined in the table below, our total carbon emissions in 2015–16 are 648.1 kilotonnes CO₂e.

Logistics and transport

We face the challenge of trying to minimise carbon emissions as we deliver heavier and bulkier items. As the UK's Universal Service Provider, Royal Mail is the physical fulfilment service for the digital economy, delivering millions of items people buy, sell and return online. With the value of online purchases set to rise by eight per cent each year to 2020¹, and the fact that parcels weigh more than letters and take up more space, the demands on our vehicles and fuel consumption will increase.

We delivered approximately three per cent more parcels in 2015–16 compared with 2014–15. We introduced more double-deck trailers to help increase our capacity on routes. This reduced our miles per gallon (mpg) performance but increased the number of items delivered per transport. For our heavy goods vehicles (HGVs) specifically, our fuel consumption is 10.0 mpg, which benchmarks well against the UK average of 7.8 mpg².

We are developing a new fleet environment strategy to help us address the challenge of reducing emissions as the demands on our fleet increases. We aim to have the strategy in place in 2017. Until then, we continue to focus on three areas:

- ▶ optimising our transport networks to use fuel more efficiently
- ▶ trialling new vehicles that are more fuel efficient or use alternative fuel technologies
- ▶ changing driver behaviour

Table 4.1 – CO ₂ e emissions by Scope ('000 tonnes) ^{i iii iv}	2015–16			2014–15			2013–14		
	Total	UKPIL	GLS	Total	UKPIL	GLS	Total	UKPIL	GLS
Scope 1	518.6	503.3	15.3	514.1	501.1	13.0	473.1	457.6	15.5
Scope 2 (Location-based)	152.3	134.1	18.2	166.4	145.4	21.0	149.7	132.6	17.1
Scope 3	88.7	88.7		100.1	100.1		119.2	119.2	
Total	759.6	726.1	33.4	780.5	746.5	34.0	742.1	709.5	32.6
Tonnes CO ₂ e per £1m revenue		94.7			96.2			91.1	
Scope 2 (Market-based)	40.7	14.1	26.6						

i. Carbon dioxide equivalent emissions (CO₂e) have been calculated in accordance with the UK Government's Environmental Reporting Guidance (2013 version). Data has been consolidated according to the 'financial control' approach. We have reported all material Scope 1 and Scope 2 emissions for which we consider ourselves responsible and exclude immaterial sources such as fugitive emissions from air conditioning in owned vehicles.

ii. UKPIL CO₂e emissions for 2014–15 have been restated to 746,500 tonnes, due to improvements in invoicing.

iii. CO₂e emissions have been assured by EY, except for Scope 2 (Market-based) figures.

iv. Totals may differ due to rounding

1. Verdict Retail Market Summary and Forecast, September 2015.
2. Freight Transport Association, The Logistics Report 2015, p16.



Optimising our transport networks

We aim to optimise transport to meet our Universal Service Obligations and become a more efficient and competitive business, while minimising our environmental impact. We do this through routing, where we utilise a balance of road, rail and air transport.

Core network reviews have reduced the overall number of miles from around 162,000 per day in 2010–11 to approximately 145,000 per day in 2015–16.

Reducing our use of air transport continues to be a key focus of our network optimisation efforts. We have been able to replace air transport with road services on routes to and from Bournemouth, Cardiff, East Midlands, Edinburgh and Stansted. This has reduced associated CO₂e emissions by approximately a third.

Royal Mail uses airmail only to meet First Class, Special Delivery and priority traffic obligations. We are working to make sure that air capacity is used as efficiently as possible. We ensure that loads are optimised with all space used and we increasingly fly mail through airline partners, taking advantage of existing flights.

Well maintained vehicles help us to operate more efficiently. Our fleet

CORE NETWORK REVIEWS HAVE REDUCED THE OVERALL NUMBER OF MILES DRIVEN



excellence programme places greater focus on maintaining all of our vehicles to a high standard. We have restructured our vehicle service centres to improve vehicle utilisation, which has helped us maintain 97 per cent availability.

Investing in new vehicles and technologies

Royal Mail has the largest vehicle fleet in the UK, and making changes on such a big scale takes time. We are committed to ensuring that the changes we make are the right ones – delivering reductions in CO₂e emissions on a sustainable basis.

We worked with our trailer manufacturer to select a new single-deck trailer specification, which uses lightweight materials and an aerodynamic design to reduce fuel consumption. We rolled out 300 Cartwright Cheetah Fastback Trailers across our fleet in December 2015. They

will deliver an expected saving in fuel consumption of up to eight per cent.

We are keen to explore alternative vehicle types to create a more environmentally friendly and sustainable fleet. However, we must also consider the durability of vehicles and on-going maintenance costs when making our decisions. We engage with vehicle providers to find solutions that meet our network's and the environment's needs.

Our fleet now includes 320 vehicles that comply with the Euro 6 standard on commercial vehicle emissions. The standard aims to lower levels of harmful exhaust emissions such as nitrogen oxide (NOx) and other pollutants. We continue to trial two Peugeot Partner electric vehicles, operating out of our West London delivery office. Driver feedback from the electric

WE ROLLED OUT 300 CARTWRIGHT CHEETAH FASTBACK TRAILERS ACROSS OUR FLEET, EXPECTED TO SAVE UP TO EIGHT PER CENT IN FUEL

DURING 2015–16, WE ROLLED OUT DRIVER TRAINING TO OVER 4,000 OF OUR HGV DRIVERS

vehicle trial has been positive, with initial misgivings about how far vehicles could travel overcome. The Peugeot Partners are now used on the office's longest delivery routes. We also tested a dual fuel motive unit³ at our National Distribution Centre in London. Preliminary data shows an average CO₂e savings of 15 per cent. On this basis we have extended the trial to include a second motive unit.

GLS Italy has expanded the capacity and fuel efficiency of its fleet by adding 50 natural gas-powered vehicles. Opened in April 2015, GLS Italy's new Milan operation serves the entire central area of the city through 12 electric vehicles.



3. This motive unit is a DAF Euro 5 44t 6x2, a heavy-duty towing engine that provides motive power for trailered loads.

Changing driver behaviour

Changes in driver behaviour can improve fuel efficiency and reduce CO₂e emissions. Our approach to changing driver behaviour focuses on telemetry and training.

Our telemetry system uses real-time tracking to promote safer and more efficient driving. The system tracks drivers and gives visible and audible warnings when moderate or harsh driving occurs, such as strong acceleration. We have rolled out this system across 38 per cent of Royal Mail's fleet, including approximately 1,800 of our 7.5t vehicles and approximately 13,000 of our small vans. We use this data to direct our training programmes, which promote driving behaviour that is both safer and more fuel-efficient.

During 2015–16, we rolled out driver training to over 4,000 of our HGV drivers. Our aim is to use these systems and associated driver training to cut fuel usage for HGVs by five per cent, for the 7.5-tonne fleet by six per cent, and for small vans by 10 per cent.

We are keen to understand the savings being achieved through these programmes. However, measuring the savings is complicated by the fact that our fleet is changing to meet the needs

REDUCING ENERGY USE IN BUILDINGS IS A PRIORITY

of our customers, particularly sending fewer letters and more parcels. For example, we are using more double deck trailers, which have a lower mileage per gallon than single deck trailers, despite transporting more items per journey. We are developing new ways to measure the carbon efficiency of our fleet and will report on this in the future.

Managing our building estate

Royal Mail has a large property estate, with utilities costing tens of millions of pounds annually. Reducing energy use in buildings is a priority as we seek to minimise our use of natural resources, reduce costs, and increase efficiency to become more competitive. Rising energy prices and climate change legislation also make it a commercial imperative for our business.

In early 2015, we renewed our energy efficiency programme with new approaches for reducing energy consumption within buildings. We focus on driving continual improvement, engaging people behind our efficiency and investing in technology to monitor and reduce energy consumption.

The World Class Mail performance framework continues to act as a key driver in prioritising reductions in energy use, water consumption and waste. Environmental leads at sites can



access best practice information online, via our World Class Mail programme. Regional energy managers monitor energy consumption data in real-time and provide guidance to site managers on saving energy to inform their initiatives. We also share ideas from successful energy reduction initiatives through regional energy forums.

Using energy-efficient technologies wherever possible has an important role to play in reducing our energy consumption. We continued our LED lighting replacement programme,

replacing inefficient fluorescent lights with new LED lights at a further 27 sites, with an expected electricity saving of four per cent per year. At our Tyneside Mail Centre, replacing fluorescent tubes with LED alternatives has reduced energy consumption by 32 per cent. An LED replacement process is also under way at GLS Germany, which has replaced all incandescent bulbs at 61 sites, and GLS Denmark, which has rolled out LED replacement across three sites, resulting in 300,000 kWh savings. Solar panels at our Chelmsford Mail Centre generated 81,082 kWh in 2015–16.

Significant savings have been achieved by our Bristol Mail Centre, which reduced the number of lights in corridors, and replaced night-time lighting with LEDs. Our Medway Mail Centre updated its mechanical cooling system to shut down automatically at low temperatures, delivering further savings. Heathrow Worldwide Distribution Centre upgraded gas engines and water pumps in its energy centre and fitted new sensors to better monitor energy consumption.

See the '2015–16 CR Performance and GRI Data appendix' for air emissions metrics at www.royalmailgroup.com/responsibility/performance.

Waste

Royal Mail generates waste from our buildings, vehicles and other maintenance activities. Our approach to waste management follows the waste hierarchy to avoid landfill: reduce, re-use, recycle, and recover (through energy from waste). We implement this through a centralised programme that is reinforced through our World Class Mail programme.

In 2015–16, we generated 32,544 tonnes of waste, 86 per cent of which was diverted from landfill through a combination of recycling and waste to energy initiatives. This compares against 31,987 tonnes of waste generated in 2014–15 with 78 per cent diverted from landfill.

During the year, one of our largest sites, Medway Mail Centre, succeeded in diverting 100 per cent of its waste from landfill following the introduction of food waste composting during 2015–16.

About 1.6 per cent of the waste we produce (523 tonnes) is deemed hazardous, and comes from vehicle maintenance and the cleaning of operational buildings and offices. We seek to reduce the use of controlled substances that are hazardous to health because this increases the potential for recycling waste. All hazardous waste is diverted away from landfill.

Plymouth Manual Data Entry Centre succeeded in eliminating the use of chemicals in its operations entirely during 2015–16, and it is now declared free of substances hazardous to health. Medway Mail Centre also achieved a reduction of 50 per cent, with a 33 per cent reduction at Heathrow Worldwide Distribution Centre.

Decreasing the amount that we send to landfill reduces our costs. Some waste streams present opportunities for revenue generation. During 2015–16, we received rebates totalling over £173,000 as a result of our initiatives diverting waste oil, used batteries, tyres and cardboard from landfill.

Table 4.2 – Waste metrics ⁱ ('000 tonnes)	2015–16	2014–15	2013–14	2012–13
Waste generated	32.5	32.0	31.1	31.0
Waste to landfill	4.5	7.2	9.0	10.7
Waste diverted from landfill	28.1	24.8	22.1	20.3

i. Totals may differ due to rounding

We continue to reuse parts from our vehicles as part of our 'Green Parts' logistics project. We extract body, engine and gearbox parts from vehicles due for decommissioning to use as spares. The project also delivers cost savings, amounting to approximately £570,000 in 2015–16, an increase of nearly 12 per cent compared to the previous year. Maintaining our vehicles has a positive environmental outcome as well. We saved 213 tonnes of CO₂e by re-treading 789 tyres for re-use on Royal Mail vehicles in 2015–16.

We strive to reuse and recycle in the processing and delivery of mail. Rubber bands continue to play an important role in the delivery process, being used to bundle mail for individual addresses together, and we use approximately 367 tonnes of rubber bands each year. We want to reuse rubber bands to avoid the need to purchase new ones. Our sites identify opportunities to avoid wasting rubber bands. For example, Medway Mail Centre collected and distributed over 4,400kg of rubber bands over the past 12 months. They reuse all rubber bands except where the bands are broken. Recycling and reusing rubber bands also helps our efforts to become more efficient and competitive by reducing the amount we spend on purchasing new rubber bands.

OUR 'DON'T WALK BY' INITIATIVE CHALLENGES OUR PEOPLE TO FLAG ISSUES, INCLUDING LEAKS OR FAULTS THAT MAY BE WASTING WATER

Water

Royal Mail's water use is limited to domestic purposes and keeping our vehicles and equipment clean. We consumed 1,474.4 megalitres of water in 2015–16, a decrease of two per cent on the previous year. See Table 4.3 for yearly trends.

The size of Royal Mail's building estate results in challenges for monitoring and managing our water consumption. There are opportunities to improve our water use by locating and fixing leaks quicker and improving awareness among our people about the importance of conserving water.



For example, our initiative 'Don't Walk By' challenges our people to flag issues, including leaks or faults that may be wasting water.

We monitor water consumption to locate sites with unusually high water usage, and 104 such sites were found in 2015–16. We conducted surveys at all these sites to determine the extent of water leaks and identify the actions to improve efficiency. We will investigate a further 70 high-use sites during 2016–17.

We also encourage all Royal Mail sites to complete regular Environmental Management Audits, which include checking for leaks and ensuring that taps and toilets are in working order.

Our Chelmsford site deployed water monitoring equipment as part of an efficiency pilot scheme to enable more hands-on management at a local level. The pilot found over £5,000 worth of potential annual savings. We are using these results to review our strategy for water management across Royal Mail's UK operations.

Table 4.3 – Water metric ('000 m³)

	2015–16	2014–15	2013–14	2012–13
Water consumed	1,474.4	1,507.3 ⁱ	1,410.1	1,508.3

i. Royal Mail water usage data restated for 2014–15 due to availability of better quality data

🔍 CASE STUDY



Reducing water demand by capturing rainwater

The roof of our South Midlands Mail Centre in Northampton captures rainwater and diverts it to a 45,000-litre storage tank ready to be recycled for toilet flushing. Capturing rainwater (rainwater harvesting) across an area of 18,000 square metres has the potential to reduce our demand for fresh mains water by 1.1 million litres per year, saving over £1,400 a year. It also reduces the risk of the drainage system at the site becoming overloaded during heavy rain.

Customers and suppliers

In addition to addressing the direct impacts of our operations, Royal Mail also seeks opportunities to minimise indirect impacts associated with customers and suppliers.

We set strict environmental and social standards for suppliers, which are outlined in more detail [here](#). We can also help our customers to minimise their own impacts through the sustainability of the products and services that we provide.

We collect cardboard packaging from customers and suppliers at our delivery offices. We then collate these at our Mail Centres to create bales that we can recycle through our waste contractor, Veolia. We generate around £120,000 each year from this and other recycling activity.

We offer our marketing mail customers environmentally-focused direct mail and door-drop services. Our Sustainable[®] Advertising Mail product provides customers with the choice to send marketing mail at a lower cost than standard advertising or business mail if the items they are posting meet sustainability requirements. We have seen a 20 per cent growth in the product, showing a good demand for sustainable products.

Regulations which came into force in January 2015 mean that some previously recyclable materials such as plastic bag ties must



CASE STUDY

Wearing sustainability on our sleeves

Royal Mail is working with our clothing supplier Dimensions to develop a scheme for re-using surplus cotton scraps collected from cutting rooms in Pakistan, Sri Lanka and Bangladesh. This is converted back into yarn and then blended with regenerated polyester from PET⁴ plastic bottles to produce knitted pique fabric. We will be testing the recycled fabric to use in our Royal Mail uniform polo shirts.



now be disposed of as general trade waste. We are working with suppliers to phase out the use of plastic in bag ties and replace this with re-usable materials. We will continue to work with our waste management contractor Veolia to examine ways of increasing recycling.

Biodiversity

Biodiversity is not one of our major environmental impacts, however we encourage our sites to be mindful of their impacts on local biodiversity. Through our World Class Mail approach, our sites develop Biodiversity Action Plans, which includes carrying out a survey of their sites and the surrounding areas to identify all the species located in the area. Medway Mail Centre has led the way by creating habitats for slow worms and common lizards, and a local native plantation to attract bees and birds, done in collaboration with Greenwich University.

4. Polyethylene terephthalate

Our priorities for 2016–17

- ▶ Develop a Fleet Environment Strategy
- ▶ Environmental risk profiling of business units
- ▶ Complete integration of environmental standards into the SHE management system

Our Suppliers

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Our Suppliers At a glance

The activities of our suppliers have an impact on our environment and can help spread economic opportunity across our communities. Managing our supplier relationships in the right way is essential for us to compete effectively and deliver the right experiences for our customers, whilst broadening the economic opportunities that we create.

Key highlights

- Deployed the expanded Responsible Procurement Code that includes diversity and inclusion
- Introduced a new supplier onboarding system that requires commitment to CR principles, as embodied in the Responsible Procurement Code
- Extended Royal Mail values to suppliers



Performance table

KPI	Performance 2015-16	Performance 2014-15
New suppliers that are bound by the Responsible Procurement Code ⁱ [%]	100%	100%
Group Procurement employees that have undertaken induction training [%]	100%	NA

i. Covers suppliers awarded contracts by Royal Mail Group Procurement. Also includes suppliers that can demonstrate adherence to the same standard.

Our Suppliers

Supplier relationships are an important part of how Royal Mail Group does business. We work with more than 4,800 suppliers. Our impacts extend beyond our direct operations to the goods and services we buy from our suppliers. They can also affect our brand and reputation.

Our approach to responsible procurement

The aim of our supplier strategy continues to focus on ensuring that our suppliers maintain high standards of social, ethical and environmental conduct. Our approach is to set expectations for our suppliers, require them to comply with internationally recognised standards, embed expectations and standards in supplier contracts, and communicate about the responsible business practices that we expect.

Our responsible procurement expectations

Our Responsible Procurement Code sets out what we expect from suppliers. The Code requires that our suppliers maintain high standards of social, ethical and environmental conduct. Suppliers

must adhere to the United Nations (UN) Universal Declaration of Human Rights and act in accordance with the Ten Principles of the UN Global Compact, which promotes responsible practices across human rights, labour, environment and anti-corruption.

In 2015–16, we deployed an updated Responsible Procurement Code that covers diversity and inclusion. Suppliers must demonstrate the promotion of equality, diversity and fairness for their employees and job seekers. Suppliers must also provide an environment in

OUR RESPONSIBLE PROCUREMENT CODE SETS OUT WHAT WE EXPECT FROM SUPPLIERS

which all individuals are able to make best use of their skills, free from discrimination or harassment. In March 2016, the Code was further expanded to cover Modern Slavery.

The Responsible Procurement Code is embedded into our tendering process and referenced in Royal Mail contracts. Suppliers are required to confirm compliance to our Responsible Procurement Code when they want to do business with Royal Mail. We reserve the right to terminate contracts with suppliers if they fail to comply with our Responsible Procurement Code. However, our approach is to work with suppliers to overcome poor performance so they can manage risks and reduce negative impacts.

Ensuring the security of mail is paramount at Royal Mail. Suppliers must operate in accordance with our mail security procedures, which require compliance with the Mail Integrity Code. Suppliers handling mail must, for example, fully vet their employees, brief them on mail security and complete an annual Mail Integrity Questionnaire.

Through 2015–16, our Procurement team has been working with the Royal Mail Environment team to develop a



new Safety, Health and Environment standard. The new standard sets out requirements for all bidders on Royal Mail contracts going forward. We will be implementing this across our supplier relationships in 2016–17.

Identifying and assessing risk in our supply chain

Royal Mail works with thousands of suppliers, but only a handful are based outside the UK. We focus our efforts on those suppliers that present greater risks to our business. We consider a range of risks and prioritise those connected with the products and services suppliers provide or the countries in which they operate. Our procurement risk register lists the critical risks for each of the functions for which we procure services, and includes all relevant social and environmental risks.

Our primary supplier CR risks remain the same as in 2014–15. They are:

- ▶ Reputational risk regarding Assets, Operational Equipment and Clothing
- ▶ Probity risks relating to IT (including Data Protection and information security)
- ▶ Probity risks relating to Logistics, including the safety and security of mail
- ▶ Risks regarding compliance with EU and UN sanctions rules, relating particularly to Logistics
- ▶ Safety risks relating to the vehicles we buy

WE REQUIRE BOARD APPROVAL FOR THE AWARD OF ANY CONTRACT THAT IS CONSIDERED 'CRITICAL' AS A RESULT OF ITS RISK PROFILE

We published a new Procurement Values Brochure for Royal Mail's current and potential suppliers, which embodies our new values *Be Positive, Be Brilliant, Be Part of it*

[▶ READ MORE](#)

The Procurement Values Brochure emphasises the need for suppliers to understand and comply with the Responsible Procurement Code and Ten Principles of the UN Global Compact. The Brochure has been rolled out as part of our supplier onboarding process from March 2016.



- ▶ Safety risks relating to Facilities and Property Management
- ▶ Materials provenance risks relating to Facilities and Property Management
- ▶ Risks on the fair and equal treatment of staff, relating to Professional Services and Flexible Resource

We require Board approval for the award of any contract that is considered 'critical' as a result of its risk profile.

Implementing responsible procurement

During 2015–16, we implemented a new supplier tendering system that probes suppliers on CR. All suppliers wishing to bid for Royal Mail contracts must first answer questions covering CR, anti-bribery, sanctions compliance and security. Depending on sourcing requirements, we can add specific questions, for example, on Forest Stewardship Council certification for timber products. This system enables us to review potential suppliers' environmental, social and governance performance at an earlier stage in the procurement process. Since January 2016, new suppliers are also asked to confirm their compliance to our Responsible Procurement Code via this system.

Promoting SMEs in our supply chain

In the UK, 99.9 per cent of all businesses are small and medium-sized enterprises (SMEs). Together they represent 60 per cent of all private sector employment and 47 per cent of all private sector turnover, contributing £1.8 trillion to the economy annually¹. By supporting these businesses, we can support wider economic opportunity. Helping



Procurement Category teams received training in June 2015 on the Bribery Act due diligence and maintaining our ethical and probity standards. The training objectives were:

- ▶ **Understand** the impact of the Bribery Act on corporate conduct
- ▶ **Identify** which sectors, suppliers and contracts may be higher risk for Bribery
- ▶ **Apply** anti-bribery due diligence activities in the sourcing process to mitigate risks.

In addition, five Procurement employees responsible for higher risk areas undertook sanctions training in September 2015, delivered by the law firm Addleshaw Goddard.

PROCUREMENT EMPLOYEES RESPONSIBLE FOR HIGHER RISK AREAS UNDERTOOK SANCTIONS TRAINING DELIVERED BY THE LAW FIRM ADDLESHAW GODDARD

¹ <http://www.fsb.org.uk/media-centre/small-business-statistics>

to ensure that SMEs are able to compete for our contracts also increases the opportunity to appoint the best possible supplier.

The registration process for our new supplier tendering system requires potential Royal Mail suppliers to note whether their business is a SME. This enables us to measure our progress in ensuring that Royal Mail contracts are as accessible as possible to businesses of all sizes. Through the system we can also identify that since the system launched in January 2016, SMEs have had a 25 per cent success rate when tendering for our contracts. The rate is even higher when we strip out contracts that SMEs do not bid for, such as fleet, fuel, IT and banking

**SMES HAVE
HAD A 25 PER
CENT SUCCESS
RATE WHEN
TENDERING
FOR OUR
CONTRACTS**



Anti-bribery due diligence

When a potential supplier works in a sector or operates in territories with a medium or high risk of bribery and corruption, Royal Mail engages in additional due diligence before awarding contracts. We use the World-Check system of reporting to check for any previous investigations or convictions, particularly those relating to bribery or sanctions non-compliance and breaches of environmental laws. Where historic incidents are revealed, we consider whether the supplier has taken sufficient action to resolve the issues involved, and whether appointing them would therefore represent a risk to Royal Mail. During 2015–16, we used World-Check reporting as part of our due diligence for our high value International Air framework contracts.

**WE USE
WORLD-CHECK
REPORTING AS
PART OF OUR
DUE DILIGENCE**

services. A notable success in 2016 was achieved by GK Signs, a small business, which was awarded a contract to supply promotional livery for Royal Mail vehicles following a competitive sourcing exercise.

Where appropriate, we break our larger contracts up into smaller, more specific elements, which enable specialist smaller businesses to bid for them. We also train our Procurement team about the potential advantages of using niche suppliers, multi-supplier panels and researching new industry entrants. This promotes thinking beyond larger, well-established companies when it comes to competing and awarding contracts. By making contracts accessible to capable suppliers of all sizes, we seek to ensure that value for money is provided and the positive economic impacts of our supply chain are spread as broadly as possible across communities.

Monitoring supplier performance

Our Supplier Management Portal (SMP) system provides a comprehensive framework by which we can track and assess whether our suppliers are meeting their social, ethical and environmental requirements in their contracts. Suppliers are able to upload accreditations such as environmental certifications, safety standards and ethical audit reports.

Embedding ethical principles

GLS embeds ethical principles into their business relationships with partners to ensure responsible practices are respected. In Germany, GLS incorporates ethical principles into the Partner Code, with a particular focus on transport providers. The Code sets out 11 responsible business standards with which its partners must comply.

GLS expects its partners in Germany to:

- ▶ Adhere to all applicable national and international laws and regulations
- ▶ Promote a safe working environment, mitigating health and safety risks and adhering to all road safety regulations
- ▶ Protect the environment and support GLS's environmental sustainability principles and objectives
- ▶ Be respectful and collaborate with GLS and their own upstream partners
- ▶ Fulfil GLS's quality standards
- ▶ Manage their businesses responsibly, ensuring a positive social and economic impact
- ▶ Be transparent about their business conduct
- ▶ Offer their employees fair remuneration and act in accordance with both the spirit and the letter of labour regulations

The GLS Code of Business Conduct further sets out GLS' zero tolerance for:

- ▶ Any usage of child labour or abuse of children of any kind
- ▶ Discrimination; particularly on the grounds of protected characteristics
- ▶ Bribery and corruption, suspected or committed, by partners or their employees

GLS has a whistle blower hotline in every company it operates to ensure that non-compliances with the Partner Code or Code of Business Conduct can be reported. GLS also encourages its contracted partners to report any violations. In the case of any violations, suspected or otherwise, GLS investigates these.



**WE STRIVE
TO DRIVE
RESPONSIBLE
BUSINESS
PRACTICES
AMONG OUR
SUPPLIERS
THROUGH OUR
WORK WITH
SEDEX**



The system prompts suppliers to update accreditations when they expire. The SMP system has already been implemented for the 46 most critical suppliers, and is now being rolled out across all contracted suppliers.

During 2015–16, we introduced a mail integrity compliance key performance indicator (KPI), which is built into our SMP system. The KPI monitors whether suppliers are complying with our Mail Integrity Code, including by fully vetting their employees to reduce the risk of theft, damage and loss of mail and providing relevant employees with Mail Integrity briefings. The KPI has been rolled out to 15 suppliers that handle mail on behalf of Royal Mail.

We are a member of Sedex, the non-profit ethical auditing organisation. We ask suppliers to complete self-assessments through Sedex when we identify significant social risks connected with the products and services they supply or the countries in which they operate. In March 2015, we worked with Sedex to train our Procurement team on how to use the portal, including when to request suppliers to complete Sedex risk assessments. A further training event was held in March 2016 for the Sedex



Training

The induction process for our Procurement employees covers the principles and deployment of our Responsible Procurement Code. Six new starters completed this process in 2015–16. New procurement employees are also required to undertake training on ethics and probity issues (including anti-bribery, competition law and sanctions compliance), as well as completing a conflict of interest declaration.

portal, covering risk identification and use of the portal to manage supplier performance for ethical audits.

Royal Mail is working with Dimensions UK, our managed service uniform supplier, to improve the social and environmental performance of clothing manufacturers. A programme known

as CREATE (Communicate, Recognise, Engage, Audit, Train and Educate) enables us to monitor performance, provides clarity where action needs to be taken and encourages knowledge building through engagement and training. The programme aims to achieve clearer oversight of manufacturer conditions, risks and trends, and to engage more directly with the workforce, particularly women.

With CREATE, detailed audits are conducted by independent, third party auditors covering labour, wages, hours worked, health and safety, management systems, and environment. Clothing manufacturers receive audit reports, which contain year-on-year trends, improvement areas, corrective actions, as well as factory benchmarks to other companies, industries and countries. Through CREATE, Dimensions has held workshops at our clothing manufacturer in Bangladesh to increase women's health awareness, address discrimination and highlight values of fairness, equality and diversity.

Human rights

Royal Mail is committed to continuing to eliminate practices that impinge human rights and modern slavery. We set out commitments for our suppliers in our Responsible Procurement Code and

ROYAL MAIL IS WORKING WITH DIMENSIONS UK, OUR MANAGED SERVICE UNIFORM SUPPLIER, TO IMPROVE THE SOCIAL AND ENVIRONMENTAL PERFORMANCE OF CLOTHING MANUFACTURERS

require suppliers to adhere to the United Nations Universal Declaration of Human Rights and the United Nations Global Compact. All of these include specific articles on human rights, including on modern slavery. For example, the Code sets out that we expect suppliers to prohibit forced, bonded or compulsory labour so that employees are free to leave their employment after reasonable notice. We require our suppliers to confirm compliance to all three of these commitments.

We strive to drive responsible business practices among our suppliers through our work with Sedex. We encourage our suppliers, based on their level of risk, to undertake self-assessments to show the measures they have in place and the performance in implementing those measures. Our procurement managers are trained on how best to use the results of the Sedex assessments in managing supplier relationships.



Our priorities for 2016–17

- ▶ Build robust environmental standards and KPIs into the major (up to £100 million) Print Services contract planned to be let in 2016–17
- ▶ Communicate Royal Mail's values with our suppliers and throughout the supply chain, making use of our Supplier Management Portal and the Values Brochure
- ▶ Deploy Modern Slavery compliance questions in our bidder selection process
- ▶ Expand use of Supplier Management Portal to designate additional key performance indicators to monitor supplier CR performance more effectively

Royal Mail plc



For more on Royal Mail:

Royal Mail Group
100 Victoria Embankment
London EC4V 0HQ

- ▶ www.royalmailgroup.com
- ▶ corporateresponsibility@royalmail.com

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