

Delivering a first class future

Corporate Responsibility Report
2018–19

Royal Mail plc



This is our
seventeenth
annual
Corporate
Responsibility
Report



About this report

Scope of the report

This is our seventeenth annual Corporate Responsibility Report. It details our non-financial (social, environmental and ethical) performance for the financial year 2018–19, which ended on 31 March 2019. Our last report was published in June 2018 covering the financial year 2017–18. This report is prepared in accordance with the Global Reporting Initiative (GRI) Standards: Comprehensive option.

Reporting standards

This report has been assured by PwC. We appreciate this independent verification of, and opinion on, certain aspects of our reported activity. PwC's independent assurance statement is available on pages 82–84 of this report. Full definitions of the key performance indicators (KPIs) included within PwC's assurance are available in our Reporting Criteria, which can be accessed on our website at www.royalmailgroup.com/en/responsibility/policies-and-reports. We are a signatory to the United Nations Global Compact. We work to meet its principles. This report meets our United Nations Global Compact Communication on Progress requirements.

Accessing the report

We have printed a limited number of hard copies of this report, in order to minimise waste. This report is available to download on our website at www.royalmailgroup.com/en/responsibility/policies-and-reports. The online version of this report has been reviewed to ensure that it is accessible to those with disabilities, for example, for use with assistive software.

For more on Royal Mail Group:

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



About Royal Mail Group

We operate in 44 countries and nation states worldwide. In the UK, our Company operates under the Royal Mail and Parcelforce Worldwide brands. Our UK delivery network is unparalleled in size and scope and gives our business a vital role in the economic life of the country. In Europe, GLS is one of the largest ground-based deferred parcel delivery networks. Outside of Europe, GLS operates in North America, in eight states in the Western US and Canada.

UK Parcels, International & Letters

UK Parcels, International & Letters (UKPIL), comprises Royal Mail's UK business and international parcels and letters delivery businesses under the 'Royal Mail' and 'Parcelforce Worldwide' brands. UKPIL is the UK's pre-eminent delivery company. As the UK's sole designated Universal Service Provider, we deliver a 'one price goes anywhere' service on a range of letters and parcels to addresses across the country, six-days-a-week¹. The Universal Service is vital for economic growth. It is the physical fulfilment arm of the digital economy. Royal Mail's network to support the collection, sorting and delivery of parcels and letters is unparalleled in the UK in its scale and scope. We estimate that we visit 60 per cent of UK delivery points each day. Parcelforce Worldwide is a leading provider of express parcel delivery services. We employ around 162,000 people across our Group; 143,000 are in the UK.

GLS

GLS provides geographical diversification for our earnings through organic and inorganic growth. It operates across 41 European countries and nation states through a combination of wholly owned companies and partner companies. GLS also covers eight states in the western US, through its acquisitions of Golden State Overnight (GSO) and Postal Express. GLS made its most recent acquisition, Dicom Canada, in August 2018. Dicom primarily provides Business-to-Business parcel services, operating across Canada, with a major focus on the Eastern Canadian provinces of Ontario and Quebec. Employing around 19,000 people, GLS has a replicable and scalable business model and key strengths in business-to-business (B2B) and premium business-to-consumer (B2C) markets.

THIS REPORT MAINLY COVERS OUR UK BUSINESS, UK PARCELS, INTERNATIONAL & LETTERS (UKPIL)

It employs 88 per cent of Royal Mail Group's employees and contributes 73 per cent of the Group's revenue. Where stated, we have also included data and narrative from GLS. GLS represents 12 per cent of our employees and 27 per cent of our revenue².

Throughout this report, we use the terms 'the Group' or 'Royal Mail Group' to describe the three main brands that form Royal Mail plc – Royal Mail, Parcelforce Worldwide and GLS. We use the term 'Royal Mail' to describe activity in Royal Mail and Parcelforce Worldwide. For activity in GLS, we use the term 'GLS'.

¹ Under the Postal Services Act 2011 ('the Act'), Ofcom is the regulator for postal services in the UK. Ofcom's primary regulatory duty for postal services is to secure the provision of the Universal Postal Service. Ofcom has designated Royal Mail as the Universal Service Provider

² For the financial year 2018–19

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Executive introduction

Royal Mail is proud to play a significant role in life in the UK. We remain focused on delivering sustainable shareholder value through our updated Group strategy. Putting the principles of Corporate Responsibility (CR) at the centre of our business strategy is vital to its success.

We continue to operate in a challenging marketplace. As e-commerce and other societal changes profoundly impact how we go about our daily lives, consumer demands and behaviours also change. Our business must adapt to continue to meet the needs of the customers we serve.

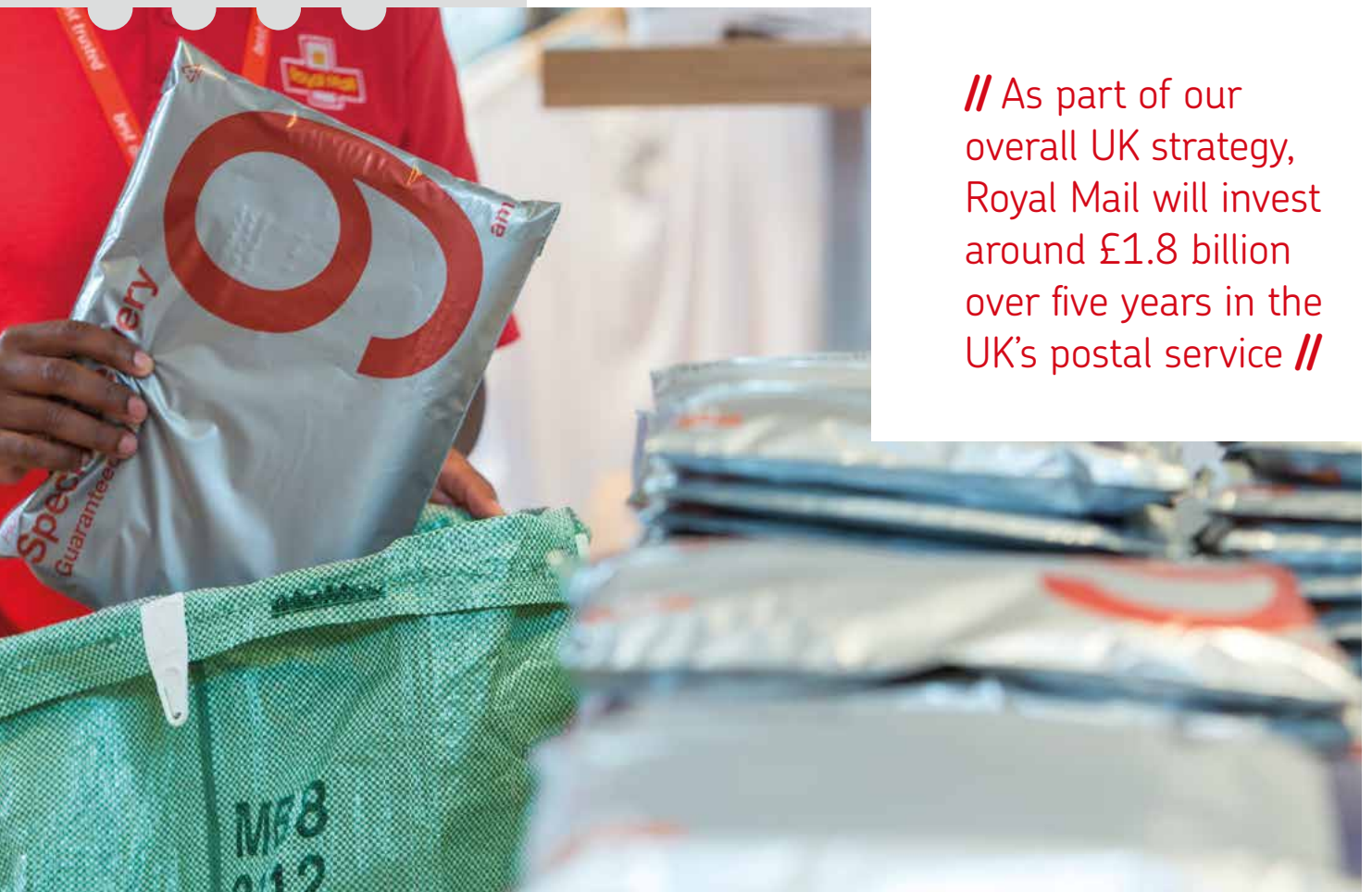
In our 2018-19 Annual Report and Financial Statements, we have launched our five-year strategic plan. We are transforming to a more parcels-led, balanced, and diversified international business.

To achieve this ambition, our strategy is focused on the delivery of three key priorities:

- 'Turnaround and grow' in the UK
- 'Scale up and grow' GLS
- Enhancing our cross-border proposition

As part of our overall UK strategy, Royal Mail will invest around £1.8 billion over five years in the UK's postal service. This will be made up of the Company's existing investment projects and additional expenditure to fund the UK's 'turnaround and grow' programme. This investment, alongside the £2.1 billion invested in the UK since 2013, the year Royal Mail floated on the London Stock Exchange, means almost £4 billion has been committed to the UK since our privatisation.

// As part of our overall UK strategy, Royal Mail will invest around £1.8 billion over five years in the UK's postal service //





// We are transforming to a more parcels-led, balanced, and diversified international business //

This report reviews our performance in 2018-19. For this reason, its structure reflects our previous strategic framework, which was based on three strategic priorities: winning in parcels; defending letters; and, adding value and expanding our networks. This is the last year we will review our performance against this framework. Future reports will align with the new strategic framework and approach.

Royal Mail is proud to be named global sustainability leader of the Transportation industry group in the Dow Jones Sustainability Indices once again this year. Our position places us ahead of around 104 companies in marine, logistics and aviation. This significant achievement demonstrates our leadership in corporate responsibility and its place at the heart of our business.

This year has seen us make some important steps towards meeting our CR goals. However, we recognise that there will always be more work to do and we remain committed to operating responsibly and reporting transparently.

// Shane O'Riordain, Managing Director, Corporate Affairs, Marketing and Regulation //

Responsible for shaping and implementing our CR strategy, including our community investment programme

Royal Mail has launched a new corporate strategy. How can CR play a role in delivering it?

Our new corporate strategy is about transforming our business so that we can continue to meet changing consumer needs. We must improve our technology and ways of working to keep up with the increasing volume of parcels we handle – now and in the future. But the heart of our strategy remains the same – to generate shareholder value in a sustainable and responsible way. This means providing good quality jobs with fair employment conditions, building a workplace where our people can thrive and using our unique role as a business to deliver long term benefits to local communities.

What are some of the key actions Royal Mail has taken this year to ensure it remains an integral part of the communities which it serves?

This year we hit an important milestone in our partnership with Action for Children, reaching £1 million raised since the start of our relationship. The money we raise through the partnership provides young people with support for mental health through the Blues Programme. I'm delighted that the programme now runs in almost 100 schools across the country. I am consistently impressed by our people's enthusiastic approach to fundraising. This year, our people donated over £3 million to local and national causes that they feel passionately about. We were thrilled to receive the Platinum Payroll Giving Quality Mark this year, recognising the strength of our payroll giving programme.

// This year we hit an important milestone in our partnership with Action for Children, reaching £1 million raised since the start of our relationship //



// The safety, health and wellbeing of our people and the communities we operate in is of paramount importance //

// Sally Ashford, Chief HR Officer //

Responsible for the people strands of our CR strategy, including health and safety

Creating a safe and healthy working environment for people is a top priority. What are some of the actions Royal Mail has taken this year to improve its safety performance?

The safety, health and wellbeing of our people and the communities we operate in is of paramount importance. As such we invest a lot of time and attention to ensure our people are provided with the right training and instruction for them to complete their tasks safely. We have a range of measures that we use to engage our people with and drive performance improvement year on year; one of these is to reduce the frequency of road traffic collisions. Over the year we invested in a number of campaigns to promote safe driver behaviours. In 2018-19 I was pleased to see we reduced our Road Traffic Collision Frequency Rate by 5.3 per cent compared to 2017-18.

Our award winning five-year mental health strategy "Because Healthy Minds Matter" remains a key area of attention for us. During the year we saw the further role out of our mental health ambassador programme to support colleagues who may be experiencing mental ill-health.

How does Royal Mail create an inclusive working environment that engages its people?

Engagement and culture are strategic priorities for us. To measure how we are performing in this area we monitor employee engagement annually as part of our employee survey. This year we were pleased to see our engagement score improved from 59 to 60. Using employee feedback from our surveys, we review and update our engagement plans. A key action we took in 2018 was to introduce Employee Voice forums to give our workforce a voice, enabling the Board to hear first-hand their views on key matters. We also appointed Simon Thompson as the designated Non-Executive Director for engagement with the workforce.

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A key to ensuring our people feel engaged is to create a welcoming and inclusive environment for everyone. One example of how we do this is through our six diversity steering groups. We celebrated festivals and events from around the world to raise awareness throughout the year, these included International Women's Day, National Carer's Week, Black History month and International Day of People with Disabilities.

As one of the largest employers in the UK, how does Royal Mail ensure continued strong labour standards and working conditions in a changing working environment?

Fair working conditions are the foundation of how we do business. We work closely with our unions, valuing the role they play in representing the interests of our workforce. During the year we started to discuss our 'turnaround and grow' plan in the UK with them. We made agreement on pay increases for frontline colleagues up to April 2020, and continue to work with CWU to lobby the Government to underpin the retirement plans of employees through a CDC scheme with necessary legislative and regulatory changes.

// **Stuart Simpson, Chief Finance and Operations Officer** //

Responsible for financial reporting and core sustainability issues, including procurement and the environment. Stuart sits on the Royal Mail plc Board

How is Royal Mail preparing business for the transition to a low carbon economy?

We recognise that climate change and environmental performance are important, with greater societal expectations and increasing scrutiny from our stakeholders. Our target to reduce our absolute carbon emissions by 20 per cent by 2020–21 against our 2004–05 baseline has now been achieved. We are therefore reviewing and updating our emissions target for the business. The majority of our emissions are derived from our vehicles and transport, therefore reducing the emissions associated with our fleet is a key area of attention for us. We continue to trial vehicles using low or zero direct emissions technology. Following the success of cargo bikes for GLS in Berlin, we have recently announced the trial of zero-emission trikes in three locations in the UK.

In November we also announced our involvement in the Optimise Prime consortium, the world's biggest trial of commercial electric vehicles. The trial will provide a true understanding on what the switch to electric vehicles means for the cables and substations that deliver electricity to the community for businesses and for end users.

// **Our target to reduce our absolute carbon emissions by 20 per cent has now been achieved** //

As a large business, how does Royal Mail ensure environmental issues are factored into business decisions?

Our environmental policy sets out how we factor environmental issues throughout our operations, from how our people behave, the technology we invest in and the contracts we place with suppliers. In 2018–19 we set a target to divert 95 per cent of our waste from landfill, and I am pleased to say we beat that target to divert 99 per cent. We recognise that there is more to do to reduce our overall waste volumes. We are aware of the serious impact of plastics on the environment and have begun efforts to understand how we can move away from single-use plastics. We are working with suppliers to trial alternatives such as reusable mail bag ties.



Our role in society

Our vision is to be recognised as the best delivery company across the UK, Europe and everywhere we do business. We are committed to providing a first class service to all the customers and communities that we touch. This can only be achieved by investing in our people and our operations. At the heart of our organisation is a commitment to all our shareholders that we will act as a responsible corporate citizen so that we deliver value to both our shareholders and wider stakeholders.

DELIVERING A MODERN, OPTIMISED AND EFFICIENT NETWORK

13bn LETTERS

1.3bn UKPIL PARCELS

634m GLS PARCELS



INVESTING IN OUR OPERATIONS IN EVERY COMMUNITY AND AROUND THE WORLD

44

COUNTRIES AND NATION STATES

£10.3bn

GROSS VALUE ADDED BY ROYAL MAIL'S UKPIL BUSINESS UNIT¹

UKPIL

GLS

37 MAIL CENTRES

70 NETWORK HUBS

1,200 DELIVERY OFFICES

1,400 DEPOTS

11,000 LOCAL COLLECT LOCATIONS

23,000 PARCEL SHOPS

**SUPPORTING SMES
AND DRIVING ECONOMIC
GROWTH FOR ALL**

£2.3bn

SPENT ON GOODS
AND SERVICES

87%

OF EMPLOYEES ARE
SHAREHOLDERS

66,000

JOB'S SUPPORTED
IN THE WIDER
ECONOMY¹



38%

OF NEW CONTRACTS
AWARDED TO SMES

**COMMITTED TO OUR
COMMUNITIES**

£5.77m

CONTRIBUTED
BY ROYAL MAIL

DSSI GLOBAL LEADER

£655,000

MATCHED
GIVING

7th

LARGEST CONTRIBUTION
OF UK COMPANY TO
THE UK ECONOMY¹



**DEDICATED TO
OUR PEOPLE**

99%

ON PERMANENT
CONTRACTS²

£6.9m

INVESTED IN
TRAINING



143,000

UKPIL EMPLOYEES

19,000

GLS EMPLOYEES



30m

ADDRESSES,
SIX-DAYS-A-WEEK

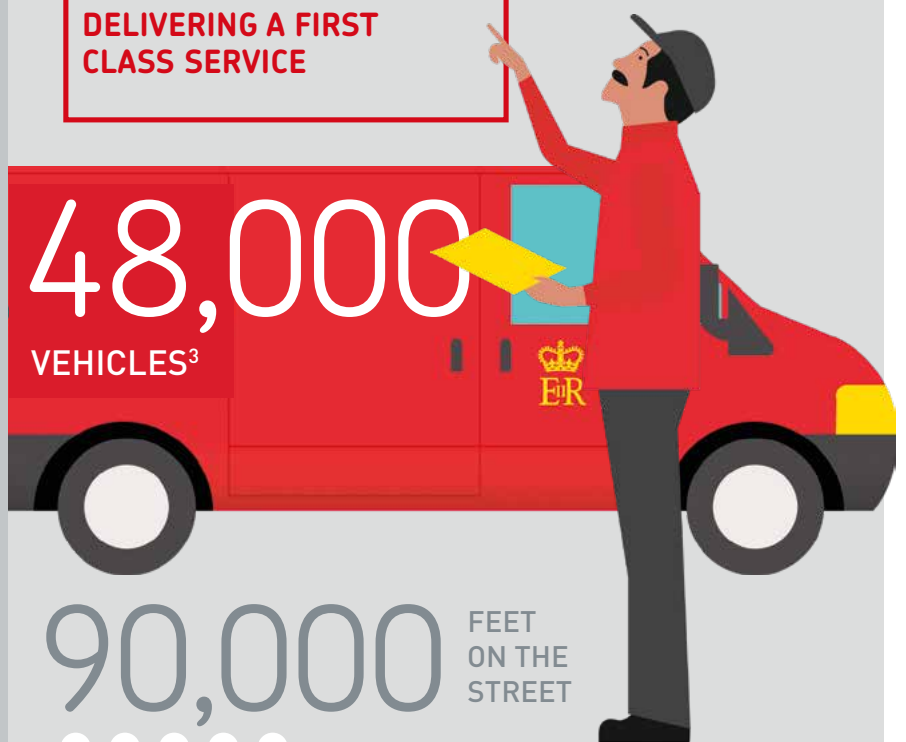
**DELIVERING A FIRST
CLASS SERVICE**

48,000

VEHICLES³

90,000

FEET
ON THE
STREET



Our strategy

Royal Mail Group operates in 44 countries and nation states worldwide. Our business model leverages our resources and relationships to deliver high quality, value for money services for both sending and receiving customers.

Our vision

We aim to generate sustainable shareholder value and deliver a sustainable Universal Service in the UK. Our ambition is to build a parcels-led, more balanced and diversified international business. Our purpose is to connect customers, companies and countries.

Our corporate strategy

Royal Mail is the UK's pre-eminent delivery company, delivering to over 30 million addresses. Delivering more parcels than all the other carriers put together, we are well placed to participate in the continued growth of UK e-commerce and parcel volumes.

We are focused on winning in parcels, defending letters and growing in new areas. We seek to achieve these three priorities through a strategic focus on costs, technology and innovation and an engaged and motivated workforce.

// We have a clear vision to be recognised as the best delivery company in the UK, across Europe and everywhere we do business //

Winning in parcels – We have maintained our pre-eminent position in the UK by successfully pursuing faster growing parts of the UK parcels market and making it easier for consumers, small and medium-sized enterprises (SMEs) and marketplace sellers to use Royal Mail services. GLS is scaling up and growing – either through new services or acquisitions – including the western US and Canada. The returns it generates are typically higher than in our UK business.

Defending letters – Letters are important to our customers. They account for 51 per cent of our UK revenue. We work with customers and supply chain partners to add value to mail, promote its effectiveness, and increase its efficiency.

Growing in new areas – We are making the most of our existing UK assets. We are increasing our capability through a range of investments. GLS is a force for growth for our Company. We are doing so through our 'scale up and grow' strategy for GLS. We are also increasing our digital capabilities across the Group, particularly in e-commerce.

Integrated responsibility

Our CR strategy is an integral part of realising our core strategic priorities. The objectives at the heart of our business and CR strategies are the same – to generate sustainable shareholder value and underpin the Universal Service in the UK. Our CR strategy has six key objectives:

- Deliver economic and social benefit to the communities we serve.
- Drive colleague advocacy for the Group and its community role.
- Manage the environmental impacts of our business and operations.
- Deliver our transformation responsibly.
- Operate with integrity.
- Communicate our management of corporate responsibilities openly and transparently.

Our CR objectives support the delivery of our business strategy. We report progress against them under the areas of customer, people, community, environment and suppliers. Our focus is principally on the UK. However, we are continually increasing the disclosure of our CR performance overseas, particularly in relation to GLS.

READER'S NOTE:

Following a review of our strategy, in May 2019 we announced a refreshed Group strategy to create a more balanced, more diversified, international parcels business that delivers letters in the UK, with a focus on sustainable, shareholder value. We will report against this strategic framework and approach from 2019–20.

OUR FIVE-YEAR STRATEGY

Following a review of our strategy, in May 2019 we announced a refreshed Group strategy to create a more balanced, more diversified, international parcels business that delivers letters in the UK, with a focus on sustainable, shareholder value. We will report against this strategic framework and approach from 2019–20.

We aim to deliver sustainable shareholder value in the medium-term and underpin the UK's Universal Service.

The five-year plan will enable us to maximise the benefits, particularly in delivery and processing, of joint letter and parcel delivery, and facilitate our transition to become a parcels-led business where letters in the UK continue to be important. As a result, we will be even better placed to leverage the continued growth of UK e-commerce and handle more parcels in the process, with an even greater emphasis on standardised processes to drive efficiency gains.

To achieve this ambition, our strategy is focused on the delivery of three key priorities:

Turnaround and grow in the UK

The turnaround element of our strategy encompasses productivity initiatives and extending our network. The main focus of our productivity improvements will be in delivery and processing. Our new Operations organisational structure is designed to support these productivity gains. We will implement key work tools designed to drive up day-to-day productivity, such as Automated Hours Capture, PDA Outdoor Actual and Resource Schedules. We will continue to combine the delivery of letters and small parcels. Automated parcel hubs will handle larger parcels, tracked items and later posted items, including separate van deliveries for larger and later posted parcels, routed through our existing, larger Delivery Offices. Following the deployment of the enhanced network and, in a major increase in delivery frequency for consumers and SMEs, we will introduce two deliveries a day in most parts of the country from 2023 onwards. Increased parcels automation, enhanced IT and more flexibility in our workforce are key plan enablers.

Scale up and grow GLS

GLS will be a key driver of our strategic ambition to become a parcels-led, more balanced and more diversified international business with a strong presence in the UK.

¹ The Outlook for UK mail volumes to 2028, PWC, April 2019

Our strategy is designed to ensure GLS builds on its strong 30-year track record, making a major contribution to the Group's product and geographical diversification. There is specific focus on improving performance in the US, France and Spain. Selective acquisitions will be combined with a continued focus on organic growth. GLS is well placed to benefit from growing cross-border parcels. GLS will enter the small parcel market, working with Royal Mail International to improve its export offering to Europe and North America.

Enhancing our Cross-Border Proposition

The parcels market is large, global and growing. Our cross-border strategy focuses on deferred and small parcel shipments, with Royal Mail providing GLS with access to the lightweight small parcel segment.

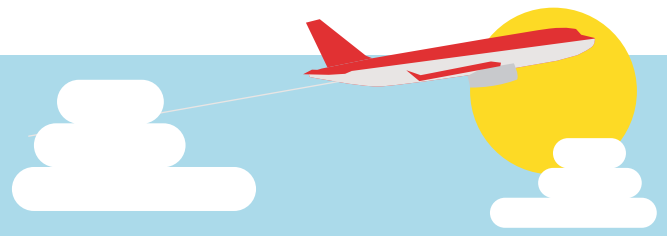
We see significant market opportunity for Royal Mail International to grow its share of the UK export parcels markets. Over the next ten years, PWC expects UK export parcels to grow by over eight per cent a year¹. This high growth will be driven by a highly developed and sophisticated UK e-commerce market, and increased purchasing by overseas consumers of goods from UK online shopping sites.

The strong combined European network of Royal Mail and GLS is a value add for import customers. Royal Mail and GLS are targeting growing volumes coming from Asia-Pacific – the fastest growing e-commerce market globally. The GLS and Royal Mail network will also connect Europe with GLS North America to offer tracked services.

More information about our business model and corporate strategy is available on pages 20–37 in the 2018–19 Annual Report and Financial Statements. From 2019–20 our Corporate Responsibility Report will be aligned with this new strategy.



Our Purpose



Our purpose is to connect customers, companies and countries. Our 2018-19 strategic priorities supported our drive for profitable growth and a secure, sustainable future for our Company:

WINNING IN PARCELS

1

DEFENDING LETTERS

2

GROWING IN NEW AREAS

3

Our corporate responsibility strategy supported the delivery of these priorities through six key corporate responsibility objectives:

DELIVERING ECONOMIC AND SOCIAL BENEFIT TO THE COMMUNITIES WE SERVE

DRIVING COLLEAGUE ADVOCACY OF THE GROUP AND ITS COMMUNITY ROLE

MANAGING THE ENVIRONMENTAL IMPACTS OF OUR BUSINESS OPERATIONS

DELIVERING OUR TRANSFORMATION RESPONSIBLY

OPERATING WITH INTEGRITY

COMMUNICATING OUR MANAGEMENT OF CORPORATE RESPONSIBILITY OPENLY AND TRANSPARENTLY



Achieving this relies on a number of key relationships and resources:

- FINANCIAL CAPITAL
- NATURAL RESOURCES
- A STRONG AND SECURE WORKFORCE
- THE RIGHT TECHNOLOGY
- A RELIABLE SUPPLY CHAIN
- EFFICIENT TRANSPORT NETWORK



This helps us to achieve our corporate vision, to be recognised as the best delivery company in the UK, across Europe and everywhere we do business, which in turn creates value for:

SOCIETY

- Good quality jobs
- Stronger, connected communities
- Social inclusion

ECONOMY

- Value added to UK economy
- Goods and services facilitating commerce
- Tax revenue

CUSTOMERS

- High Quality of Service
- New and improved products and services
- Value for money

ROYAL MAIL GROUP

- Increased revenue
- More efficient and lower operating costs
- Engaged employees
- Loyal customers
- Long-term investors

1st World Firsts



1st PENNY BLACK 1840 THE WORLD'S FIRST STAMP

In 1840 the world's first adhesive postal stamp, the Penny Black, is launched. Queen Victoria appears on the stamp and 68 million are used in the first year. As the inventor of the postage stamp, the UK is the only country in the world that doesn't have its name on its stamps.

The introduction of the Penny Post led to a great increase in the popularity of mail. Mail volumes rose from 67 million in 1839 to 242 million by 1844, and more than 1 billion letters a year by 1875.



Measuring our progress

Our CR key performance indicators

Our CR-related key performance indicators (KPIs) include relevant metrics from our Corporate Balanced Scorecard (CBS)¹ and additional KPIs that are essential for the successful delivery of our business strategy.

Integrity

KPI	AIMS FOR 2018-19	PERFORMANCE IN 2018-19	PERFORMANCE IN 2017-18	STATUS
Managers trained on anti-corruption policies and procedures (%)	Ensure that managers are appropriately trained on anti-bribery and corruption risks	100%	99.9%	Achieved target, see page 22

Customers

KPI	AIMS FOR 2018-19	PERFORMANCE IN 2018-19	PERFORMANCE IN 2017-18	STATUS
Mean business customer satisfaction (score)	78	78	78	Achieved target, see page 31
² Composite premium parcel performance (%)	97%	97.3%	N/A	Achieved target, see page 31
Retail First Class Quality of Service (%)	93%	91.8%	91.7	Target not met, see page 35

People

KPI	AIMS FOR 2018-19	PERFORMANCE IN 2018-19	PERFORMANCE IN 2017-18	STATUS
Employee engagement (score)	59	60	59	Achieved target see page 40
Lost Time Accident Frequency Rate (per 100,000 hours worked)	Reduce amount of time lost to accidents	0.49	0.54	Achieved target, see page 44
Reduction in road traffic collisions (%)	Reduce rate of vehicle collisions by 7% compared to prior year	5.3%	9%	Target not met, see page 44
Sick absence (%)	Reduce the sickness absence among our workforce	5.41%	5.09%	Target not met, see page 45
³ Gender split (female/male) (%)	Improve gender balance across the business	19%/81%	18%/82%	Achieved target, see page 48

Community

KPI	AIMS FOR 2018–19	PERFORMANCE IN 2018–19	PERFORMANCE IN 2017–18	STATUS
Charity partnership fundraising (£)	Raise £2 million, including matched giving, for Action for Children over the three-year partnership	£845,185	£220,741	On track, see page 56
Colleague community engagement (donations from employees) (£)	Increase employee giving to charities from previous year	£3.1m	£2.7m	Achieved target, see page 56
Managers trained on mental health (number)	Provide mental health training to 10,000 managers	912	8,995 ⁴	Total trained - 9,907, see page 58

Suppliers

KPI	AIMS FOR 2018–19	PERFORMANCE IN 2018–19	PERFORMANCE IN 2017–18	STATUS
New UK suppliers bound by the Responsible Procurement Code (%)	100%	100%	100%	Achieved target, see page 64
Regular monitoring of all UK suppliers against UK Treasury sanctions list (%)	100%	100%	100%	Achieved target, see page 67
New UK Procurement employees undertaking CR induction training (%)	100%	100%	100%	Achieved target, see page 69

Environment

KPI	AIMS FOR 2018–19	PERFORMANCE IN 2018–19	PERFORMANCE IN 2017–18	STATUS
UKPIL total carbon emissions (KT CO ₂ e)	20% reduction in carbon emissions by 2020–21 compared to 2004–05 baseline	621.0	629.9	29% reduction to date, see page 76
Water consumption ('000 m ³)	4% reduction in water consumption compared to prior year	1,818.9	1,576.9	Target not met, see page 79
Waste diverted from landfill (%)	Divert 95% of waste from landfill	99%	99%	Achieved target, see page 80

¹ A full list of our CBS KPIs is available on page 38–39 of the 2018–19 Annual Report and Financial Statements

² The composite premium parcel performance measure was introduced in 2018–19. It is the combined on time delivery measurement of our premium Tracked Parcel Products (Special Delivery Guaranteed, Tracked and Tracked Returns)

³ Further gender diversity measures are included on page 48. Across the operation, women make up 32 per cent of senior managers and 18 per cent of our operational grades. In 2018–19 women were hired into 32 per cent of new operational roles

⁴ 2017–18 performance restated from 8,561 to 8,995 as a result of improved data capture during the reporting year



Driving improvements

We are independently rated as a leading responsible business. We use the results of external benchmarks and indices to identify areas for improvement in how we manage and report CR issues. They include information that investors and other stakeholders may be interested to see in our CR report.

The Dow Jones Sustainability World Index and the Dow Jones Sustainability Europe Index have named Royal Mail as global sustainability leader of the Transportation and Transportation Infrastructure industry group, which includes around 104 companies in marine, rail, logistics and aviation. We achieved industry-best scores in seven areas of the assessment this year. They include corporate citizenship and philanthropy, stakeholder engagement, human capital development, supply chain management, environmental reporting and operational eco-efficiency. We are proud to have been named industry leader for four of the five years we have been listed in the index.

We rank in the top four per cent of companies in our industry in the FTSE4Good Global Index. This index only includes companies that can demonstrate strong environmental, social and governance practices.

We participate in the Carbon Disclosure Project (CDP) climate change questionnaire each year. This year, we achieved a score of A-, an improvement on last year's score and ahead of the sector average score of B-. We also participate in CDP's supply chain questionnaire. This questionnaire is not scored, but it allows us to engage with our customers on our carbon performance through a structured framework.



FTSE4Good



MEMBER OF

**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM

// We rank in the top four per cent of companies in our industry in the FTSE4Good Global Index //

Managing our sustainability risks and opportunities

The size and scope of Royal Mail's operations creates significant business risks. Mitigating and managing these risks effectively is essential for our sustained success. Our CR strategy and objectives play a vital role in risk management and create opportunities to develop our competitive advantage.

We are seeing a profound cultural shift in the way society communicates and shops – the delivery market is shifting towards parcels and away from letters. This is a key imperative for our five-year transformation. As our customers' needs change so must we, ensuring we continue to deliver the high quality of service they expect. Our people are fundamental to our ability to deliver the standard of service that our customers expect. We are committed to providing them with a safe and respectful working environment, and ensuring they receive the right training to do their jobs. As a logistics business, it is also important that we manage the risks associated with climate change, ensuring we manage our environmental impacts effectively and reduce our resource use. As such, environmental sustainability was added to our top ten principal risks during 2018–19. In addition, we need to keep transforming our business and increase its efficiency in a responsible manner. These issues present both risks and opportunities to our business. See pages 64–72 of the 2018–19 Annual Report and Financial Statements for more information on our principal risks.

Failing to address these issues would create a number of risks: loss of customers; disengaged and demotivated employees; increased compliance costs; poor reputation; the loss of our social licence to operate, and the goodwill of the customers and stakeholders on which we depend. Failing to manage our use of resources, such as fuel, would result in increased costs to the business, as would failure to manage our talent effectively.

Conversely, effective sustainability management can bring benefits in the form of improved customer retention and advocacy, as well as reducing costs to our business through improved efficiency. Effective sustainability management benefits our employees. It helps to create an engaged workforce, delivering great customer service. It gives us the ability to attract and develop the right talent.

This report sets out our risk management process across the areas of customers, employees, communities, suppliers and the environment. It includes reference to the financial risks and opportunities resulting from our approach to sustainability.

Our governance and CR frameworks describe key responsibilities, committees and processes used to identify and manage key CR risks and opportunities through the business. The Governance section, on pages 113–114 of the 2018–19 Annual Report and Financial Statements, describes in detail how the Group manages its risks at Board level, via subcommittees, and throughout the organisation.



Our governance framework

Our Group Chief Executive Officer (CEO), Rico Back, has overall responsibility for CR. Members of his senior leadership team, the Executive Board (EB), take responsibility for each of the major strands of our CR agenda. Our CR governance framework underpins the delivery of our CR strategy through the following key elements:

ROYAL MAIL PLC BOARD

The Board receives regular updates on CR activities, such as monthly health and safety briefings. There are regular Board updates on our engagement with key stakeholders, such as the UK's postal industry regulator, Ofcom. Simon Thompson is the designated Non-Executive Director for engagement with the workforce. The Board also reviews and approves our annual Corporate Responsibility Report.

EXECUTIVE BOARD

Chair: Group CEO

Individual members of the EB take responsibility for each of the different strands of CR activity, as follows:

- Shane O'Riordain, Managing Director, Corporate Affairs, Marketing and Regulation, is responsible for shaping and implementing our CR strategy, including our community investment programme.
- Sally Ashford, Chief HR Officer, is responsible for the people strands of our CR strategy, including health and safety.
- Stuart Simpson, in his role as Chief Operations Officer, is responsible for financial reporting and core sustainability issues, including procurement and the environment. Stuart sits on the Royal Mail plc Board.

DIVERSITY COUNCIL

Chair: Chief of Staff

The Diversity Council is responsible for progressing and monitoring our diversity performance. Members include our Group Human Resources Director, the Managing Director of Consumer and Network Access, frontline employees and representatives from our unions. The Diversity Council has established additional committees to support its work on the various strands of our diversity strategy. See page 47–50 for more information.

ENVIRONMENT GOVERNANCE BOARD

Chair: Global Director of Safety, Health, Wellbeing and Sustainability

The Environment Governance Board drives the environment strategy and takes responsibility for improving performance. The Environment Governance Board is made up of senior managers accountable for functions with material environmental issues. They include fleet, facilities management and customers. See page 74 for more information.

GROUP CR TEAM

The Group CR team is responsible for managing the implementation of the CR strategy, collecting performance data and reporting on that data in internal and external communications. The team also develops and manages the community investment programme.



// We have a robust framework of corporate responsibility policies //

CR Framework:

We use a range of strategies, tools, published policies and codes to embed CR objectives across our business:

Remuneration: The performance of a range of CR related metrics impact on the remuneration of our people, including our Executive Directors, through the annual bonus plan. For 2018-19, this includes employee engagement, safety, First Class Quality of Service and customer satisfaction.

Continuous Improvement: We use a structured framework to guide our internal process improvement. Until 2017, we used the World Class Mail (WCM) framework to drive process change and efficiencies. We have since begun to transition to the Continuous Improvement programme. The programme aims to standardise and remove inefficiencies from processes through focused and effective leadership and encouraging the right working behaviours.

Comprehensive policies: We have a framework of CR policies that are designed to cover a full range of issues relevant to Royal Mail. Our CR Policy sets out our strategy, governance and commitments. The Responsible Procurement Code of Conduct requires all suppliers to adhere to the United Nations Universal Declaration of Human Rights, the Ten Principles of the United Nations Global Compact and Royal Mail Group's own social, ethical and environmental standards. Our Environment Policy establishes our commitment to environmental management. Our other policies cover Our Business Standards, Equality and Fairness, Bullying and Harassment and Anti-bribery and Corruption.

Transparency and disclosure: We continuously make improvements in reporting and disclosures. These are informed by the introduction of new reporting requirements, such as the Non-Financial Reporting Directive, the Modern Slavery Act and the Taskforce on Climate-related Financial Disclosures (TCFD).

Engaging with our stakeholders

The Group has a range of stakeholders. They include our customers, investors, unions, communities, suppliers and the Government. We engage with them to obtain their views and understand their needs and expectations. Their support is integral to our success and the ongoing sustainability of our business. This year, for the first time, we are providing details of how the Board, and the wider business, engage with these key stakeholder groups on pages 101-104 of the 2018-19 Annual Report and Financial Statements.

Open communication

We are committed to being as open and transparent as possible about our business. We communicate proactively with our stakeholders. We seek their views about our role and responsibilities as a key part of the UK's economic and social infrastructure. We also provide a range of channels through which they can engage with us. We aim to help stakeholders gain a better understanding of our business, as well as our need to change.

Our stakeholder engagement policy is published on the Royal Mail Group website at www.royalmailgroup.com/responsibility/ourapproach-stakeholder-engagement.

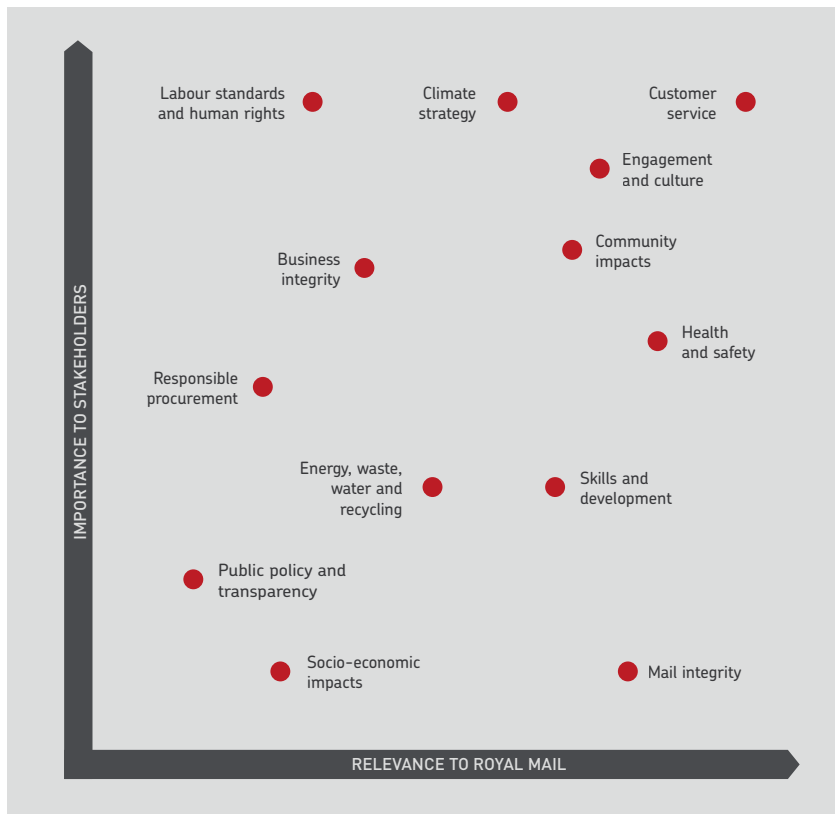
During 2018-19 a specific area of engagement with our stakeholders was in response to the shareholder vote on the Directors Remuneration Report and the re-election of Peter Long at the AGM in July 2018. We acted quickly to address our stakeholders' concerns. We commissioned an independent survey of our major shareholders, specifically focusing on remuneration strategy and governance. We have taken actions to address shareholder concerns through changes we are proposing to our remuneration policy which is subject to shareholder approval at our 2019 AGM. Please see our 2018-19 Annual Report and Financial Statements for more information.

Determining materiality

The Group undertakes materiality assessments to help refresh the CR strategy. Every two years, we engage with a representative group of stakeholders to gain insight into the areas they deem to be most relevant to us. We then prioritise these issues within our CR programme and activities.

Our most recent materiality assessment involving external stakeholders took place in 2017-18. We commissioned Corporate Citizenship, an independent CR and sustainability consultancy, to work with us to conduct that assessment. We engaged stakeholders representing customers, consumers, employees, our unions, shareholders, suppliers and environmental representatives in the assessment. Through surveys, interviews and a stakeholder panel, we asked the participants to rank a range of social, financial and environmental issues in terms of their importance for Royal Mail. Our materiality matrix maps the priorities identified through this assessment against our business priorities. We use this to help structure our report and ensure that we cover key issues in a transparent way.





Our materiality assessment identified five key CR topics for Royal Mail, as depicted in the materiality matrix:

- **Customer service:** This is the foundation that will ensure Royal Mail's continued success in an increasingly competitive and fragmented marketplace.
- **Engagement and culture:** Our people are crucial to our success. Issues such as relations with our unions, internal communications and equal opportunities are central to employee engagement.
- **Climate strategy:** Royal Mail has a visible carbon footprint in the form of our fleet. Management of our carbon footprint and preparations for the transition to a low carbon economy are key to sustainable growth.
- **Labour standards and human rights:** Royal Mail's high standards are seen as a vital component of our reputation for trust and reliability.
- **Community impacts:** postmen and women play an important role in their communities and enhance the Company's reputation locally.

Our materiality matrix is shown above. The full results of the assessment are described in our 2017–18 Corporate Responsibility Report, which is available at www.royalmailgroup.com/responsibility/cr-reports.

Over time, the specific prioritisation of issues can change due to our success in managing them, or growing public awareness of their importance. But, we regard all of the issues identified in the materiality matrix as important for Royal Mail to address. We cover all of them in detail in this report.

// We are committed to being as open and transparent as possible about our business //

The UN Sustainable Development Goals

In 2017–18, we expanded our materiality assessment to include reference to the United Nation's Sustainable Development Goals (SDGs). We asked participants to rank which of the SDGs they thought were most relevant to Royal Mail. Our stakeholders selected the following four SDGs.

- **Goal 5** Gender equality: achieve gender equality and empower all women and girls.
- **Goal 3** Good health and wellbeing: ensure healthy lives and promote wellbeing for all at all ages.
- **Goal 8** Decent work and economic growth: promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- **Goal 9** Industry, innovation and infrastructure: build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

Many of our existing CR programmes and activities already contribute to these goals. For example, our five-year mental health strategy (page 46) and broader campaign on mental health (pages 58–59) are aligned to Goal 3 – Good health and wellbeing.

Business integrity

Royal Mail's role as the Universal Service Provider in the UK places our business in a unique position at the heart of the nation's communities. Maintaining the trust of these communities is fundamental to our success. We are committed to operating with integrity and engaging with all our stakeholders responsibly, to protect our valued role in society.

Our overarching business policies set out our approach to responsible business conduct. These include our company-wide Corporate Responsibility Policy, our Business Standards, and our Responsible Procurement Code. All our policies are publicly available on our corporate website www.royalmailgroup.com/en/responsibility/policies-and-reports.

Our Business Standards

Our Business Standards are the standards of behaviour we expect to see in all our people. They are about doing the right thing, following the law, acting honourably and treating others with respect. This helps us to do the best job we can for our customers, keeps our people safe and protects our reputation among our customers, suppliers and shareholders.

All new employees receive a copy of the Business Standards, which are discussed during employee inductions within the first eight weeks of joining. They are communicated to all employees every three years, or whenever changes are made. During 2018–19, all our managers completed annual compliance refresher training that included attesting that they maintain our standards.

// During 2018–19, all our managers completed annual compliance refresher training that included confirming that they maintain our standards //

Should any of our business standards be broken by an employee, we deal with them under our conduct policy. Any finding of misconduct could result in action, up to and including dismissal. In 2018–19, 2,473 breaches to business standards were recorded and closed, covering issues such as the failure to follow workplace practices. In around 28 per cent of cases, the employee concerned was either dismissed or issued a suspended dismissal.

GLS's Code of Business Standards outlines the values and standards of behaviour that it expects from its employees and subsidiary companies. The Code is available in 20 languages and includes practical guidance for employees. It is made available to colleagues in hard-copy format and online at <https://gls-group.eu/EU/en/compliance>. GLS treats any breach of its Code as a disciplinary matter. As such, it can result in disciplinary action in accordance with the applicable local law, up to and including termination of employment, and reporting to the appropriate authorities.

Embedding our Business Standards

Engaging our employees around our Business Standards helps us to develop and maintain a safe, ethical and fair workplace. During the year, we launched a video campaign promoting the importance of maintaining the Business Standards. The videos contain clear guidance on how to incorporate the standards into daily situations and routines at work, focusing on different elements, such as how to live our values and how to raise concerns. They are available to employees on-demand through Royal Mail's intranet, and were communicated to frontline employees at tailored 'Listen and Learn' sessions. We use our internal communications channels, including WhatsApp and the intranet, to share regular updates and reminders on our Business Standards throughout the year.

WHY BUSINESS INTEGRITY IS IMPORTANT

Our stakeholders rank business integrity as a material issue for our business. They are particularly interested in our approach to business ethics, anti-competitive behaviour and anti-bribery and corruption. For details of our materiality assessment, see page 20.



Our approach to lobbying and political engagement

Royal Mail Group is a politically neutral organisation. As a matter of policy, we do not make donations to any political party. We engage with politicians and other stakeholders to ensure they understand the value that our service provides, and the relevant issues for our industry. More information on our approach to responsible political engagement is available at www.royalmailgroup.com/politicalengagement.

Anti-bribery and corruption

Royal Mail Group has a strict zero-tolerance policy towards bribery and corruption. Our policy, based on the UK Bribery Act, sets out the standards of behaviour we expect to minimise the risk of bribery and corruption in our business and supply chain. This policy is available to all our employees through our intranet, and publicly at www.royalmailgroup.com/en/responsibility/policies-and-reports.

// Royal Mail Group has a strict zero-tolerance policy towards bribery and corruption //

We ensure our employees understand our approach through both online and face-to-face training. The training includes:

- Annual mandatory compliance refresher training for all employees.
- Compliance e-learning course, which includes a module on anti-bribery and corruption for new starters.
- Leading with Integrity training, supporting managers to identify ethical and compliance risks, and make responsible decisions. In 2018–19, the training was rolled out to a wider business audience, including new starters and colleagues on the Graduate Scheme.
- Support and training for business units identified at higher level of risk (i.e. we identified our procurement department as higher risk due to their interaction with third parties. We deliver specialist, annual training to remind them of their compliance responsibilities).

These training requirements help us to ensure that responsible behaviour is embedded throughout the business. In 2018–19, 100 per cent of Royal Mail managers completed the training and attested to living and embedding Our Business Standards.

All new subsidiaries and joint ventures are subject to a due diligence review before they become part of Royal Mail Group. This includes an assessment of compliance and labour standards. Where necessary, we ensure that policies and compliance controls are improved to meet our standards. Where a subsidiary or joint venture does not have appropriate policies and compliance procedures, we require that they adopt Royal Mail frameworks.

We conduct due diligence on any intermediary from which we procure services, including sales agents and insurance brokerage providers. This involves screening suppliers against an intelligence database to verify there are no supplier probity issues. We also require intermediaries to adhere to our Responsible Procurement Code.

Business integrity

Our Audit and Risk Committee (ARC) regularly reviews our anti-bribery and corruption controls. All business units, subsidiaries and joint ventures are required to complete a risk assessment each quarter to identify potential risks and ensure appropriate mitigating actions take place. Senior leaders from each business unit are responsible for managing these risks and attest to our Group CEO that they are doing so, twice a year.

Data protection and privacy

Royal Mail Group is committed to respecting our customers and employees' privacy and protecting their personal data. Our privacy notice explains how we collect and use personal data and informs everyone about their privacy rights. Royal Mail Group is dedicated to meeting the requirements of the European Union's General Data Protection Regulation (GDPR) and the data protection and privacy laws of every country where we operate. Our privacy notice is available online at www.royalmailgroup.com/en/site/privacy-notice.

Human Rights

Royal Mail Group is committed to playing its part to uphold and protect human rights in our business and across our supply chains. We obey the laws, rules and regulations of every country in which we operate. We are committed to implementing the United Nations (UN) Guiding Principles on Business and Human Rights as well as the UN Declaration of Human Rights and the International Labour Organisation Fundamental Conventions. These cover freedom of association, the abolition of forced labour, equality and the elimination of child labour.

We are committed to helping to prevent any incidence of modern slavery throughout our operations. We expect the same level of commitment from all our business partners, suppliers and contractors, and expect them to apply the same approach to their respective supply chains. In September 2018, we published our updated Modern Slavery Act statement on our website. This includes an overview of our operations and our approach to responsible business, the risks we have identified and the steps we take to mitigate them. Our Modern Slavery Act statement is available online www.royalmailgroup.com/media/10239/royal-mail-group-plc-modern-slavery-act-statement-2017-18.pdf

We strive for continuous improvement and therefore will take on board feedback on the content of our statement from the Business & Human Rights Resources Centre report – From Disclosure to Action into account when we publish our 2018–19 statement in September 2019.

// We are committed to helping to prevent any incidence of modern slavery throughout our operations //





Identifying and mitigating risk

We have undertaken several risk assessments to better understand our risk profile and inform our approach to mitigating modern slavery and human trafficking risks in our business and supply chain. In 2016, we conducted a review of our business against the UN Guiding Principles on Business and Human Rights. This identified our risk of human rights violations as relatively low. However, we recognise that human rights violations, including forced labour and trafficking, can occur in all sectors and countries. As a responsible business, we are committed to playing our part to help eliminate them.

In 2017–18, we worked with external compliance experts to conduct additional risk assessments for Royal Mail and GLS. These enabled us to customise our risk mitigation strategies. We focused our assessment on agency, contract and supply chain workers, where the most salient issues were: forced labour, sub-standard working conditions, fair wages, discrimination, freedom of association and collective bargaining, health and safety, and privacy. We checked our policies and procedures against these risks to ensure they are adequate and appropriately implemented.

In early 2019, we carried out additional compliance workshops with our subsidiaries to review their risk assessment processes and support them in mitigating compliance risks. We provided additional tools to enable subsidiaries to manage risks identified in their risk assessment processes.

As part of our programme to mitigate human rights risks, we conducted cross-functional workshops to review risk levels for modern slavery in our UK operation and supply chain in 2017–18. The workshops included scenarios illustrating modern slavery risks and provided guidance on how to raise concerns. We put mitigating actions in place for any risks identified through these workshops. Programmes of on-site audits are taking place with 15 sub-contractors with the results, including remediation plans and evidence of completion, being reported to Royal Mail via the SEDEX platform or directly through our Supplier Management Portal.

During the year, all managers completed a customised online training course focused on how to spot 'red flags' and escalate potential wrongdoing. All UK procurement employees received additional training on the Modern Slavery Act and associated legal requirements.

Based on a group-wide assessment of modern slavery risks, we have developed training for GLS managers and those working within higher risk roles to raise awareness of supply chain risks and how to mitigate them effectively. This training is being rolled out across all GLS subsidiaries.

// In early 2019, we carried out additional compliance workshops with our subsidiaries to review their risk assessment processes and support them in mitigating compliance risks //

Contract and temporary workers

We employ the vast majority (99 per cent) of people who work for Royal Mail on permanent contracts, except where there is a short-term need. Where we do have a requirement for temporary workers, these are provided by seven approved suppliers, all of these are based in the UK. These suppliers are required to commit to our recruitment standards to ensure that:

- workers are not charged unnecessary fees, for example, for payroll services or translation services;
- workers' original identification, including passports, are not held by anyone other than the worker, even if done voluntarily; and,
- resignation by workers is voluntary and without threat of punishment.

Suppliers are also contractually required to adhere to applicable vetting standards for the workers they supply. This includes proof of identity, proof of right to work, and proof that appropriate training has been provided, and various levels of security checks. In the UK, our HR security services team tracks and assesses performance against vetting standards through the Supplier Management Portal. This helps to ensure that temporary workers are legitimately engaged and

reduces the risk of exposure to forced labour and trafficking. We run quarterly business reviews for suppliers, which cover adherence to vetting standards. The results of these audits are shared with our Mail Integrity Group.

GLS's Code of Business Standards similarly prohibits forced labour, child labour or human trafficking in any part of its business operations. GLS treats any breach as a disciplinary matter that can result in disciplinary action in accordance with the applicable local law, up to and including termination of employment and reporting to appropriate authorities. Whenever GLS uses temporary workers, this must be conducted in line with local applicable laws. Any partner companies acting on behalf of GLS are required to act lawfully and reject discrimination, bribery and corruption.

Supply chain controls

Our due diligence and supply chain controls aim to ensure that we only engage with reputable business partners and suppliers who share our commitment to playing their part in the fight against modern slavery and human trafficking. During the pre-screening and on-boarding process, all potential business partners and suppliers are required to confirm their compliance with applicable local labour and employment laws, including all anti-slavery and anti-trafficking legislation, the Modern Slavery Act or equivalent national legislation. See page 67 for more information.

Raising concerns

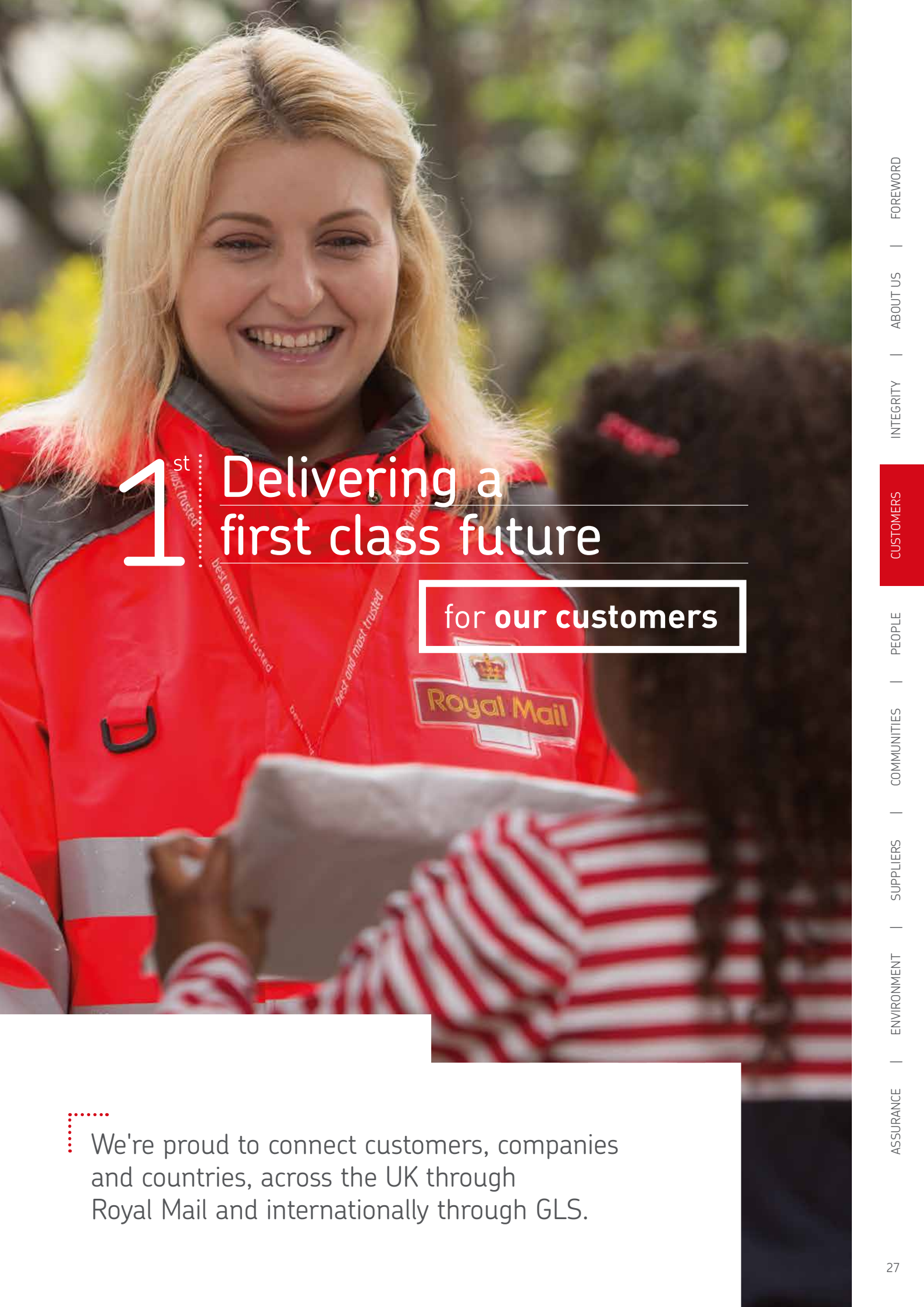
Royal Mail's whistleblowing hotline, 'Speak Up' allows all of our people, including contractors, temporary workers, suppliers, business partners and their employees, to raise concerns about serious wrongdoing anonymously. It is available 24 hours a day, 365 days a year.

In 2018–19, we launched five compliance campaigns to encourage our people to raise any concerns relating to modern slavery and human trafficking within the business or our supply chains. All compliance training and communications end with the Speak Up hotline number. We have planned further campaigns across the Group for 2019–20.

Our whistleblowing policy makes it clear that whistle blowers must not suffer any detrimental treatment as a result of raising a concern. Detrimental treatment includes dismissal, disciplinary action, threats or other unfavourable treatment.

// In 2018–19, we launched five compliance campaigns to encourage our people to raise any concerns relating to modern slavery and human trafficking within the business or our supply chains //





1st Delivering a first class future

for our customers

We're proud to connect customers, companies and countries, across the UK through Royal Mail and internationally through GLS.



Case study

The UK's first parcel postboxes

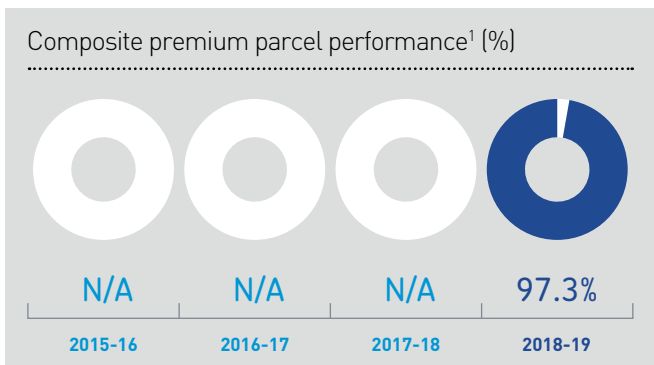
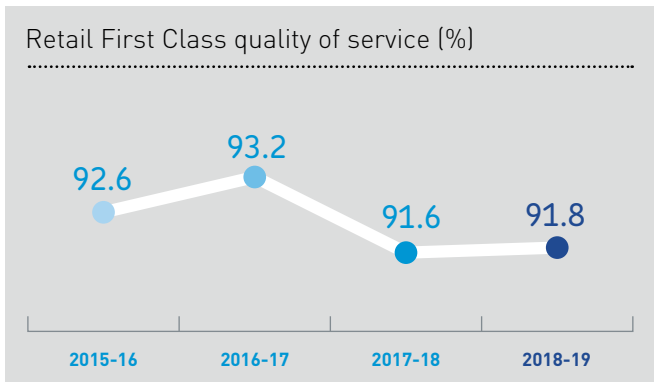
In August 2018, we announced the trial of 30 new parcel postboxes to support small businesses and marketplace sellers who are driving growth in e-commerce. We trialled 17 of these postboxes in Northampton and a further 13 in Leicester, in the first trial of its kind in the UK. Small businesses and marketplace sellers in these areas can now post pre-paid parcels through purpose-built postboxes, in the same way that they currently post letters. The trial boxes are based on existing Royal Mail meter maildrop boxes. They have a wider aperture and secure design for deposits, making the posting of larger prepaid items both safe and convenient.

Our parcel postboxes are the first major change of use for the British postbox in over 160 years. They are a response to the growth of online shopping and, in particular, to customer feedback that shows online sellers struggling to balance busy home lives with the demands of running a business. The launch of the parcel postboxes is also one of the biggest innovations in parcels since the launch of the Parcel Post in 1883.

Following the successful trial, we will introduce 1,400 parcel postboxes in locations across the UK including Birmingham, Leeds, Aberdeen and Cardiff.

Our vision is to be recognised as the best delivery company in the UK, across Europe and everywhere we do business. This requires us to get customer service right consistently, and satisfy the changing needs of all who depend on our services. We are proud of the role we play in connecting customers, companies and countries across the UK through Royal Mail and overseas through GLS.

Performance [KPIs]



Key facts

- As the Universal Service Provider, we have the capability to deliver to over 30 million addresses, six-days-a-week.
- Royal Mail handled around 1.3 billion parcels and around 13 billion letters in 2018–19. GLS delivered around 634 million parcels.
- 79 per cent of business customers rate us as 'easy to do business with'.

Key highlights

- We introduced 'Labels to Go' in Post Office branches allowing customers to use their mobile phones to print free returns labels.
- We launched a new mobile app to help consumers to track their items from their smartphones.
- GLS launched its new InfoCourierService in Poland which enables recipients to contact the delivery driver directly.
- We launched new functionality from all Amazon Alexa enabled devices, allowing tracking of Royal Mail deliveries by providing Alexa with your Royal Mail tracking number.
- We successfully stopped 1.1 million items of scam mail from reaching our customers, taking the total to over 4.3 million since November 2016.
- GLS FlexDeliveryService was expanded to 21 countries. This makes it easier for online shoppers to take delivery of goods they have purchased abroad through a wide range of delivery options.

¹ The composite premium parcel performance measure was introduced in 2018–19. It is the combined on time delivery measurement of our premium Tracked Parcel Products (Special Delivery Guaranteed, Tracked and Tracked Returns)

Our customers

We deliver high-quality, value-for-money services to suit every customer: consumers, sole traders, SMEs and large businesses. As the UK's sole Universal Service Provider, Royal Mail delivers a 'one price goes anywhere' service on a range of letters and parcels to over 30 million addresses six-days-a-week. GLS offers us increasing product and geographical diversification. In Europe, it is one of the largest ground-based deferred parcel networks. Outside of Europe, GLS operates in North America, in eight states in the Western US and Canada..



Our position

UK Parcels, International & Letters (UKPIL), is the UK's sole designated Universal Service Provider. Royal Mail delivers a significant proportion of the items purchased online in the country.

According to research we commissioned by PwC, the number of UK letters will decline by around 26 per cent, from 10.3 billion today to 7.6 billion in 2023. Even though declining, letters remain very important to our business.

GLS is one of the largest, ground based deferred parcel networks in continental Europe, covering 41 countries and nation states in Europe and eight states in the Western US and Canada. It has a replicable and scalable business model and key strengths in business-to-business (B2B) and business-to-consumer (B2C) markets.

// GLS is one of the largest, ground based deferred parcel networks in continental Europe, covering 41 countries and nation states in Europe and eight states in the Western US and Canada //

WHY CUSTOMER SERVICE IS IMPORTANT

Our stakeholders rank customer service as a material issue for our business. It is the bedrock that will ensure Royal Mail's continued success in an increasingly competitive environment. For details of our materiality assessment, see page 20.

Mapping the subscription economy

A key trend in the UK delivery market is the growing popularity of subscription box services. Over 50 per cent of 25–34-year olds in the country are already signed up to at least one subscription box service. Our research forecasts that the industry could be worth £1 billion per annum in 2022, which represents forecast growth of 72 per cent.

Opportunities for subscription boxes span a wide range of market sectors, from food and beauty samples to personal clothes shopping and weekly children's craft kits. At Royal Mail, we are ready to help businesses across the UK to succeed in the subscription space whether they already have a subscriber base or are looking to enter the market.

See www.royalmailgroup.com/en/insights-innovation for key market insights, reports and podcasts.

30million
ADDRESSES SIX-DAYS-A-WEEK

Our customer strategy

The delivery market offers a range of choices for customers. We want to be their first choice. Our strategy for achieving this is focused on four priorities:

- understanding our customers' needs;
- being easy to do business with;
- maintaining a high Quality of Service; and
- providing value for money to all customers.

In the UK, we measure our customer service performance through three KPIs in our Corporate Balanced Scorecard (CBS): First Class Retail Quality of Service, business customer satisfaction and composite premium parcel performance. The composite premium parcel performance measure was introduced in 2018–19. It is the combined on time delivery measurement of our premium Tracked Parcel Products (Special Delivery Guaranteed, Tracked 24/48® and Tracked Returns®). Our managers' remuneration is linked to the performance of all KPIs on the CBS. The full CBS can be found in our 2018–19 Annual Report and Financial Statements.

GLS's strategy is to grow its share of the B2B and high-end B2C market, both organically and through targeted expansion and acquisition in new markets. This included the acquisition of Dicom Canada in August 2018.

Working with the Post Office

Royal Mail's long-term relationship with the Post Office means that we jointly operate the UK's largest retail network for letters and parcels. We work closely with the Post Office to keep our products and services accessible, with growing numbers of customers choosing to access our services at Post Office branches outside of traditional office hours. There are over 11,500 Post Office branches in the UK and 98 per cent of customers live within three miles of a branch.



Understanding our customers' needs

There are number of key trends including the growth of in store and third party click and collect options, and extensions to online order acceptance times for next-day deliveries. Both require adaptation of the networks needed to facilitate these changes. As stated earlier, we expect letter volumes to continue to decline over time. As our mail bag changes, so do the expectations of our customers. We survey around 400 business customers and 3,000 consumers per month as part of our ongoing customer satisfaction research. This research tells us that our customers have the following priorities:

Consumers' priorities for Royal Mail:

- Items are delivered on the day/time expected.
- Items are delivered in good condition.
- Staff are friendly.
- Item progress is accessible via tracking data and push notifications.

Business customers' priorities for Royal Mail:

- We provide a frictionless delivery service – reliable and with few/no problems.
- Where there are issues we are responsive, take responsibility and reach resolution.
- We are flexible in meeting customer needs – offering options for speed, tracking and visibility of item progress to their end customers.

We have seen a recent decline in online satisfaction. Specific actions to address this include the introduction of a new website platform in 2019–20 to address some customer issues in relation to their online journey. More customers are visiting us on a mobile device. Therefore, an important part of the programme is to improve that experience.

Both our business customer and consumer satisfaction scores have remained stable this year. The mean proportion of business customers rating Royal Mail as being "Easy to Do Business With" declined marginally from 80 to 79.

Our people can also tell us how customer focused they believe our products and services are. Our annual employee survey asks our employees what they think about the customer experience. This year, we received a customer focus score of 70, the same as the previous year.

// In the UK, we measure our customer service performance through three KPIs in our Corporate Balanced Scorecard (CBS): First Class Retail Quality of Service, business customer satisfaction and composite premium parcel performance //

Our customers

Customer metrics	2018-19	2017-18	2016-17	2015-16
Mean business customer satisfaction (score)	78	78	78	76
Consumer sending satisfaction (score)	80	80	78	77
Business customer satisfaction following a call to Royal Mail (%)	92.1	92.5	91.7	90.4
Consumer satisfaction following a call to Royal Mail (%)	84.4	82.8	83.1	83.4
Business customer satisfaction with online experience (score)	43.7	51.6	52.0	49.8
Consumer satisfaction with online experience (score)	47.3	55.1	60.4	59.6
Mobile satisfaction with online experience (score)	46.3	69.4	68.2	N/A
Ease to Do Business with Royal Mail (score)	79	80	80	78



GLS Poland is "Logistics Leader 2018"

In January 2019, GLS Poland received Data Group Consulting and Eurologistics Publishing's prestigious Domestic Express Service customer satisfaction award, which is based on customer surveys of the scope and quality of logistics services. GLS Poland received the highest rating out of 29 logistics operators on the Polish market for a range of different services. Among these were financial services (general), online payments and guaranteed next-day deliveries. This year, GLS Poland also came top in the Top 500 ranking of Manually Managed Logistics Companies.

12,500

**POST OFFICE AND ROYAL MAIL
CUSTOMER SERVICE POINTS
ACROSS THE UK**

Being easy to do business with

With so many options available to consumers, we need to make our services simple and flexible to ensure we remain competitive. We are introducing new products and services, and improving those currently available to provide a better customer experience.

During the year, we launched a number of such initiatives.

For consumers:

- 'Labels to Go' enables customers to use their mobile phones to print free returns labels in Post Office branches around the country, to return goods at over 12,500 Post Office and Royal Mail Customer Service Points across the UK.
- A new mobile app was launched to help consumers manage their deliveries more effectively, enabling them to track their items, book redeliveries or to arrange delivery to a neighbour or local Post Office.
- We launched a new functionality from all Amazon Alexa enabled devices, allowing tracking of Royal Mail deliveries by providing Alexa with your Royal Mail tracking number.
- GLS's InfoCourierService for Poland provides delivery information, enabling recipients to contact the delivery driver directly. On the day of delivery, the recipient receives an SMS with the delivery driver's number. They can then use this to make changes such as arranging delivery to a neighbour. The driver can also contact the recipient should they have a problem with the delivery.
- GLS-ONE, the new online portal from GLS Austria, enables consumers to send parcels quickly and easily by creating and paying for their parcel label in just one minute and then drop their parcel at one of around 630 GLS ParcelShops.
- GLS Germany introduced the Letterbox Service, enabling small items to be posted through recipients' letterboxes, increasing the proportion of first-time deliveries.
- GLS extended its FlexDeliveryService to include the UK. In total, 21 European countries are now connected by this service. This makes it easier for online shoppers to take delivery of goods they have purchased abroad through a wide range of delivery options.

For business customers:

- Royal Mail Pro Shipping provides large retailers with complex shipping needs with a range of capabilities. This makes it easier to manage orders and returns across distributed sites. It complements the suite of in-house shipping tools already available to customers.
- Royal Mail is introducing key enhancements to its tracked services, designed to improve the customer experience for both retailers and online shoppers. They give retailers and their customers more information on the delivery progress of the items they ordered.
- GLS Poland expanded its support for e-commerce customers by working with IDEAerp to integrate a cloud-based Enterprise Resource Planning (ERP) system for e-commerce companies. The system allows GLS customers to automate the parcel shipment process and enables simple label generation and parcel tracking.

The importance of Royal Mail to key customer groups

Small and Medium businesses (SMEs)

The Universal Service Obligation ensures depth of coverage, value for money and convenience for SMEs wherever they are based in the UK. SMEs benefit from greater flexibility using our Click & Drop service, plus discounted prices for purchasing postage online. As a result, it helps them to compete with large businesses, facilitating competition and choice for customers. In the UK, there are around 5.7 million SMEs, generating 52 per cent of the total turnover of the country¹.

Consumers without internet access

It is estimated that 10 per cent of UK households do not have access to the internet². They rely on in-store services to send parcels. The Post Office network of around 11,500 access points gives these customers the means to buy postage, use drop-off points and send larger, bulkier items. Customers can also drop off pre-paid items at more than 1,200 Royal Mail Customer Service Points.

Households in sparsely populated areas

Royal Mail's network coverage is vital for households in sparsely populated areas. Our service will typically deliver their parcels faster, at no additional cost.

Expanding and automating our network

Parcels

About 12 per cent of our UK parcels are machine sorted. Our objective is to increase that to over 80 per cent within five years. We will install parcel sorting machines in all our Mail Centres in the early years of our transformation plan. In October 2018, we unveiled the Parcelforce Worldwide South-East Processing Centre in Hatfield. The new centre utilises some of the latest parcel handling and processing technology. It will enable Parcelforce Worldwide to handle even more parcels, allowing us to drive up our customer experience and maintain our consistently high end-to-end quality nationwide.

GLS has made parcel tracking easier on their website. Five new pictograms showing the status of a parcel has been introduced so that everything that matters is visible at a glance, including the expected delivery time, for almost all parcels. Senders can also view the signature received by the delivery driver when handing over the parcel. If a parcel is delivered to a Parcel Shop, the opening times and location details are provided.



// We are introducing new products and services to provide a better customer experience //

Letters

Letters are an important and powerful communications tool, with many advantages compared to social media and email. For example, recent research found that letters have a 35 per cent better recall rate among consumers compared to social media, or 49 per cent better compared to email³. They are also a proven driver of sales for businesses. Around one third of addressed advertising mail generates a commercial action.

During the year, we introduced a number of customer initiatives. For marketing mail (around one third of addressed mail volumes), we launched a partially addressed product for advertisers. A new magazine subscription product, for publishers, provides them with more notice of any price changes. This gives them greater certainty when they set subscription levels for their customers.

Fixing problems

We handle billions of mail items every year, serving customers across the UK and the world. While we work hard to get everything right, there are times when problems arise. Addressing and fixing these issues is an important part of being easy to do business with.

We take complaints seriously. We have developed a 'root cause' approach to dealing with them. This helps us to resolve customer issues while identifying and addressing the underlying causes. We focus on First Time Delivery and aim to improve our performance.

This year, we received 578,600 complaints. This is a 0.1 per cent decrease compared to last year, despite delivering more parcels and working an additional week in the financial year. The reduction was driven by a number of factors. They included improved scanning and recipient notifications, a focus on key processes and conformance to standards in our operation, and consistent management of complaints with an emphasis on the timeliness and quality of investigations.

- 1 House of Commons Briefing Paper on business statistics
- 2 <https://www.ons.gov.uk/peoplepopulationandcommunity/householdcharacteristics/homeinternetandsocialmediausage/bulletins/internetaccesshouseholdsandindividuals/2018>, section 3
- 3 JICMAIL_Kantar TNS, Q2 2017 – Q2 2018

N.B.—This Form must accompany any inquiry respecting this Telegram.

POST OFFICE TELEGRAPHS

The Receiver of an Inland Telegram doubts its accuracy, he may have it repeated on transmission, any fraction of 1d. less than $\frac{1}{2}$ d. being reckoned as $\frac{1}{2}$ d.; and if it be found to be incorrect, the repetition will be refunded. Special conditions are applicable to the repetition of Foreign Telegrams.

Instructions.

1st World Firsts

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in at } 10/10

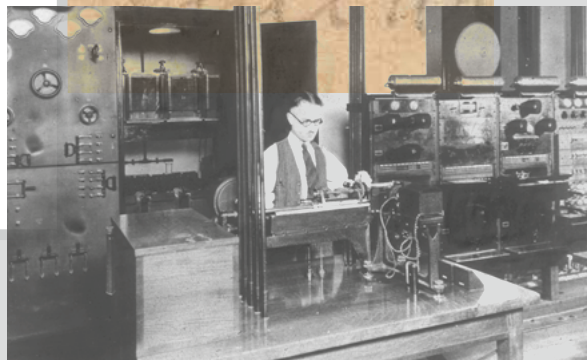
1st TELEGRAPHS CAME UNDER THE POWER OF ROYAL MAIL IN 1870

The ability to send electrical signals along a wire revolutionised communication. The first commercial electrical telegraph was co-developed by Sir William Fothergill Cooke and Charles Wheatstone in May 1837. Their system used a number of needles on a board that could be moved to point to letters of the alphabet. Messages sent by telegram were conveyed to their recipient by writing them down or later printing them for delivery.

In 1868, The Telegraph Act granted the Postmaster General the right to acquire inland telegraph companies in the United Kingdom. The Telegraph Act 1869 conferred on the Postmaster General a monopoly in telegraphic communication in the UK.

Electric telegraphs finally came under the power of Royal Mail on 4 February 1870 and that year nearly 10 million telegrams were sent. You could even post your message in a pillar box, with a stamp, for Royal Mail to send on. The cost for an inland telegram in 1880 was 1 shilling for the first 20 words and 5 old pence for every additional word afterwards.

By the 1930s, 65 million telegrams were being delivered per year, mostly by young men on bicycles or motorcycles – the telegram messenger boys carried special pouches.



Maintaining a high Quality of Service

The postal industry regulator Ofcom sets the UK's Quality of Service targets, which are some of the highest of any major European country. Delivering mail on time and in good condition is an essential part of the Universal Service. We are the only UK postal services company to have postcode area targets. We publish our performance against them quarterly.

We are disappointed that our regulatory First Class Quality of Service performance for 2018–19 was 91.5 per cent, below the target to deliver 93 per cent of this mail the next working day¹. We met our Second Class Quality of Service target, delivering 98.6 per cent of this mail within three working days, against a target of 98.5 per cent. We take our commitment to delivering a high-quality service very seriously. We are redoubling our efforts to tackle quality issues where they arise.

In addition to the regulatory targets discussed above, our Corporate Balanced Scorecard includes a KPI on First Class Retail Quality of Service. This is an independent, audited measure of Quality of Service for First Class retail products delivered by the next working day.

Retail Quality of Service (%)

	2018–19 target	2018–19	2017–18	2016–17	2015–16
First Class mail	93.0	91.8	91.7	93.2	92.5
Second Class mail	98.5	98.6	98.4	98.9	98.8

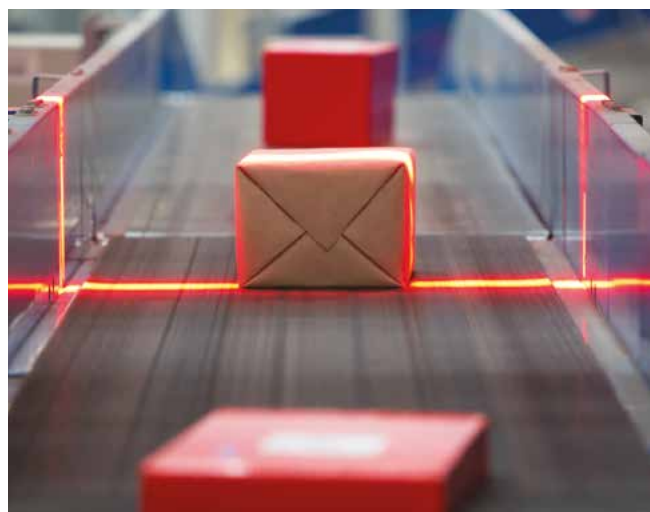
Dealing fairly and openly

Operating transparently strengthens Royal Mail's brand. Important areas of transparency for our business include our approach to undeliverable mail, delivery exceptions and how we work to help identify victims and perpetrators of scam mail.

Protecting customer data and treating it with respect is a key priority for us. We are undertaking activities across the Group to ensure compliance with GDPR. This includes protecting us from loss of data, managing information rights and managing our marketing permissions correctly.

// Protecting customer data and treating it with respect is a key priority for us //

¹ In March 2019, we noted Ofcom's provisional decision not to impose a financial penalty with respect to its investigation into our Quality of Service performance for 2017–18. Ofcom itself said that Royal Mail's performance was disrupted by certain events beyond its control in particular, the severe weather in February and March 2018



Scam mail

Royal Mail never knowingly delivers scam mail. We urge customers to contact us if they are concerned about anything they have received. We offer freepost, telephone and online services for potential victims, or concerned relatives, to bring items to our attention.

We worked with our customers, the print industry, the National Trading Standards Scams Team, and law enforcement agencies to tackle scam mail. We championed an industry-wide voluntary Code of Practice and revised Data Sharing Agreement on dealing with scam mail which is now in place. It commits all major UK mail operator signatories to sharing intelligence that will help to eliminate scam mail from our networks. An alert system has been set up to ensure intelligence is being shared across the industry.

We also work with foreign postal authorities and operators to stop scam mail arriving in the UK, to raise awareness of its impact, and to identify UK-based fraudsters who are sending scam mail overseas.

Our people play a vital role in detecting scam mail. We actively encourage them to report any suspicions, and any concerns about vulnerable households, to their line managers. We stopped over 1.1 million items of scam mail reaching our customers in 2018–19 and over 4.3 million items since November 2016.

Keep Me Posted

We founded the Keep Me Posted campaign in 2013 to give every consumer the right to choose, without disadvantage, how they receive bills and statements. To date, 40 service providers, including banks, utilities, local government and retailers, have signed up, along with over 125 charities, consumer organisations, trade unions and businesses.



Our customers

Key scam mail initiatives for 2018–19:

- We securely destroy blocked scam mail. The proceeds from the sale of the paper pulp were donated to raise victim awareness.
- Our Scam Mail Helpdesk investigated over 2,000 scam mail complaints from members of the public. These investigations help generate information that informs wider industry activity. This includes direct engagement with scam mail victims by the National Trading Standards Scams Team and other victim support organisations.
- Managers were trained on the impact of scam mail on its victims. This includes what Royal Mail is doing to tackle this issue.
- Commercial Managers were trained by the National Trading Standards Scams Team to identify the signs of scam mail.
- Our employee eLearning video was shared with the postal industry to help raise awareness. Scam mail awareness posters were deployed in Delivery Offices and Customer Service Points.
- We sent a scam mail awareness mailing to 13,000 Parish councils, local authorities and town councils.
- Stephen Agar, Royal Mail's Managing Director of Consumer & Network Access, was named as a National Trading Standards 'Scambassador'. He is one of nine business leaders who will use their influence to raise the profile of scams at national level.

Returned mail

A small proportion of the items we handle are undeliverable. This may be because of an incomplete address or a lack of forwarding address for customers that have moved to a new house.

Our National Returns Centre in Belfast aims to return all undelivered mail to the sender. During 2018–19, the centre processed around 8.9 million items of mail, out of a total 10.5 billion pieces of addressed mail sent through our network.



Delivery exceptions

As a result of difficulties in accessing postboxes or addresses, or due to safety concerns, there are a very small number of UK addresses and access points that we are unable to deliver or collect from six-days-a-week. These cases are called 'Universal Service Exceptions'. We produce a detailed Exceptions Report each year for our regulator Ofcom. A summary of which can be seen here: www.royalmailgroup.com/en/about-us/regulation/regulation-framework.

Our 2017–18 Exceptions Report showed there were 3,880 UK 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 addresses to which we deliver. In addition, there were 1,783 Universal Service collection exceptions and social access points where it was not possible to collect mail, six-days-a-week for more than 12 months. This represents approximately 0.9 per cent of the approximately 201,018 collection points across the UK.

Providing value for money

In February 2019, we announced that First and Second Class stamp prices would increase from March 2019 to 70p and 61p respectively. In October 2018, we announced an average nine per cent increase in wholesale business mail pricing. We are making these changes to help ensure the sustainability of the Universal Postal Service. We understand how hard it is for many companies and households in the current economic environment. We are committed to providing good value for money and maintaining a high quality of service.

PRIORITIES FOR 2019–20:

- Maintain a high Quality of Service for our customers.
- Continue to innovate to deliver improved products and services, including the roll-out of parcel postboxes in the UK, introduction of a return collection service from consumers homes and offer of in-flight redirections for individual parcels.
- Continue to increase the levels of automated parcel sorting.



1st Delivering a first class future

for our people

We are committed to providing our people with a safe and healthy working environment and opportunities to fulfill their potential.



Case study

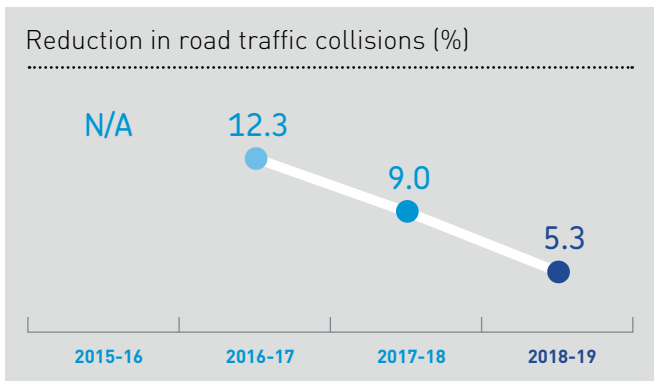
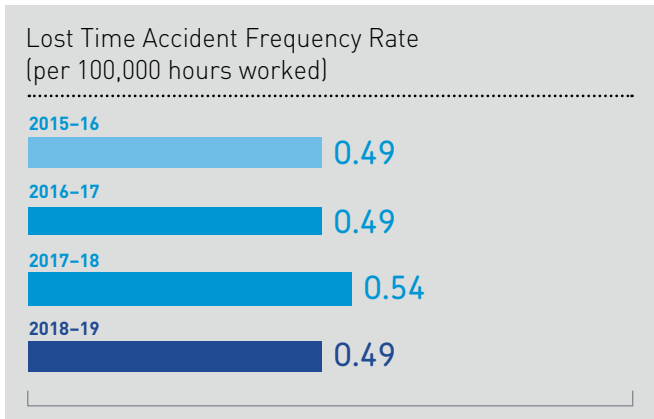
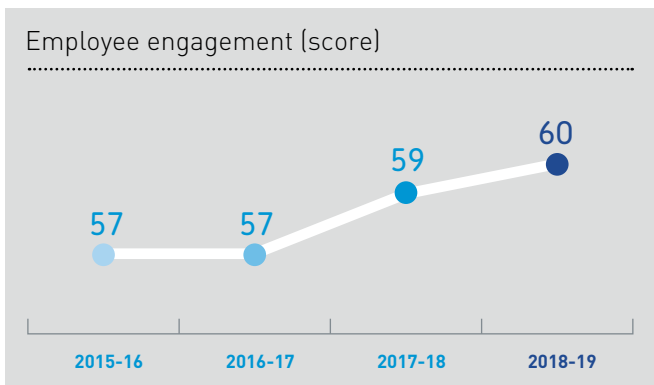
Virtual reality helping to protect our people

Our priority as an employer is to ensure the welfare and safety of our people while they provide a valuable service to our customers. Animal attacks remain a significant hazard, with our people experiencing more than 2,400 dog attacks in the past year, leaving some postmen and women with permanent and life-changing injuries.

To address the issue of dog attacks, we created a virtual reality training module as part of our annual Dog Awareness Week. This investment combines new technology and some of our traditional guidance to deliver the learning experience in a completely different way. It involves participants following a new postal worker on her round to help her look for signs of dogs and advise her on what to do.

Our people play a key role in achieving our strategic priorities. We rely on them to deliver high-quality customer service, to fulfil our Universal Service Obligation (USO), and to represent Royal Mail among our customers and communities.

Performance [KPIs]



Key facts

- Around 143,000 people are employed by Royal Mail in the UK.
- One in every 192 jobs in the UK is provided by Royal Mail.
- 99 per cent of Royal Mail employees are on permanent contracts.

Key highlights

- Our employee engagement score increased one point to 60, our highest ever engagement score.
- We introduced 'Employee Voice' forums, opening a channel of communication between our employees and the Royal Mail plc Board.
- We reduced our Lost Time Accident Frequency Rate (LTAFR) by 9.2 per cent compared with last year. This includes a 22 per cent reduction in our biggest lost time accident type – slips and trips.
- A further 11,400 employees signed up to our Feeling First Class website, which offers a range of health and wellbeing tools and resources. A total of 53,000 employees are now registered on the website.
- We increased our overall gender diversity, with women making up 19 per cent of our workforce – an increase of one per cent compared with 2017-18.

Our people

We believe that engaging our people within a fair, rewarding and customer-focused culture drives quality. Royal Mail directly employs around 143,000¹ people. We are one of the largest employers in the UK, with one in every 192 people in employment working for Royal Mail. GLS employs just over 19,000 people worldwide.

Fair working conditions are the foundations of how we do business. We promote strong labour standards in our industry. We seek to enable all our employees to fulfil their potential through a high-performance culture. We work closely with our unions to agree changes to our business model to ensure a sustainable future for Royal Mail.

Our people strategy

Our people strategy supports a more competitive business through:

- striving for an incident free working environment where everyone is safe, healthy and secure;
- creating a customer-focused culture;
- maintaining good employment standards;
- working collaboratively with our unions;
- celebrating diversity and creating an inclusive working environment;
- giving our people ownership and influence over their working lives;
- using technology and data to enhance decision making; and
- investing in people and providing opportunities for all.

WHY BEING A RESPONSIBLE EMPLOYER IS IMPORTANT TO ROYAL MAIL'S PERFORMANCE

Our stakeholders have identified engagement and culture as material issues for our business. How we engage employees, work with our unions and develop our culture directly impacts our competitiveness. Our vision is to be recognised as the best delivery company in the UK, across Europe and everywhere we do business. For details of our materiality assessment, see page 20.



Engaging our workforce

Engaged employees, who feel valued by our business, are the foundation of our customer-focused culture. Our ambition is to build an inclusive, supportive culture where all our employees are proud to play their part in delivering a quality service to our customers.

Engagement and culture are strategic priorities for us. One of the KPI's on our Corporate Balanced Scorecard is the employee engagement score, linking the remuneration of our people, including Executive Directors, to our performance in this area. Measured through our Employee Survey, we saw an increase in our employee engagement score, from 59 to 60 this year, our highest ever engagement score. Since our flotation in 2013, our engagement score has increased by 6 points. During 2018-19, our employee turnover rate was 7.2 per cent, well below the average UK turnover rate of 23 per cent.

Other key outcomes from the Employee Survey include:

- our people are more motivated and have greater overall satisfaction in their roles;
- our people are highly loyal, with both pride in the organisation and advocacy for us as an employer; and
- an increase in trust and feeling supported to deliver a great service.

People metrics	2018-19	2017-18	2016-17	2015-16
Employee engagement (score)	60	59	57	57
Job satisfaction (score)	73	72	69	68
Colleagues who say Royal Mail values diversity (%)	61	60	57	56
Colleagues who say they understand how their roles contribute to the success of Royal Mail (%)	71	71	70	67

¹ 143,000 employees include Royal Mail Property and Facilities Solutions (RMPFS) employees

We used feedback from our 2017–18 Employee Survey to build our engagement plan for 2018–19. We discussed the survey findings with our People Panel. This is an internal focus group that includes representatives from across our business. We also hosted employee engagement focus groups to hear the views of frontline staff, and engagement sessions with operational managers. These events give employees an opportunity to share their experiences, and our leadership an opportunity to hear from our people directly. As a result of this feedback, our engagement plan included the following actions, which we took during the year:

- We rolled out our People Boards across the operation. They help support our managers in having meaningful conversations with our people and working together on actions for the team.
- We piloted a toolkit for managers to share best practice from their peers on how to build trust and collaboration on site, with a view to full roll out in 2019–20.
- We extended our Appreciate site, increasing the number of recognitions our people can receive.

Following a successful trial in 2017–18, we created a local action planning board for every site, led by local management teams, focusing on the issues that really matter to our people.

During the year, the Board introduced ‘Employee Voice’ forums in addition to the People Panels. These forums aim to give the workforce a voice on key matters, enabling the Board to hear first-hand from employees across the Group to consider their views when deliberating Board matters. Forums are held in different Mail Centres across the country with around 160–200 colleagues from across the business invited to attend. The first forum was held in February 2019 in Northampton, UK. In addition, Simon Thompson was appointed the designated Non-Executive Director for engagement with the workforce.

Signatories of the Armed Forces Covenant

Royal Mail Group is proud to be a signatory of the Armed Forces Covenant. This commits us to working jointly with the Ministry of Defence (MoD) to support our colleagues who serve (reservists), or who have served in the Armed Forces, and their families. Our engagement with the Armed Forces stems back to 1816, when we sent volunteers to set up communications for the British forces following the defeat of Napoleon. Throughout our history colleagues have served in two World Wars and in many more recent conflicts. At any one time we have 200 individuals who are reservists or cadet forces volunteers across the Armed Forces. We offer practical support through time off for both ongoing training commitments and longer mobilisation periods. We also encourage applications from those who are veterans, or spouses of those still serving.

// Our values – Be Positive, Be Brilliant and Be Part Of It – represent the way we do things in Royal Mail //

Creating a value based culture

Royal Mail’s values are: Be Positive, Be Brilliant and Be Part of It. They apply to every employee and represent the way we do things both as individuals and as a company. We developed a guide to our values, shared with all line managers in 2017–18, to help improve coaching skills, guide conversations about employee development and support ongoing culture change. Our “Leading with Integrity” initiative, which helps managers identify ethical and compliance risks and make responsible decisions, also encourages them to discuss our values with their teams.

Postie of the Year, Brian Milner



Postman Brian Milner, of Chester-le-Street Delivery Office, received up the coveted Postie of the Year title at this year’s Chairman’s Awards for Excellence. His win came from both the impact he’s had on his Delivery Office team and his dedication to charity.

Brian runs Gateway Wheelers, a charity which helps disabled people to become mobile though cycling. He has been awarded the British Empire Medal (BEM) for services to charity.

As a workplace coach and the fleet lead for the DH postcode area, he’s always keen to add to his skills.

When asked about winning the Postie of the Year award, Brian said: ‘It feels absolutely fantastic. After winning the BEM for services to charity, this one feels particularly special to me because it’s what I do at work, and there are a lot of postmen and women in the land so it’s nice to be recognised. I don’t think the customer always understands what goes into getting their post to their door, especially when it’s snowing and raining. It is really nice to be recognised for that.’

Chairman Les Owen, in his speech at the Chairman’s Awards, said: ‘They are very special awards for great work by a lot of great people. Of course a lot of businesses say: “it is all about the people, but in our case it really is.”

We use our Culture Index, measured as part of the annual Employee Survey, to understand how aligned our colleagues are with these values. This year, our Culture Index score remained the same at 53.

In 2018–19, we continued to showcase colleagues who deliver outstanding customer service, as part of our ‘We are Royal Mail’ campaign. Our annual Chairman’s Awards for Excellence celebrates colleagues who have gone over and above the call of duty for customers, the community and our people. Award categories include Safety, Health and Wellbeing Champion, Community Champion, Postie of the Year and the Rising Star Award.

Royal Mail values



BE POSITIVE



BE BRILLIANT



BE PART OF IT

Our people

Investing in people

Royal Mail recognises its responsibility to our people. We offer our people good working conditions and fair pay. At the end of this year, 99 per cent of Royal Mail staff were on permanent contracts, with a competitive salary and benefits such as National Insurance contributions, paid holiday and a good pension.

Over the Christmas period, we recruit additional temporary workers to help deal with the increased workload. These temporary workers are eligible for statutory sick and holiday pay. They are not tied to working for Royal Mail exclusively.

Royal Mail Group wants to provide employees with a positive experience when they have a family, supporting employees during their pregnancy, maternity leave and during their return to the workplace by helping them to manage their work-life balance. We have formal policies in place to cover maternity, adoption leave, shared parental and parental leave. Specifically, our policies for maternity and adoption leave offer our employees up to 26 weeks of fully paid ordinary leave.

We support the new rules for parental bereavement leave. We continue to engage the Government in relation to better labour standards across the industry. This includes raising the issue of labour standards when briefing politicians and civil servants. We were pleased to see government bring forward consultations in response to the Taylor Review¹. We believe that better labour standards across the industry leads to better service standards for all customers.

// During 2018–19 we invested nearly £6.9 million in training, delivering the equivalent of around 17,000 training days //

Rewarding people fairly

We believe that all our people should be rewarded fairly for their work. Each year, we conduct a Company-wide review to identify any pay discrepancies between men and women. We were pleased to find that, as in previous years, the average salaries paid to men and women are broadly the same. On a mean basis, women are paid 0.6 per cent more than men, due to a greater proportion of women in senior positions, compared to junior and operational roles. On a median basis, men are paid one per cent more than women, due to men selecting more work that qualifies for allowances, such as shift work during the evening or at night. We pay bonuses equally to men and women on a median basis. On a mean basis, our Bonus Gap is 22.7 per cent in favour of women – compared to 9.1 per cent in the previous year. This is due to the higher proportion of women in our management populations compared to our operational population.

Our full Gender Pay Report is available at the following address: www.royalmailgroup.com/en/responsibility/our-focus-areas/our-people.



Investing in our future

Around 87 per cent of our people are Royal Mail shareholders. Since privatisation, 12 per cent of the Company has been awarded to Royal Mail employees through the Royal Mail Share Incentive Plan. All our eligible full-time employees received a maximum of 913 free shares, regardless of their role in our organisation.

Investing in our peoples' learning and development

We are committed to investing in people at all levels of Royal Mail. We provide our employees with the tools, knowledge and resources to build fulfilling careers and create opportunities for continual development. We believe that our commitment to learning and development drives results across the business.

During 2018–19 we invested nearly £6.9 million in training, delivering the equivalent of around 17,000 training days. We rolled out a wide range of learning and development programmes covering technical health and safety, compliance and job-specific training. Our online learning and development tool, Success Factors, offers colleagues a wide variety of courses. This enables them to take control of their learning journeys and pursue their career interests through training. In partnership with Warwick university, we launched a Master's degree apprenticeship for Aspiring Senior Leaders. Designed to enable managers to make a smooth transition from middle to senior roles, it enables them to tailor their Master's degree to their own career path using the extensive range of education provided across Warwick University.

We are sharing the benefits of the Government's Apprenticeship Levy by extending our apprenticeships to our charity partners such as North-West Ambulance Service. We have been highlighted as a trailblazer for levy partnership working by both National Apprenticeship Service and Health Education UK.

We provide Executive Leadership Development to our graduates and higher apprentices help them develop crucial leadership skills and behaviours. Royal Mail currently offer graduate programmes in Operations Management, Central Operations, Commercial, Logistics, Human Resources, Finance, Technology, Engineering, International, International Operations and Strategy. We welcomed over 60 graduates onto our programmes in 2018–19.

¹ The UK government published a review in July 2017 into working practices in the modern economy, led by Matthew Taylor, taking into account wages, employment quality, education and training, working conditions, work life balance, consultative participation, collective representation and a baseline of protection

Managing performance and identifying development opportunities

We carry out annual performance reviews with all our managers. They make up approximately seven per cent of our total employee population. We have a capability framework that encourages them to carry out a skills self-assessment via our online learning platform, Success Factors. The platform provides them with tailored learning resources to close any gaps that are identified. These voluntary self-assessments have the added benefit of helping us to direct our investment in training towards the areas of greatest need.

We appraise non-managers using a different process that is better suited to their career development. We assess the skills of our frontline postmen and women against our standard operating procedures, to identify skills gaps and development opportunities. As part of this process, line managers and workplace coaches develop coaching and action plans to help all of our people improve their performance.

Working collaboratively with our unions

We provide the best pay and terms and conditions in our industry. We work closely with our unions to agree changes to our working practices. We share a common goal: to secure the future of our business, so that it can grow and remain successful.

We recognise two unions: the CWU and Unite/CMA. Around 87 per cent of our operational and administrative-grade employees are members of the CWU. Approximately 65² per cent of our managers are members of Unite/CMA. In total, around 98 per cent of employees are covered by our agreements with these two unions.

In 2018–19, we lost 1,397 days to strike action, a decrease from 1,991 days in 2017–18. This was due to the work undertaken with the union to actively manage any differences which occur in line with the industrial stability section of the Agenda for Growth³.



// We work closely with our unions to agree changes to our working practices. We share a common goal: to secure the future of our business, so that it can grow and remain successful //

Following the agreement reached with the CWU in early 2018, we committed to introduce a Collective Defined Contribution (CDC) scheme for all Royal Mail employees, subject to the necessary legislative and regulatory changes being made. We also committed to work with the CWU to call on the Government to introduce the necessary legislation to support this. In November 2018, the Government announced its plans to legislate for CDC and published a consultation on how CDC pensions could be delivered. Nearly 80 organisations or individuals made submissions to the consultation. On 18 March 2019, the Government published its response, and confirmed its intention to bring forward CDC legislation as soon as Parliamentary time allows. This is an important step forward for us. We continue to work closely with the CWU to support the Government in its work to enable us to offer a CDC scheme for Royal Mail employees as soon as possible. While we seek a CDC scheme, members are building up retirement benefits under our transitional arrangements. We believe CDC is a progressive option, meeting our objectives of providing sustainable, affordable and secure retirement benefits for our people, while significantly reducing risk to Royal Mail.

We have made agreements with the CWU on pay increases for frontline colleagues, up to April 2020, and on implementing further reductions to the working week, subject to ongoing efficiency and other measures. For Unite/CMA, we have worked jointly on new processes to help standardise and improve ways of working at all operational levels. This includes the full implementation of the Cover Manager programme.

We have also enhanced our national strategic engagement with Unite/CMA. This includes working jointly on key aspects such as performance management, ways of working and the delivery of the management reduction programme within non-operational areas.

We have already begun preliminary discussions with our unions on the changes required to deliver our renewed Group strategy and five-year 'turnaround and grow' plan for the UK business. We understand that CWU is likely to hold a special conference in due course to discuss and debate the main elements of our transformation programme. As part of our engagement prior to that conference, we will work closely with a range of senior union representatives across a number of important considerations.

² Figure based on latest membership numbers provided by Unite/CMA in 2016

³ Our 2013 Agenda for Growth agreement with the CWU includes legally binding terms covering employee pay, protections and industrial stability, as well as a programme of work to help deliver change

Our people

Health and safety

Our top priority as an employer is to create a safe and healthy working environment for our people. Our goal is to create a workplace where everyone is free from injury, whether physical or mental.

Our integrated Safety, Health and Environment (SHE) Management System provides the framework for managing risk, achieving continuous improvement in our safety performance, and maintaining a safe, healthy and environmentally responsible workplace. It covers the following elements:

- standards, procedures and workplace controls for managing specific risks;
- competency and training;
- occupational road risk; and
- annual audit programmes for measuring compliance with our SHE Management System, highlighting areas where we need to improve.

We provide instruction and training for employees on how to complete their tasks safely and on our health and safety standards. A SHE Roles and Responsibilities booklet is issued and briefed to colleagues so they understand their responsibilities and how to comply with policies. Examples include, working responsibly and in accordance with SHE standards, identifying hazards and managing risk and reporting all incidents. During the year, we refreshed our fire safety training products. A new e-learning course has been completed by over 10,800 connected users, with frontline employees completing the training in group 'Work Time Listening and Learning' sessions.

As the business identifies new ways of working or introduces new technologies, we ensure that the appropriate health and safety considerations are assessed using the SHE Assurance and Concurrence process. Strong, visible leadership and face-to-face coaching conversations play an important role in strengthening our safety culture. These conversations are particularly helpful for postmen and women who spend long periods working alone and may have formed unsafe habits over time. When senior leaders talk to their wider teams about the impact of safety performance on our business, it sends a clear signal about the importance we attach to this area.



// Our top priority as an employer is to create a safe and healthy working environment for our people //

Our performance

This year, we recorded a Lost Time Accident Frequency Rate (LTAFR) of 0.49 per 100,000 hours worked, compared with 0.54 in 2017–18. This represents a 9.2 per cent improvement in the past 12 months. This includes a 22 per cent reduction in our biggest lost time accident type – slips and trips.

Road Traffic Collision Frequency Rate (RTCFR) is a key performance metric we measure and report on annually. This year, we reduced our RTCFR by 5.3 per cent, compared with 2017–18. We continue to work hard to reduce this further.

We invest in driver training and road safety campaigns to promote safe driver behaviours. In 2018–19, we added a new module to the Royal Mail Driver Certificate of Professional Competence (DCPC) training to cover Safe Motorway Driving and Emergency Aid. The training includes first aid principles such as how to use a defibrillator, and how to aid other motorists in trouble. We also launched a video showing driver exercises and seat adjustment, to combat muscular skeletal conditions.

During 2018–19, we introduced the following initiatives to help reduce road traffic collisions. We successfully trialled the use of forward-facing cameras in Heavy Good Vehicles. We have now expanded the trial with a view to national deployment. We created a Rollaways Working Group to consider approaches that we can take to eliminate or reduce the risks of vehicles rolling away when parked. The actions we identified include placing an emphasis on secondary controls such as leaving a vehicle in gear, expanding the trial of a handbrake warning device, and ordering electronic parking brakes to be fitted on vehicle purchases.

It is with great regret that we report that seven people tragically lost their lives in connection with our activities in the UK in the past year. The fatalities were associated with road traffic collisions involving our vehicles. We liaise closely with the relevant authorities. We conduct our own detailed investigations to determine the root cause of each accident and identify any lessons that can be learned. We have a Fatal and Serious Accident Protocol that guides our investigations and reports, and the actions we take. We discuss investigations at Board level and communicate outcomes across the Group. We also share any lessons that can be learned with the wider road safety community.

9.2%

IMPROVEMENT IN OUR LOST TIME ACCIDENT FREQUENCY RATE IN THE PAST 12 MONTHS



Animal attacks remain a significant hazard for our people. Over 47 postmen and women are still attacked each week across the UK, some leading to a permanent and disabling injury. Unfortunately, animal attacks increased by nine per cent compared to last year. They accounted for 36 per cent of the injuries sustained by our people while at work during the year. Following an attack, we support our people in securing a prosecution and assist with their physical and mental rehabilitation. We partner with external organisations, like the CWU and the police, on this issue. We campaign nationally to reduce the risk of this issue. In addition, we hold an annual Dog Awareness Week to highlight ways that our people can reduce the risk of dog attacks.

In 2018–19, the GLS Corporate Occupational Health and Safety team developed a Corporate Occupational Health and Safety Directive, and rolled it out across all European GLS subsidiaries. The team is currently following up with audits to ensure the directive has been implemented. The audits started in January 2019. They have been completed in Hungary, Belgium, Denmark and Spain. All remaining audits will be completed by September 2019. During 2018–19, GLS Lost Time Accident Frequency Rate for its own employees increased from 1.5 to 1.6.

Safety metrics ^{1,2}	2018–19	2017–18	2016–17	2015–16
Reduction in road traffic collisions (%)	5.3	9.0	12.3	N/A
Lost Time Accident Frequency Rate (per 100,000 hours worked)	0.49	0.54	0.49	0.49
Total accidents (number)	7,071	7,457	7,298	8,040
Days lost due to accident (number)	25,245	26,208	21,437	23,038
Fatalities (number)	7	4	1	2
Sick absence (%)	5.41	5.09	4.63	4.51

¹ Figures represent UKPIL safety performance

² Full definitions of our assured KPIs are in our 2018–19 Reporting Criteria, available on our website at www.royalmailgroup.com/en/responsibility/policies-and-reports

Improving health and wellbeing of our people

Supporting health and wellbeing boosts workplace morale, and it is crucial to our people strategy. Our support for employee wellbeing includes our Feeling First Class website. The site provides employees with a range of health and wellbeing tools and resources, including an online stress tool and fitness programmes. This year, 11,400 employees signed up to use the site, bringing the total number of employees registered to 53,000. We are also developing a new intranet page to promote musculoskeletal health.

Our levels of sickness absence saw a slight increase to 5.41 per cent, compared with 5.09 per cent in the previous year. Flu and flu-like symptoms are a significant cause of short-term absence among our people. In 2018–19, flu jabs were offered to all employees free of charge. Although the uptake was lower than anticipated, at 5.4 per cent of employees, there has been a reduction in absence due to flu compared to the previous two years.

The leading causes of long-term illness among our people are mental health conditions and musculoskeletal injuries.

Preventing and tackling musculoskeletal injuries

Musculoskeletal disorders are problems causing aches and pains in the muscles and joints such as arthritis, slipped discs, repetitive strain injuries and a wide range of other conditions.

We developed a musculoskeletal injury action plan in 2017–18, using input from around 1,500 colleagues and a detailed analysis of accidents and ill-health statistics. The resulting Stamp Out Aches and Pains campaign was launched in October 2018 to raise awareness of the causes of conditions, how to prevent them from occurring and to manage problems that do occur. We have launched a wide range of training materials including:

- Manual handling training for all operational employees;
- eLearning and a risk assessment for employees using Display Screen Equipment;
- eLearning for managers to manage musculoskeletal problems;
- A leaflet distributed to all employees in our in-house magazine, encouraging them to take proactive measures to look after their own musculoskeletal health; and
- A musculoskeletal module in the Driver Certificate of Professional Competence training, which includes stretching exercises and seat adjustment videos

Our ergonomics work contributes to the development of good equipment and working methods to minimise musculoskeletal risk. We take ergonomics into account whenever we develop new equipment or working methods. Our Health and Wellbeing team worked closely with the Operational Design teams on a wide range of projects to assess, develop, or improve working methods. They included modifications to delivery pouches and trolleys, vehicle rack systems, and parcel and letter sorting machines.

Our people

Addressing mental health

Our five-year mental health strategy has four core objectives:

- **Increase awareness of mental health conditions in the workplace**
Our mandatory mental health e-learning module for managers raises awareness of mental health conditions. It highlights the support and resources that are available for our people. We make it available to all employees via our Feeling First Class website.
- **Reduce the stigma associated with mental health conditions**
Our Global Director of Safety, Health, Wellbeing and Sustainability published Positive Male Mind, a book focused on men's mental health and the stigma attached to it. The book aims to support men and those who care about the mental health of men around them (colleague, husband, brother or son), by helping them to understand some of the issues they face day-to-day. Royalties from the sale of the book are being donated to Action for Children and the Rowland Hill Fund.
- **Provide tools and guidance to our people so that they know how to support themselves, their colleagues and their family members**
We continue to provide a wide variety of solutions to support the mental health of our employees, with information about where to seek help and support for mental health conditions. We recognise that stress is a leading cause of mental ill-health. Our Stress Guidance Toolkit, available on our intranet site, helps colleagues to understand and address the potential causes of the stress they experience.
- **Ensure our people know where to go in a crisis**
Our Mental Health First Aid training course is available for managers, mental health ambassadors and health and safety representatives. In addition, our mental health ambassador programme trains employees to provide support to colleagues who are experiencing mental ill-health. Our ambassadors include frontline colleagues, managers and union reps.

We added a question on mental health to our 2018–19 Employee Survey. The survey showed that 52 per cent of employees believe that Royal Mail provides support for those with mental health needs.

// In September 2018, we won the 'Mental Health Initiative of the Year' award at the Workplace Savings and Benefits Awards //



52%

PER CENT OF EMPLOYEES BELIEVE THAT ROYAL MAIL PROVIDES SUPPORT FOR THOSE WITH MENTAL HEALTH NEEDS

We continue to receive regular external feedback that our 'Because Healthy Minds Matter' strategy and plan sets the benchmark and is influencing mental health activity in other organisations. In September 2018, we won the 'Mental Health Initiative of the Year' award at the Workplace Savings and Benefits Awards. It recognised our 'courageous' mental health strategy.

Our mental health charity partnerships with Action for Children, Mind and Mental Health UK supports our mental health work with our employees. More information on our campaign for mental health is available on page 58.

Ageing workforce

The UK workforce is ageing. The Royal Mail workforce reflects this trend with 47 per cent of our people being over the age of 50. Our Health and Wellbeing team led a working group drawn from Human Resources, Operational Design, Operations, Safety, Health and Environment, and union representatives, to gain an understanding of the issues, and how to effectively support our colleagues. The working group has made a number of recommendations, and will work with relevant stakeholders to implement these changes.

A diverse and inclusive workforce

Royal Mail believes that diversity involves more than just a workforce with representation from a wide variety of groups, it also involves giving every one of those groups a voice and valuing the contributions from all of our people. As a company, we are committed to placing fairness, diversity and respect at the heart of our business and to creating a welcoming and inclusive environment for everyone.

Our Diversity Council oversees our diversity and inclusion strategy and is responsible for driving culture change. Volunteers from our people have also established six diversity steering groups. They are inclusive, open to all employees with an interest in this area and include:

- Women;
- Black, Asian and Minority Ethnic (BAME) groups;
- Lesbian, Gay, Bisexual and Transgender (LGBT) & Friends;
- Disability;
- Parents and Carers; and
- Youth & Friends

We raised awareness of diversity and inclusion throughout the year, to ensure that our colleagues from all backgrounds feel valued at work. We celebrated festivals and events from around the world, including International Women’s Day, National Carers’ Week, Black History Month, National Coming Out Day and International Day of People with Disabilities.

// Royal Mail believes that diversity involves more than just a workforce with representation from a wide variety of groups, it also involves giving every one of those groups a voice and valuing the contributions from all of our people //

In January 2019, we held our annual Inclusion Week. It focused on the power of inclusive workplaces and teams and built on the success of our previous Altogether Different campaign. Our intranet, extranet, in-house magazine Courier and newsletters featured employees’ stories about their experiences in the workplace and what being inclusive means to them. Employees watched our Being Inclusive video, which featured their stories, more than 5,600 times during Inclusion Week.

We collect employee diversity information during recruitment, provided that our new employees consent to sharing it, and via our anonymous annual Employee Survey. In our 2018 Employee Survey, we introduced diversity questions on all protected characteristics. This provided us with valuable insight into the experiences and views of diversity groups. For the first time, employees were able to disclose their gender identity, sexual orientation, childcare and caring responsibilities.

// We have created programmes to help young people and the long-term unemployed into work //



Inclusive recruitment

We are committed to recruiting diverse talent so that our workforce reflects the diversity of the communities we serve. We have created programmes to help young people and the long-term unemployed into work.

We proactively recruit people from under represented and socially excluded groups. In partnership with external organisations, such as Business in the Community and Vercida (previously Diversity Jobs), we ensure that our employment opportunities are visible and accessible to people from diverse backgrounds.

Apprenticeships offer people from different backgrounds a way to gain the skills, knowledge and experience they need to start or refocus their careers, enabling them to ‘earn while they learn.’ In 2018–19, 705 apprentices joined over 30 Royal Mail programmes. They included opportunities in finance, technology, sales, project management, logistics management, vehicle technology and engineering. We introduced degree apprenticeships to capture talent at an early stage.

We work with various partners to offer work experience to disadvantaged and minority groups to help them develop valuable workplace skills. These included Groundwork, which provides work experience while creating a greener environment, and People Plus, which supports people into work and helps them build independence and progress their careers.

705

APPRENTICES JOINED OVER 30 ROYAL MAIL PROGRAMMES

Our people

Gender diversity (headcount) ¹	Royal Mail female		Royal Mail male		GLS female		GLS male	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Royal Mail plc Board	2	3	5	6				
Senior Management ²	720	730	1,551	1,619	31	50	203	301
Management	1,495	1,460	5,523	5,445	3,585	3,414	3,260	3,105
Administrative	1,398	1,387	974	970				
Operational	22,531	20,967	105,634	105,556	2,100	1,953	10,042	9,132

Gender diversity

At year end, 29 per cent of our Board were female. We support Lord Davies' recommendation that Boards should have 33 per cent female representation by 2020. Across the operation, women make up 32 per cent of our senior managers and 18 per cent of our operational grades.

We continue to take steps to make our recruitment process more inclusive and accessible to women. We have updated the language used in our job advertisements to make them more attractive to people with childcare and caring responsibilities. Where appropriate, we use balanced shortlisting to help address the gender balance in our business. In 2018-19, women were hired into 32 per cent of new operational roles.

Our Women's Steering Group runs a number of initiatives and bi-annual women's events. In 2018, they rolled out a 'Vote 100 Role Models' campaign, celebrating the achievements and contributions of our female colleagues across the business. In addition to the Women's Steering Group, there are a number of additional women's networks across the business.

Career development for women is one of our key diversity priorities. We have a strategy to increase the number of women in management by giving internal candidates the confidence to apply for promotions, and by growing our own talent. We adopted the online personal and professional development platform Everywoman, designed to empower women to take control of their personal and career development. The platform is open to both women and men in the workplace; over 1,200 colleagues have already signed up. It includes webinars, workshops, articles, videos and webcasts.

1st World Firsts

1st ROBERT WALLACE (1773-1855)

Scottish politician, Robert Wallace was an agitator for postal service reform. Wallace was chairman of the committee that examined Rowland Hill's penny postage scheme submission; and it was by his casting vote that it was decided to recommend this scheme to parliament. Without him, the postal service as we know today might not exist.

UNIFORM Penny Postage
PEN
19
SIR ROWLAND HILL 1795-1879

¹ Our 2018-19 CR Performance and Data Appendix is available at www.royalmailgroup.com/en/policies-and-reports and includes a breakdown of headcount by age and ethnicity

² The overall population of senior management in the GLS business has reduced by 117 due to a re-evaluations of management positions following recent acquisitions

Our Springboard confidence building programme provides direct support to help develop female employees in non-managerial roles. 128 delegates completed 11 cohorts of four workshops (44 courses) under the programme.

We have earned external recognition for the progress we have made improving gender diversity at Royal Mail. This year, The Times named Royal Mail as one of its Top 50 Employers for Women for the sixth consecutive time.

Ethnic diversity

Royal Mail's ethnic profile is broadly representative of the UK population. 14 per cent of our employees declared themselves to be from Black, Asian and Minority Ethnic (BAME) backgrounds within the 2018–19 Employee Survey.

Our BAME steering group held local events, and celebrated inspiring role models during Black History Month and inclusion week. Members also participated in focus groups. Their aim was to better understand the experiences of our BAME colleagues and identify any barriers to progression, both at Operational and Senior Manager levels. The feedback will be used to inform our Diversity and Inclusion strategy, and activities to foster BAME talent.

Royal Mail is a signatory of the Race at Work Charter. We work with Business in the Community's (BITC) Gender and Race Equality campaigns to support and follow best practice. We participate in the BITC Mentoring Circles programme. During 2018–19, a further ten Royal Mail colleagues took the next step in their careers with help and advice from an external BAME mentor. The BAME steering group also celebrated the graduation of its first cohort of in-house BAME mentoring circles. It will launch a second cycle of in-house BAME mentoring circles in 2019–20.

We have a separate Spring Forward programme for male and female BAME colleagues who have traditionally been under-represented in senior positions. This year, 23 managers attended Spring Forward workshops. They focus on personal development and aim to give colleagues the skills, knowledge and confidence to advance their careers.

Supporting our LGBT+ colleagues

We are proud to be part of Stonewall's Diversity Champions programme. It campaigns for equality for lesbian, gay, bisexual and transgender+ (LGBT+) people and provides employers with access to guidance and good practice in LGBT+ inclusion.

In our 2018–19 Employee Survey, one per cent of our respondents described themselves as transgender and five per cent described themselves as lesbian, gay or bisexual. The LGBT & Friends Steering Group promoted transgender awareness and shared the inspiring stories of our trans colleagues via our Digital Pride Campaign. The steering group worked with Gendered Intelligence, a not-for-profit community interest company that works with the trans community, to launch a series of transgender awareness films. They featured Royal Mail transgender employees.



In 2018–19, Royal Mail took part in both London Pride and UK Black Pride. Our LGBT & Friends steering group and local networks hosted a series of Prides across the UK, with over 300 of our colleagues attending. We commissioned Pride-themed vans and a postbox in London. The steering group also marked the International Day against Homophobia, Transphobia and Biphobia, Bi-Visibility Day and National Coming Out Day. It partnered with Stonewall for a Role Models event, which empowered colleagues to engage with peers and promote LGBT+ inclusion in the workplace.

Supporting our disabled colleagues

We are committed to supporting disabled applicants and employees at all stages of the employment cycle. They include offering reasonable adjustments to the workplace where appropriate. Our Disability Confident Employer status was confirmed by the Department for Work and Pensions in August 2018. The Disability Confident scheme, which replaced the Disability Two Ticks scheme in 2017, guarantees an interview for disabled applicants who meet the essential criteria of the job they are applying for. Royal Mail continues to work with the disability charity Remploy to provide jobs and work placements for people with disabilities.

Royal Mail is a Gold Member of the Business Disability Forum (BDF), the leading employers' organisation focused on disability. The BDF helps businesses to develop strategies, policies and procedures, and suggests solutions to disability concerns, as well as providing commercial expertise in relation to disabled customers. Information collected through our 2018–19 Employee Survey shows that approximately 13 per cent of Royal Mail employees identify themselves as having a disability. We make reasonable adjustments to the workplace to support employees with disabilities and long-term health conditions. We provide training in assistive technology and software where required.

This year we introduced a mandatory Disability and Reasonable Adjustments training for Operational managers. This was to ensure they are confidently and effectively supporting disabled colleagues. To date 97 per cent of our Operational managers have completed it. Our Disability Helpline provides support to managers who need to source assistive equipment or provide a British Sign Language interpreter for employees.

Our people

Supporting our colleagues with childcare and caring responsibilities

Our Parents and Carers steering group supports employees caring for others. The steering group worked with Employers for Carers, and contributed to the Business in the Community Equal Lives campaign, to raise awareness of the experiences of people with childcare and caring responsibilities.

In our 2018–19 employee survey 28 per cent of our respondents shared that they have childcare responsibilities, nine per cent told us that they have caring responsibilities. We use these insights to guide our approach. After our 2017–18 employee survey showed that employees with caring responsibilities were having less positive experiences than those with childcare responsibilities, the steering group focused on raising awareness of carers' experiences and the support available to them through our family friendly and flexible working policies. The group also marked National Carers' Week and the Carers' Rights Day. They have worked to promote the inspiring stories of role models with caring responsibilities for older and disabled dependants.

Supporting our youngest colleagues

Employees under the age of 30 make up around eight per cent of our workforce. Our aim is to attract more young people into Royal Mail and support and retain young talent. The Youth & Friends steering group represents employees under the age of 30, and is committed to making the business a place where young people can achieve their potential.

The group developed an action plan focusing on three key strands: membership, events, and awareness raising. In August 2018, it hosted an event at the Phoenix Centre in London to engage with colleagues aged 30 and under, giving them the opportunity to share their workplace experiences and suggest ways we can improve them. The feedback helped shape the steering group's activity and informed the wider HR strategy on attracting and retaining young talent.

PRIORITIES FOR 2019–20:

- Continue to work with the CWU to deliver the key outputs from the national negotiations aligned to: pensions, the working week, efficiency, our agreements and the future shape of Royal Mail.
- Continue to work with Unite/CMA on enhancing and supporting our managers to deliver key outputs and initiatives, and on pay discussions for junior and middle managers.
- Achieve our 20 per cent target for women in operational roles by 2020.
- Enhance collaboration between our diversity networks to maximise their impact and reach.
- Continue to improve compliance to our internal SHE Standards. Raise awareness of, and provide education and support for, mental health and musculoskeletal conditions.



Ensuring dignity and respect in the workplace

Royal Mail is committed to creating a workplace where our colleagues feel respected and able to thrive. We are tackling bullying and harassment in any form.

We have a bullying and harassment policy that sets out the formal procedure for resolving issues. We provide clear channels for colleagues to escalate any concerns they have. We also provide support for colleagues experiencing any issues. In 2018–19, we saw an increase of 18.5 per cent in the number of bullying and harassment complaints, this is compared to a particularly low number of complaints reported in 2017–18. Our managers are trained to address bullying and harassment and to conduct thorough investigations. Where possible, we aim to resolve disputes using in-house mediation. This year, 91 per cent of mediations resulted in a successful agreement between the parties involved, compared to 94 per cent in 2017–18.

// Royal Mail is committed to creating a workplace where our colleagues feel respected and able to thrive //



1st Delivering a first class future

for our communities

Royal Mail seeks to be an integral, valued and trusted part of every community across the UK, with postmen and women on streets six-days-a-week.



Case study

The eyes and ears of the local community

Our partnership with Missing People uses the local presence of our postmen and women to support the search for vulnerable, high-risk missing people.

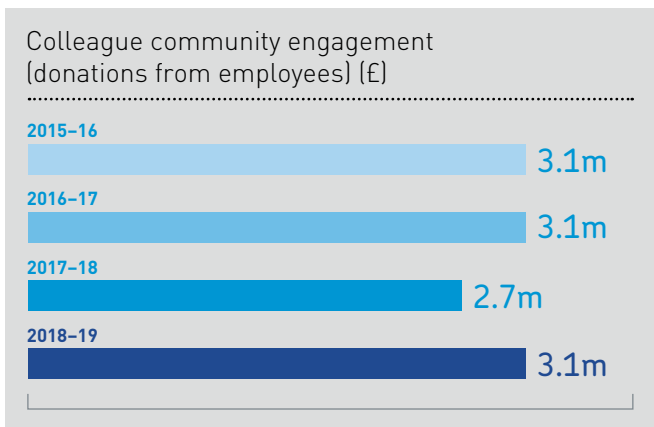
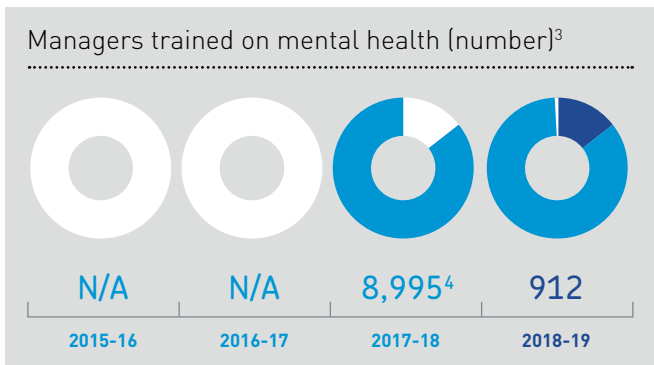
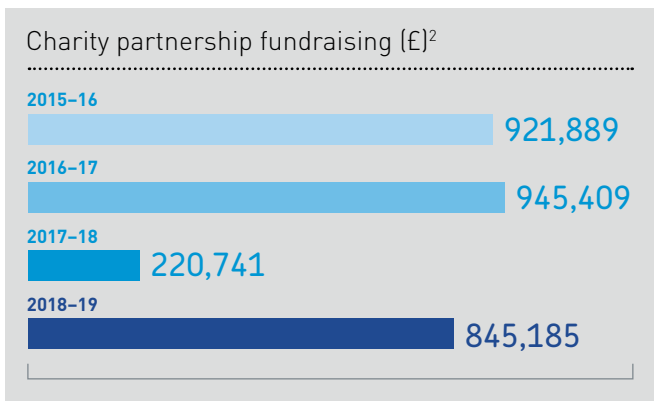
For the fourth consecutive year, we provided a donation of £60,000 to fund Missing People's Child Rescue Alert system. This is specifically for children that have been abducted or who are believed to be in immediate danger. The system runs 24 hours a day, 365 days a year by sending location-specific alerts through our network of handheld Postal Digital Assistants (PDAs) and business television screens.

We enhanced our PDA technology in 2018–19 to send images of high-risk missing people to postmen and women along with the written description. During 2018–19, we issued 57 alerts, with 54 people found safe and well.

Jo Youle, Chief Executive, Missing People stated, "Being able to respond immediately when a vulnerable child has gone missing by targeting local communities and Royal Mail workers is vitally important in helping to ensure the child's safe return. And, as we have seen during the past year, Child Rescue Alerts can lead to direct results".

Delivering economic and social benefits to the communities in which we operate is one of Royal Mail's core corporate responsibility objectives. It reflects our role as the sole provider of the Universal Service and an integral part of life in the UK.

Performance [KPIs]



Key facts

- £10.3bn added to the UK economy through direct and indirect contributions¹.
- 7th biggest contribution of any UK company to the UK economy¹.
- 66,000 full time equivalent jobs indirectly supported by Royal Mail in the wider economy¹.
- £5.8m contributed by Royal Mail to good causes and schemes for disadvantaged groups.
- £3.1m donated by our UK colleagues to hundreds of charities and good causes this year.

Key highlights

- Fundraising for our key charity partner Action for Children has exceeded £1 million.
- This year 1,300 students completed the Royal Mail funded "Blues programme". 81 per cent said they had increased confidence, 75 per cent have improved relationships at school, and 76 per cent have improved self-esteem.
- Money raised through our payroll giving scheme has reached over £62 million since it began in 1989.
- We sent our 200th high risk Missing People alert out to our people.

¹ Cebr Research, conducted for Royal Mail in May 2019
² Charity partnership fundraising refers to money raised by our employees for our charity partner, plus company matching, during the reporting year. Funds raised during 2017-18 and 2018-19 were for our current partner, Action for Children. Funds raised in 2015-16 and 2016-17 were for our previous charity partner, The Stroke Association
³ Managers trained on mental health was a new KPI in 2017-18. It reflects our increased focus on mental health through our charity partnerships and wellbeing programme
⁴ 2017-18 performance restated from 8,561 to 8,995 as a result of improved data capture during the reporting year

Our social and economic impact

Royal Mail is proud to provide the Universal Service. It is an integral part of the digital economy and vital to the UK's economic future.

Royal Mail seeks to be an integral, valued and trusted part of every community that our service reaches. Our main contribution to communities is our social and economic impact. We make the seventh largest contribution of any UK-based company to the UK economy. One in every 192 jobs in the UK is provided by Royal Mail. Our employment is disproportionately weighted towards areas where there are fewer job opportunities available. This enables us to make a significant contribution to social inclusion.

Our economic and commercial contribution

We commissioned the Centre for Economics and Business Research (Cebr) to carry out regular impact assessments of our UK business, UKPIL, to quantify our contribution to the UK economy. Cebr found that Royal Mail added £10.3 billion to the UK economy in 2018–19, through direct and indirect contributions. This includes our contribution through the employment we provide, the suppliers we work with and the taxes we pay.

The Universal Service is a key part of the UK's digital economy. The output of the digital economy currently forms more than 30 per cent of the UK's GDP, and is forecast to increase more than 20 per cent between 2015 and 2022. Amongst comparator countries UK e-commerce spend per person is over double the next highest country¹⁶.

WHY COMMUNITY IMPACT IS IMPORTANT

Our stakeholders rank community impact as one of the most material issues for our business. They noted that Royal Mail's community footprint is one of the main factors that differentiates us from our competitors. For details of our materiality assessment, see page 20.

CEBR METHODOLOGY

Cebr used a combination of national statistics sources and data supplied by Royal Mail, relating specifically to UKPIL. We provided the following information from the financial year 2018–19 for the study:

- taxes on UKPIL products (on a gross and net basis);
- taxes on production (e.g., business rates) and on income (e.g., National Insurance Contributions, income tax, corporation tax);
- the apprenticeship levy;
- employee compensation (taking in basic salaries, bonuses and overtime);
- profit before tax and depreciation;
- intermediate consumption (supply chain); and
- employment (headcount and number of full-time equivalent employees).

The full study methodology is published online at www.royalmailgroup.com/en/responsibility/policies-and-reports.

// Cebr found that Royal Mail added £10.3 billion to the UK economy in 2018–19, through direct and indirect contributions //



¹⁶ Ofcom Communications Market Report, 2 August 2018

Socio-Economic impact facts

Cebr calculated the economic contribution of Royal Mail's UK business. The analysis was commissioned by Royal Mail in May 2019 using our 2018-19 financial performance data.

ECONOMIC IMPACT

£10.3bn

OF GROSS VALUE ADDED BY ROYAL MAIL'S UKPIL BUSINESS UNIT

£5.8bn

DIRECTLY CONTRIBUTED TO THE UK ECONOMY BY ROYAL MAIL

£4.5bn

OF GROSS VALUE ADDED TO THE UK ECONOMY THROUGH WIDER INDIRECT IMPACTS

SOCIAL IMPACT

143,000

WE HAVE AROUND 143,000 EMPLOYEES ACROSS THE UK¹⁷

66,000

A FURTHER 66,000 JOBS ARE INDIRECTLY SUPPORTED BY ROYAL MAIL IN THE WIDER ECONOMY

Further details on the methodology and the information provided is available at → www.royalmailgroup.com/en/responsibility/policies-and-reports.



¹⁷ This comprises Royal Mail, Parcelforce Worldwide and Royal Mail Property & Facilities Solutions.

¹⁸ This includes employer and employee National Insurance contributions, income taxes, business rates, the apprenticeship levy and a range of indirect taxes paid directly and through UKPIL's suppliers.

ECONOMIC IMPACT

£1.9bn

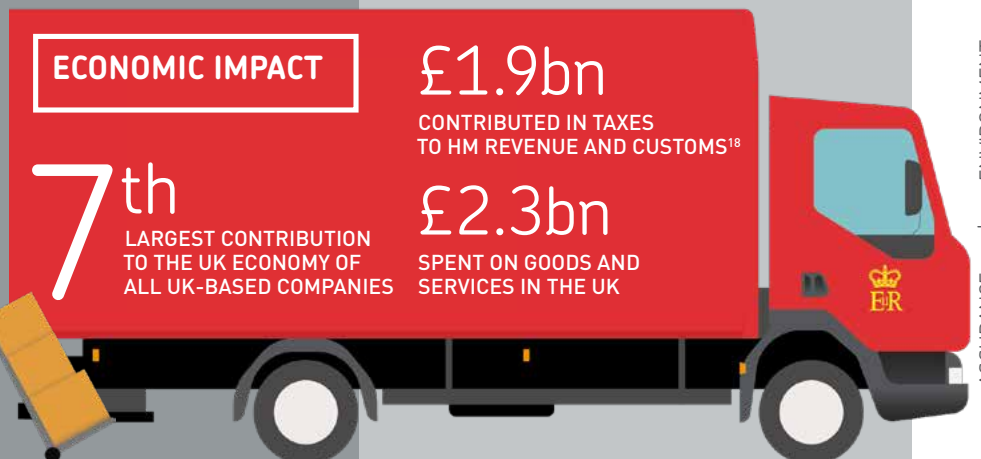
CONTRIBUTED IN TAXES TO HM REVENUE AND CUSTOMS¹⁸

7th

LARGEST CONTRIBUTION TO THE UK ECONOMY OF ALL UK-BASED COMPANIES

£2.3bn

SPENT ON GOODS AND SERVICES IN THE UK



Strategic community investments

We have a presence in every community across the UK, with postmen and women on streets across the country six-days-a-week. We are committed to creating long-term benefits for the communities we serve.

Alongside our socio-economic impact, we expand our positive impact through strategic community investments. These include charitable initiatives that leverage our national scale and local presence.

In 2018–19, Royal Mail contributed £5.77 million directly to good causes and schemes for disadvantaged groups. This includes our Articles for the Blind service. The service enables blind and partially sighted individuals to send items, such as talking books, mobility aids and relief maps, free of charge. Our contribution also includes £655,000 in matched giving and grant schemes to support employees' fundraising for registered charities and good causes.

Community metrics	2018–19	2017–18	2016–17	2015–16
Total amount contributed by Royal Mail	£5.77m	£7.05m	£7.95m	£6.72m
Total amount contributed by employees	£3.06m	£2.70m	£3.11m	£3.12m
Total contributions supported by Royal Mail	£8.82m	£9.75m	£11.06m	£9.83m

Our community programme has been recognised again this year by the following organisations:

- Dow Jones Sustainability Index awarded Royal Mail top score in the Corporate Citizenship and Philanthropy section in our industry for five consecutive years.
- The Platinum Payroll Giving Quality Mark.

We measure our employees' support for our community investment programme through our annual Employee Survey. The 2018 survey showed that 56 per cent of employees believe Royal Mail does good things in the community.

£8.82m
TOTAL CONTRIBUTIONS SUPPORTED BY ROYAL MAIL

Our community strategy

Leverage our national scale

Our charity partner programme focuses our national scale around a single cause chosen by our people, to which we can make a measurable difference.

Use our local presence

Our Missing People partnership uses our presence in communities to help find vulnerable, at-risk people of all ages. Our Community Support and payroll giving schemes support the causes our people feel passionate about.

Unlock potential through education

Our online magazine, Teacher's Post, provides classroom resources. Our partnership with The Prince's Trust enables the Trust to support young people with mental health problems.

Leveraging our national scale

Our charity partnership programme harnesses Royal Mail's collective size for the benefit of a national cause. We use our workforce, our assets and our fundraising potential, to create partnerships that make a significant impact in society.

In 2017, following an employee vote for a new charity partner, we began a partnership with Action for Children. Our strategic partnership with Action for Children is one of the biggest corporate charity partnerships for mental health in the UK. We aim to raise £2 million to fund the delivery of a new nationwide programme of mental health support for young people in schools across the UK. To date our fundraising has exceeded £1 million. More information can be found on pages 58–59 of this report.

Helping young people with mental health issues

Red Nose Day chose GLS Belgium as its official transport partner for 2018. GLS Belgium was responsible for free distribution of red noses that were then sold to raise money for schools supporting young people with mental health issues. In addition, 57 of GLS's ParcelShops also sold red noses. All of GLS's Flemish depots organised fundraising events for the cause. In total, GLS raised €13,755 for Red Nose Day.

Using our local presence

Our partnership with Missing People uses our presence in local communities to support the search for vulnerable, high-risk missing people by sending location-specific alerts through our network of handheld PDAs. To date we have issued over 200 alerts to our people.

“I find the ability to use the Royal Mail alerts very useful. It means we are able to reach those who are out on the streets quickly and effectively. As my partner is a Postman I know how he is aware of when something appears out of place, or someone stands out, so I feel this is a very valuable asset for us in helping to find those who are missing.”

Feedback from a police officer following a Royal Mail alert for a missing person.

In November 2018, GLS Germany supported the Federal Association of Children’s Hospice’s Christmas gift campaign. This campaign provides gift packages for children who are suffering from a life-shortening illness, and their siblings. Several companies donated toys for gift packages and GLS employees were among the volunteers who packed parcels. GLS provided package labels and delivered the finished parcels free of charge to families throughout Germany.

Empowering our people to support community causes

We encourage our employees to support causes that are important to them through a range of initiatives:

- **Charity partner matched giving:** We match money raised by colleagues for our main charity partner, up to £2,500 per employee per year.
- **Community matched giving:** We match money raised by colleagues for all other charities and good causes, up to £200 per employee per year.
- **Grant schemes:** This year, we supported around 404 charities through matched giving and fundraising grants. We also offer colleagues grants to help cover the cost of materials used at volunteering events. In 2018–19, we distributed 179 grants.

Ops Challenge raises money for Action for Children

Our Operations Fundraising Challenge pits teams of our operational colleagues against one another in a bid to raise the most money for our charity partner in a three-month period. In 2018–19, the Challenge raised over £382,000. Colleagues in Parcelforce Worldwide raised the most money per head. Parcelforce Worldwide managing director, Gary Simpson, said “I am so proud of the efforts that everyone at Parcelforce has put into raising such a fantastic amount of money for Action for Children. Our people gave up their own time to achieve this and we had such diverse fundraising ideas, from abseiling to tuck shops.”



National impact through payroll giving



Our payroll giving scheme, which holds the Platinum Payroll Giving Quality Mark, is one of the largest in the UK. Since 1989, it has contributed over £62 million to around 2,400 charities.

Donations made to our charity partner, Action for Children, through payroll giving are matched penny-for-penny by Royal Mail. At year-end, over 2,400 colleagues had signed up and given over £90,000 a year to Action for Children this way.

During 2018–19, over 32,000 of our people gave more than £2.4 million through payroll giving, making a huge difference to 831 national and local charities across the country.

These included:

- County Air Ambulance
- Action for Children
- Barnardo’s
- Cancer Research UK
- Hospice UK

Our people support both national and local charities and their support through this scheme makes a huge difference to communities UK wide.

We provide our people with the opportunity to make donations directly from their pay to charities of their choice. Pennies from Pay allows employees to have their pay rounded down to the nearest £1. The difference is matched and donated to our charity partner, Action for Children.

Helping our people in times of need

Our in-house charity, the Rowland Hill Fund, provides support to current and former Royal Mail employees. During 2018–19, the Fund provided 359 grants totalling £470,019. Royal Mail contributed £60,100 in in-kind donations to the fund. Our employees donated a further £66,293 through payroll giving this year. We work with the Fund to ensure all employees are aware of the support it provides.

In 2018–19, the Post Office Orphans Benevolent Institution (POOBI) provided £302,000 in grants to children of Royal Mail employees. The money for POOBI grants is generated by employee payroll contribution of £19,000 per year, the Civil Service Insurance Society (CSIS) grants and from investing a fund of around £7 million created by donations from employees over the last 150 years. POOBI uses these funds to provide support for children directly impacted by hardship or disabilities. It also provides bursaries for university degrees and awards for children with special vocational talent.

Our campaign for mental health

Research shows that, every year, one in four of us will develop mental health issues. It is one of the leading causes of long-term illness among our employees and is of great importance to our business and the country. We are committed to promoting good mental health at work and at home.

In 2017, we launched a multi-year campaign for mental health: 'Because Healthy Minds Matter'. It focuses on the actions we can take to make a positive difference to our employees' mental health, along with supporting the mental health of communities across the UK. Our campaign has five objectives underpinned by key initiatives that we will deliver with our charity partners: Action for Children, Mind and Mental Health UK. These objectives also contribute to Royal Mail's five-year mental health strategy. More information on our health strategy is available on page 46.

The five objectives of our Because Healthy Minds Matter campaign are:

Inform and support our colleagues, promoting increased awareness and better mental health

Key initiatives:

- Deliver an awareness-raising campaign for colleagues and customers, to improve understanding of mental health.
- Deliver internal communications showcasing positive mental health case studies and good practice examples.
- Broadcast thought-provoking films about mental health.
- Organise for our charity partners to visit our sites, give talks on mental health and encourage positive conversations.

Progress in 2018-19:

- A further 700 managers, mental health ambassadors and health and safety representatives have now completed our Mental Health First Aid training course, a total of 1,450 trained to date.
- An additional 80 people signed up to become mental health ambassadors, totalling 160 to date. These include frontline colleagues, managers and union representatives. Our mental health ambassador programme trains employees to provide support to colleagues who are experiencing mental ill-health.
- We added a question on mental health to our 2018-19 Employee Survey. The survey showed that 52 per cent of employees believe that Royal Mail provides support for those with mental health needs.
- Around 900 managers completed our compulsory mental health e-learning module during the year. This places us just short of our target of 10,000 managers completing the training overall.
- On Time to Talk Day, we worked with Mental Health UK to develop an awareness raising poster. This outlined the signs that someone is suffering from mental ill-health and where to get support.



1,450

PEOPLE COMPLETED OUR MENTAL HEALTH FIRST AID TRAINING COURSE

Leverage our business and expertise to support our charity partners and their clients

Key initiatives:

- Deliver a mentoring programme, placing our senior leaders with charity partners to provide pro-bono consulting.
- Provide those supported by our charity partners with priority placements for Christmas jobs.
- Fund a mental health advisor as part of a long-term partnership with The Prince's Trust aimed at supporting young people with mental health issues.

Progress in 2018–19:

- We provided work placements for our charity partners.
- The Prince's Trust have developed their first mental health strategy to build networks and relationships within mental health sectors, identifying how they can best support young people with mental health challenges.
- 7,030 young people who declared a mental health condition have been supported by The Prince's Trust during 2018–19.
- We continued to provide pro-bono support for our charity partner, Action for Children, which included:
 - Our Director of Sales and Channels chairing Action for Children's flagship fundraising event, Byte Night, which raised £1,187,242 in 2018;
 - Our Data Science team supporting a project to improve the lifetime value of Action for Children's supporters and optimising the supporter journey;
 - Our Cost Transformation Team supporting the development of the fostering recruitment process;
 - The Marketing team supporting brand tracking and audience segmentation, and sharing planning tools and templates; and
 - Logistical support for Byte night and Action for Children's CEO sleep-out event.

Use our nationwide presence and reach to drive awareness and reduce stigma around mental health problems

Key initiatives:

- Share our mental health support and awareness-raising materials (films, toolkits, etc.) with business customers, particularly SMEs.
- Commission research to understand the prevalence of mental health issues among scam mail victims. Champion cross-stakeholder action to protect these vulnerable groups.
- Use our postmarks to deliver a mental health awareness campaign; and support other campaigns and good causes using our postmarks.

Progress in 2018–19:

- Our 'Royal Mail Proudly Supports Mental Health' postmark appeared on millions of items of mail for 168 days during 2018–19.
- We supported a further 41 good causes, such as NHS Blood and Organ Donation, through our postmarks.

// Our 'Royal Mail Proudly Supports Mental Health' postmark appeared on millions of items of mail for 168 days during 2018–19 //

Raise at least £2 million to enable Action for Children to help young people with, or at risk of mental health conditions

Key initiatives:

- Aim to raise £2 million for Action for Children to deliver the Blues Programme, a school based programme providing group work support to young people aged 13–19 years old who are suffering from, or who are at risk of depression and other mental health problems.

Progress in 2018–19:

- We raised £861,198 through colleague fundraising, payroll giving and matched giving from Royal Mail, a total of over £1 million to date.
- Since the Blues programme launched in October 2017, it has been rolled out in 91 schools in 10 locations across the UK.
- During 2018–19, 1,300 students completed the programme (1,457 since the programme began). 81 per cent said they had increased confidence, 75 per cent have improved relationships at school, and 76 per cent have improved self-esteem. 92 per cent gave the Blues Programme a score of 4 or 5 out of 5.

Leverage our supply chain to support our charity partners, raise awareness of mental health, and generate additional funds

Key initiatives:

- Share our materials, such as communications, training kits, films with our suppliers, for use by them within their organisations and across their networks.
- Leverage our supply chain to generate additional funds for our charity partner Action for Children.

Progress in 2018–19:

- We committed to providing an apprenticeship levy to external partners with a value of £1.5 million, we continue to work with the charity sector to identify other opportunities.

Our communities

Supporting national and international causes

We operate a free PO Box at our Mount Pleasant Delivery Office to support those wishing to make postal donations to appeals from the Disasters Emergency Committee (DEC). It brings leading UK aid charities together in times of crisis. The PO Box in central London enables donations to be sorted quickly and transferred to the DEC, so that funds can be used as soon as possible. In 2018–19, the PO Box received donations for two major appeals: Indonesia Tsunami Appeal and the Cyclone Idai Appeal. More than 40,000 postal donations raised over £3.3 million, highlighting the importance of giving people the ability to donate by post.

In May 2018, GLS Germany ran its fourth 'Parcel Day' initiative. This encourages depots to support local community initiatives and undertake volunteering. Among the Parcel Day initiatives in Germany, employees from the depot in Neunkirchen volunteered to build furniture with young people for a nearby youth club, which had been damaged by a fire. Building on the success of previous Parcel Days, employees at GLS subsidiaries outside Germany also held events. In the US, GLS's subsidiary GSO worked with Project Night Night to pack care packages for homeless children. Each package included a personal message from a volunteer.

Unlocking potential through education

We are committed to helping young people reach their full potential. Our online resource library, Teacher's Post (www.teacherspost.co.uk) offers free classroom resources that we have developed for all Key Stage levels. During 2018–19, Teacher's Post resources were downloaded 1,570 times, reaching and estimated 78,500 pupils.

Our partnership with The Prince's Trust supports them in finding ways to address the mental health issues experienced by the young people they work with. Royal Mail funds a Mental Health Advisor role at The Prince's Trust, who has responsibility for setting strategy and embedding specialist mental health support services at the Trust. In 2018–19, this role was responsible for launching mental health literacy training for The Prince's Trust Team programme, a UK-wide personal development programme for 16–25 year olds. The launch of this training marks the biggest change in mental health and wellbeing related activities in the history of the Trust. As a result of this training, young people joining the Team programme will have an opportunity to talk about the mental health and their challenges, build their own resilience and learn about self-care.

PRIORITIES FOR 2019–20:

- Work towards meeting our aim of raising £2 million to fund the Action for Children Blues Programme.
- Expand the Blues Programme further to benefit thousands more young people.
- Continue to support our employee's fundraising efforts.

1st World Firsts

1st INTRODUCTION OF THE NATIONAL POSTCODE SCHEME

Following the introduction of London postal districts in 1857–58, the Postcode system that we know now began to be introduced from 1959. The system was developed following the growth in mail volumes after the Second World War.



1st Delivering a first class future

for our suppliers

⋮ We are committed to working across our supply chain to have a positive impact on society and the environment.

Case study

Working with SMEs to support graduate development

During the year, we began a new contract with People Create Limited. This SME provides specialist training and development services for the Royal Mail graduate programme. We selected this supplier because of its track record of innovation and responsiveness to customer needs.

During 2018–19, People Create delivered modules to help graduates improve their influencing skills, identify change opportunities within Royal Mail, and prepare for moving from graduate placements to permanent roles.

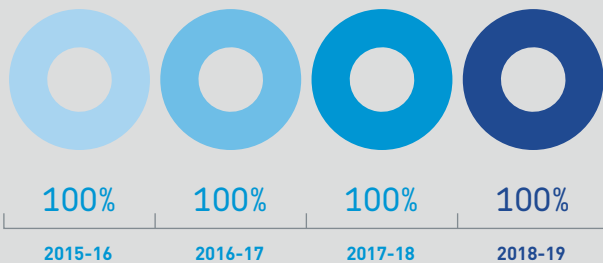
A key benefit of working with People Create was their links with other SMEs, helping to bring real business problems for our graduates to solve in an external consultancy challenge as part of the programme. This was beneficial to all parties, raising the profile of Royal Mail as an employer, providing the SME business a fresh perspective on their issue, and bringing real issues and impact to the module for the graduates.

At a glance

We worked with over 4,000 suppliers this year. Their activities have an impact on our stakeholders and can help spread economic opportunities across the communities we operate in. Embedding high standards of social, ethical and environmental conduct across our supply chain is essential for us to operate responsibly.

Performance [KPIs]

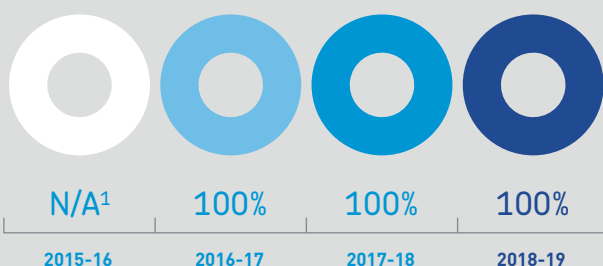
New UK suppliers that are bound by the Responsible Procurement Code (%)



New UK Procurement employees that have undertaken CR induction training (%)



Regular monitoring of all UK suppliers against UK Treasury sanctions list (%)



Key facts

- Around 91 per cent of suppliers to our UK business are based in the UK.
- We spent around £2.3 billion with our UK suppliers in 2018-19.
- SMEs were successful in bidding for 38 per cent of new contracts awarded, a four per cent increase compared with 2017-18.
- Our Responsible Procurement Code of Conduct is based on the ten principles of the United Nations (UN) Global Compact.

Key highlights

- We implemented a new supplier intelligence service from GAN Integrity to screen suppliers in sectors with medium to high risk of corruption, human rights abuses, or environmental risks.
- We screened 100 per cent of our active suppliers for sanctions compliance. Suppliers that appeared to match the UK, EU or US sanctions databases were investigated using the GAN Integrity mass screening service.
- We agreed data protection contract amendments with over 130 suppliers following a risk assessment to identify suppliers that process personal information on behalf of Royal Mail and its customers.

¹ KPI formally introduced in 2016-17

Our suppliers

The impact of Royal Mail's business extends beyond our direct operations through our supply chain. Working collaboratively with our suppliers helps to create economic value for our communities and deliver better experiences for our customers.

Our approach to responsible procurement

Our procurement vision is to deliver value to our business and protect it from risk. We are committed to working across our supply chain to have a positive impact on society and the environment. This includes, spreading out our economic impact, demanding high standards of social, environmental and ethical conduct, encouraging workforce diversity, and sharing best practices to support suppliers' corporate responsibility performance. We have taken action at all stages of our procurement process, to ensure that all our suppliers comply with internationally recognised standards for CR e.g. the United Nations (UN) Global Compact principles. Our KPIs monitor our performance against annual targets relating to social, ethical and environmental practice. The performance on page 63 shows our progress in 2018–19.

WHY RESPONSIBLE PROCUREMENT IS IMPORTANT

Our stakeholders rank responsible procurement as a material issue for our business. They are particularly interested in how we manage environmental, social and governance issues in our supply chain and how we monitor supplier performance. For details of our materiality assessment, see page 20.

// As well as the Responsible Procurement Code and the UN Universal Declaration of Human Rights, all suppliers transporting or handling mail on our behalf must adhere to our Mail Integrity Objectives //

Codes and standards

All Royal Mail suppliers are required to comply with our Responsible Procurement Code of Conduct. This helps us to manage associated risks in our supply chain. The Code is based on the Ten Principles of the UN Global Compact, promoting responsible practices across human rights, labour, environment, and anti-corruption. It sets out the social, ethical and environmental standards that we expect. This includes requiring suppliers to adhere to the UN Universal Declaration of Human Rights, which is part of our commitment to implementing the UN Guiding Principles on Business and Human Rights. We require our suppliers to communicate the Code in full to all relevant employees within their organisations. We review the Code annually and update when necessary. In 2018–19, we revised the Code to make it clear that Royal Mail weights social, environmental, ethical factors as pass/fail elements in the contract award process.

The Code is available to view at www.royalmailgroup.com/en/responsibility/policies-and-reports.

We have a specific responsibility to protect the integrity and physical security of the mail. As well as the Responsible Procurement Code and the UN Universal Declaration of Human Rights, all suppliers transporting or handling mail on our behalf must adhere to our Mail Integrity Objectives. This is a condition set out by Ofcom. It requires supplier personnel who have responsibility for handling or transporting mail to be vetted to the same standard as our own employees, and to comply with a set of Mail Integrity standards.

Our supplier categories

We group our suppliers into 10 broad categories, from logistics to HR, property to print. Each supplier category has specific CR aims and objectives. This allows us to focus on delivering greater impact across our supply chain, in the areas where we can make the most difference. For example, one of the key objectives for our vehicle category is to engage with manufacturers on alternative fuel vehicles.

Our supplier category spend in 2018–19¹

Marketing, communications and professional services 7%

Logistics 11%

IT and automation 17%

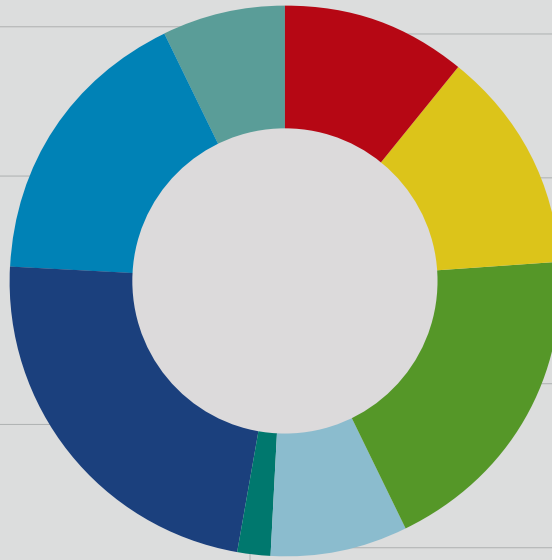
HR and People 13%

Property 23%

Vehicles 19%

Assets and clothing 2%

Print and Travel 8%



The CR aims of each of our supplier categories are as follows:

- **IT and automation:** improve the efficiency of our business by driving innovation, protect the security of our data and the data of our customers. Work with suppliers to promote re-use and recycling of IT equipment.
- **Business travel and events:** support our carbon reduction targets by reducing business travel by air. Include sustainability credentials in the shortlisting criteria for hotels on the preferred list for business stays.
- **Print:** improve the sustainability of our printing processes by reducing waste levels and by using paper from sustainable sources in all printing.
- **Assets and clothing:** work with suppliers to reduce the risk of human rights violations in the clothing supply chain. Encourage suppliers to source raw materials from sustainable sources.
- **Marketing and communications and professional services:** work with suppliers to ensure compliance with the General Data Protection Regulation (GDPR) Support and encourage supplier fairness, equality and diversity initiatives.
- **Property (including facilities management, estates and utilities):** reduce the environmental impact of our properties through the continued roll-out of energy efficiency measures. Ensure supplier compliance with our health and safety standards during construction.
- **HR and people:** encourage suppliers to consider diversity when providing temporary staff for our operations. Make greater use of technology to support our learning and development programmes.
- **Vehicles:** support the Royal Mail's emissions reduction strategy by engaging with manufacturers on alternative fuel vehicles. Build this into our future procurement plans.
- **Logistics:** explore more efficient alternatives to transporting mail by air.

// We are committed to working across our supply chain to have a positive impact on society and the environment //



¹ Supplier categories for our UK Parcels, International & Letters business. Around 91 per cent of these suppliers are based in the UK

Our suppliers

Implementing responsible procurement

We pre-screen all potential suppliers before asking them to participate in a tender or awarding them a contract. This ensures that potential suppliers meet the minimum standards we require on a range of CR issues. They include anti-bribery and corruption, money laundering, and safety.

We use an electronic system to manage our tendering and contracting process. This allows us to hold contracts securely, run tenders and manage procurement projects. The system is currently handling around 800 active contracts. Around 146 contracts were awarded through it during 2018–19. During the invitation to tender stage of supplier selection, we ask suppliers additional questions about their CR performance. They are tailored to high-risk areas for each category of spend. This includes in-depth questions around labour standards for categories with a higher risk of human rights and modern slavery issues.

This year, we agreed data protection contract amendments with over 130 suppliers following a risk assessment to identify suppliers that process personal information on behalf of Royal Mail and its customers.

During the tender evaluation process, suppliers are scored according to their responses on a range of relevant questions covering ethical, social and environmental topics. This encourages innovation on sustainability and responsibility. It also drives higher performance across the industry.

Identifying and assessing risk in our UK supply chain

We focus our risk management efforts on those suppliers that present the greatest risk to our business. Suppliers are assessed based on their geography, size, business sector and the scope of the contract.

We use the Procurement Risk Register to record and monitor risks across our supply chain. The register lists the risks that are deemed critical to our business. It also considers the risks that are most relevant to each of our supplier categories. We regularly review the register to identify new risks and establish opportunities to mitigate against them.

// During the tender evaluation process, suppliers are scored according to their responses on a range of relevant questions covering ethical, social and environmental topics. This encourages innovation on sustainability and responsibility //



The primary CR risks associated with our supply chain are:

- Reputational risks. They apply to suppliers in the assets, operational equipment and clothing category, particularly manufacturers located in emerging markets.
- Probiity risks. These relate to the security of information and confidentiality when working with IT suppliers and the safety and security of mail.
- Compliance risks. Related to the need to comply with all applicable UN, EU and UK sanctions rules, particularly in our Logistics business, where suppliers may operate in regions where sanctions risks are higher.
- Safety risks. These relate to the vehicles we buy from our suppliers and contractors, such as construction companies, working on Royal Mail premises.
- Environmental and materials provenance risks. They apply to suppliers in the facilities and property management category and to the sourcing of items such as furniture.
- Discrimination risks. Relate to fair and equal treatment of staff in areas like recruitment, training and promotion opportunities.

We conduct risk assessments for each new contract that is awarded, considering the relevant critical risks for the new supplier's category. We assign suppliers an overall criticality rating based on several criteria. They include business dependency, financial status, technology opportunities and reputation, compliance and safety risk. Our procurement team notifies the Company Secretary's office about any new contract that is considered critical in terms of its risk profile. This is to establish if Board approval is required before the contract is awarded.

After a contract is awarded, we put supplier management plans in place to address any further risks that are identified. We require evidence from the supplier that any requested actions have been implemented. Depending on the severity or criticality of the risks, we may commission, or require the supplier to commission, third-party audits of suppliers and subcontractors to ensure that appropriate mitigation measures are in place.

Although we work extensively to address any risks and ensure appropriate mitigation measures are in place, there are still occasional instances where suppliers fail to meet the standards we expect from them. When this happens, we take decisive action. In previous years, we have removed underperforming suppliers from our supply chain in the footwear and operational equipment categories. During 2018–19, supplier performance complied with the required standards. No contracts or subcontractors have been removed due to CR performance.

In 2018–19, we began to use the GAN Integrity intelligence database to screen suppliers in sectors with medium to high risk of corruption, human rights abuses, or environmental risks. This replaces our previous intelligence source and enables more detailed checks and monitoring to be carried out on suppliers and bidders. The intelligence database holds information on previous investigations or convictions, adverse press and presence on sanctions lists. We conduct checks on shortlisted bidders for tenders where we have identified risks. Suppliers that appeared to match the UK, EU or US sanctions databases were investigated using the GAN Integrity mass screening service. The system also monitors existing suppliers that we identify as having a high sustainability risk. Red flag alerts are issued for human rights and modern slavery risks, environmental breaches, and bribery, corruption and other probity issues. We select suppliers to be monitored based on information about the sector and industry, the geographical location of the supplier and known issues identified through the on-boarding due diligence process.

Royal Mail does not contract with sanctioned entities. Our standard terms and conditions of contract require suppliers to operate in accordance with sanctions legislation. Sanctions declarations are also part of the on-boarding process. We check all suppliers against the UK Treasury sanctions list monthly. During 2018–19, no suppliers were found to have been in breach of sanctions.

Responsible procurement in action

During 2018–19, Royal Mail issued an invitation to tender for Royal Mail uniforms and protective clothing. The clothing sector has been identified as higher-risk, particularly for factory safety standards and human rights, as it often involves manufacturing in lower-cost regions. We assigned a formal risk level to the sourcing project. The Director of Procurement formally approved the sourcing strategy before the invitation to tender was issued. Our tender document included a section covering CR. Bidders were required to demonstrate how they would meet the requirements of the Responsible Procurement Code. We outlined our expectation that the successful supplier will report on performance via SEDEX (Suppliers' Ethical Data Exchange) or an equivalent method. The successful bidder will be contractually obliged to maintain an effective system of CR monitoring. This includes the use of third-party auditors to evaluate and report on individual manufacturing sites.

Monitoring supplier performance

We use our Supplier Management Portal to assess whether our suppliers are meeting the ethical, social and environmental requirements in their contracts. This is in addition to meeting other contractual obligations in their contract terms and commercial KPIs. All our critical suppliers provide evidence of performance and compliance by uploading performance information and accreditations such as environmental certifications, safety standards and ethical audit reports to the portal. Our executive team reviews the supplier performance dashboards on a monthly basis.

We ask any suppliers identified as having a high sustainability risk to enrol with SEDEX (Suppliers Ethical Data Exchange). This online platform tracks our suppliers' environment, social and governance performance, and conducts third-party audits to ensure accurate reporting. We now have 31 higher risk suppliers' active on SEDEX or submitting their CR Audit reports directly into Royal Mail's Supplier Management system. Royal Mail is working with SEDEX to increase this figure and out of our contracted suppliers, an additional 46 have been identified as SEDEX members. They are being approached to link in to Royal Mail to provide visibility of their CR performance via the Portal.

// We are committed to preventing any form of modern slavery throughout our supply chain //

Human rights and modern slavery

We are committed to preventing any form of modern slavery throughout our supply chain. Modern slavery refers to any activity that impinges human freedom through servitude, forced and compulsory labour, and human trafficking. We publish our full Modern Slavery Act statement on our corporate website. This details all the actions we are taking to eradicate modern slavery in our supply chain.

We set out human rights expectations for our suppliers in our Responsible Procurement Code. This includes adhering to the UN Universal Declaration of Human Rights and complying with the eight fundamental International Labour Organization conventions.

We have undertaken several risk assessments to better understand our supplier risk profile and inform our approach to mitigating modern slavery risk in our supply chain. Although our risk of human rights violations is relatively low, we remain committed to playing our part to help eliminate it.



1st World Firsts

1st THE FIRST EVER HOVERCRAFT MAIL SERVICE, 1962

The first ever Hovercraft mail service in the world travelled from Rhyl on the north coast of Wales to Wallasey on 20 July 1962. The original plan was to make twelve crossings a day, carrying passengers and mail from July to September every year. However, the full twelve-a-day services were only completed on six of the 54 days of intended operation because of strong winds and continued engine failure. Its last trip was on Friday 14 September 1962.

Training for UK procurement employees

As part of their induction, all new UK Procurement employees are trained on the principles of our Responsible Procurement Code and how these apply to our suppliers. This includes training on ethics and probity issues such as anti-bribery, competition law and sanctions compliance. All of our procurement employees complete a compliance refresher training course every year, ensuring they remain up-to-date on these issues.

In 2018–19, we ran specific training for contract managers to upskill them on key CR issues, enabling them to have more informed conversations with their suppliers. We also completed training with our Property and Facilities team to train them in the CR issues that would be relevant to their roles.

Encouraging a diverse supply chain

Equality and diversity

We expect all our suppliers to support our commitment to equality, diversity and fairness for all their employees and job applicants. We also expect them to provide an environment in which all people can make best use of their skills, free from discrimination or harassment.

The vast majority of our UK workforce are permanent employees. There are, however, times when we recruit additional resource to support with increased demand. Diversity and inclusion clauses in the contracts with our suppliers help ensure temporary staff in our operation are recruited without discrimination.

Supporting SMEs

Our commitment to diversity in our supply chain includes supporting small to medium-sized enterprises (SMEs). In 2018–19, we awarded 38 per cent of our new contracts to SMEs. This is a four per cent increase compared to the previous year.

Where commercially appropriate, we structure our contracts into smaller 'lots'. This ensures that businesses of all sizes, including SMEs, are able to compete. It allows us to expand our options, promote competition and increase our ability to appoint the best possible supplier.

In 2019, we updated our values brochure to detail how we work with SMEs and provide opportunities for them to bid for contracts. The Values Brochure also references our new No Purchase Order – No Pay policy and Royal Mail being a signatory to the Armed Forces Covenant.

// In 2018–19, we awarded 38 per cent of our new contracts to SMEs //



Supplier management in GLS

GLS works with a range of business partners and suppliers to provide goods and services. This includes parcel transport, protective equipment, facility services and containers for trailers. GLS expects the same high standards of ethical practices from partners and suppliers as it follows in its own business. Every GLS employee involved in selecting business partners and suppliers is responsible for ensuring that the appropriate company-wide processes are followed.

GLS Group Supplier Code of Conduct

GLS suppliers are required to comply with its Supplier Code of Conduct. This is available to view at [https://gls-group.eu/EU/media/downloads/Supplier Code of conduct EN V2 2018-07-download-55406.pdf](https://gls-group.eu/EU/media/downloads/Supplier%20Code%20of%20conduct%20EN%202018-07-download-55406.pdf)

The Code sets out ethical, social and environmental standards expected from suppliers. It covers issues such as human rights, health and safety, diversity, anti-bribery and corruption, and environment. GLS expects suppliers to respect the standards laid out in the Code, implement them using appropriate measures and adhere to them in their business activities. They must take appropriate measures to ensure that the standards are met by their own supply chain. GLS may terminate contracts with a supplier should a serious violation or continuous non-compliance with the Code occur.

Every GLS subsidiary also has a whistleblowing hotline. The business encourages both its employees and its contracted partners to report criminal acts and other serious offences. They have a dedicated team responsible for investigating allegations of violations.

Our suppliers

GLS France wins gold at the eCommerce Awards

GLS France won first prize in the Logistics Innovation category for its GLSNAVIGO WebApp. This enables drivers to inform recipients that a parcel has arrived with a single click of a button. More than 1,000 delivery drivers will be equipped with smartphones running the app, to help make delivering parcels more convenient for all.



GLS partner code

In Germany, GLS embeds ethical principles into its business relationships with transport providers through its Partner Code. The Code sets out the responsible business standards with which GLS transport partners must comply.

GLS expects its partners 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 its 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; and
- offer their employees fair remuneration and act in accordance with both the spirit and the letter of labour regulations.

GLS's health and safety standards

We recognise that road safety incidents do, unfortunately, occur in logistics businesses. GLS takes its responsibility to ensure the health and safety of the people it employs, those who work on its behalf, and the general public, seriously. GLS has embedded a structured health and safety system at each of its national subsidiaries.

GLS expects the transport providers who deliver its parcels to protect their employees' health and safety in accordance with relevant local law. GLS conducts an ongoing road safety campaign aimed at its transport partners and their delivery drivers, to reinforce the importance of safe driving behaviours.

UK SUPPLY CHAIN PRIORITIES FOR 2019–2020:

- Onboard contracts from Royal Mail Property and Facilities Solutions, as Group Procurement takes on additional contracts previously managed by a separate team.
- Continue to use information from GAN Integrity to identify suitable suppliers for management activities including anti-bribery and sanctions attestations.
- Complete the clothing supply tender and contract award. This entails in-depth reviews of bidder CR performance and the creation of a reporting framework for manufacturing locations.
- Monitor the 150 highest-risk suppliers through the GAN Integrity system, which provides alerts for key risks, including modern slavery, bribery and sanctions risks.

// In Germany, GLS embeds ethical principles into its business relationships with transport providers through its Partner Code //



1st Delivering a first class future

for our environment

Environmental considerations are a fundamental part of how Royal Mail does business; in the way that we encourage our people to behave, the technology we invest in, and our contracts with our suppliers.



Case study

Greener last-mile deliveries

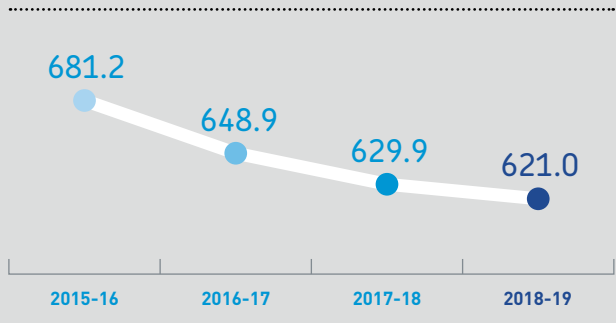
GLS is one of the participants in a pilot project, called 'KoMoDo', which involves several different logistics operators working from five micro depots in Berlin, to trial low-emission deliveries within the city. Conventional vans deliver packages to the micro depots. They are then distributed by cargo bike within a 5km radius where 800,000 people live.

Following the success of this trial, Royal Mail has launched operational trials of zero-emission cargo trikes in Stratford (East London), Cambridge and Sutton Coldfield.

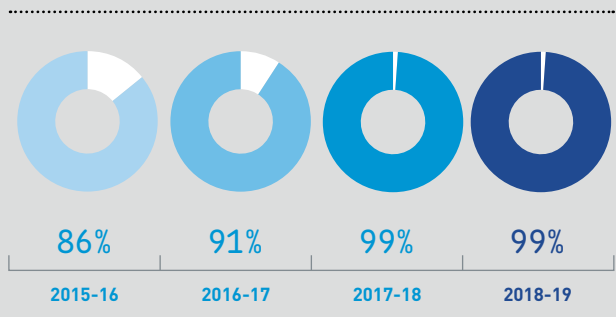
Royal Mail Group is committed to the sustainable management of our natural resources. The scale of our operations means we have a significant environmental impact. Managing this impact is vital to the long-term success of our business. By increasing our efficiency and reducing our use of resources, we can control our costs, manage the impacts of climate change and support business performance.

Performance [KPIs]

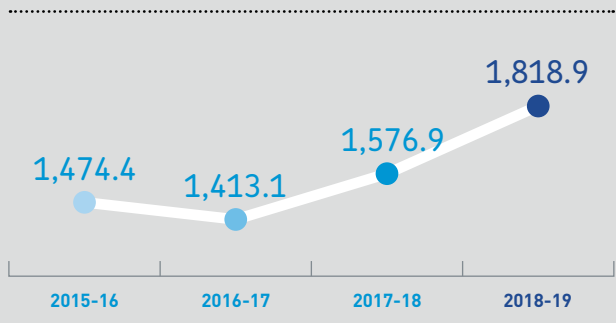
UKPIL total carbon emissions (KT CO₂e)



Waste diverted from landfill (%)



Water consumption ('000 m³)



Key facts

- We have 48,000 vehicles in UKPIL¹.
- 70 per cent of our CO₂e emissions are from vehicle fleet and transport².
- 28 per cent of our CO₂e emissions are from our buildings.

Key highlights

- Royal Mail is part of the Optimise Prime consortium³. This is the world's biggest trial of commercial electric vehicles.
- We launched an environment e-learning resource for our frontline managers. It is designed to equip them with the core knowledge required to manage their sites in line with our environment strategy and standards. By the end of the year, around 54 per cent of our frontline managers had completed this learning.
- GLS increased its fleet of alternative fuel vehicles. A further 10 LNG-powered vehicles were added in Italy, which are expected to help reduce GLS Italy's annual CO₂e fleet emissions by 15 per cent.

¹ Number of vehicles includes c.2,600 trailers

² CO₂e, or carbon dioxide equivalent, is a standard unit for measuring carbon footprints, enabling a carbon footprint consisting of different greenhouse gases to be expressed as a single number

³ Royal Mail announced in November 2018 that it is part of the Optimise Prime consortium- aimed to deliver a comprehensive understanding of the impact that electrification of commercial vehicles will have on the distribution network. See https://www.ofgem.gov.uk/system/files/docs/2018/11/2018_nic_decision_document_final.pdf for more information

Our environment

Managing Royal Mail's use of natural resources is both an environmental and commercial imperative. A clear strategy for reducing our environmental impact is a key part of our ongoing transformation. It helps us control operating costs, engage our people, and build a sustainable and competitive business.

Our environment strategy

We are embedding environmental management throughout our organisation. Our environmental policy sets out how we consider the environmental impact of every aspect of our operations. This includes, from how our people behave to the technology we invest in and our contracts with our suppliers. We identify and address environmental issues that result from our business through our risk management process. Our Environment Policy, which we review annually, is available at www.royalmailgroup.com/en/responsibility/policies-and-reports.

// We were the first delivery business to be awarded triple certification by the Carbon Trust Standard //

WHY ENVIRONMENTAL MANAGEMENT IS IMPORTANT

Our stakeholders ranked climate strategy as one of the top five most important issues for our business in our 2017–18 materiality assessment. Our approach to managing energy, waste and water were also seen as important issues. Stakeholders are keen to see Royal Mail continuing to reduce the environmental impact of its business operations, and offering products and services that enable our customers to do the same. For details of our materiality assessment, see page 20.

Our five-year environment strategy drives continuous improvement in our performance by focusing on the following key objectives:

- embedding internal and external environment standards across our operation, like our Safety, Health and Environment (SHE) Management System standards for energy, carbon, waste and water management. Our (SHE) Management System complies with the requirements of International Standard ISO14001 and the British Safety Council's five-star standard;
- actively anticipating and responding to emerging environmental issues by working closely with relevant stakeholders and implementing effective governance controls;
- adopting existing and new technologies that help to reduce our emissions and resource use;
- building environmental awareness and encouraging behaviour change in our workforce, to drive performance against our carbon, waste and water targets; and
- promoting the benefits of strong environmental management with customers and through our supply chain.

We monitor our performance against our strategy using three existing targets: (a) reducing our total carbon emissions, (b) cutting our water consumption and (c) reducing the waste we send to landfill. Our Continuous Improvement programme provides a structured framework for driving progress towards these targets.

Environmental management and governance

Our Environment Governance Board (EGB) is made up of senior leaders from business areas with material environmental impacts. The EGB approves our environment strategy, reviews plans, and drives performance. The EGB also provides support and guidance to teams working on Royal Mail projects that have environmental considerations.

Our SHE Management System sets out the standards we expect our sites to adhere to. It divides them into a number of different elements. This includes environmental standards for carbon and energy, water and waste management, and biodiversity. The environmental elements of our SHE Management System are audited against the requirements of ISO 14001:2015. Within our UK operations (UKPIL) we currently have:

- 14 of our largest processing and distribution sites certified within Royal Mail, and
- All Parcelforce Worldwide operational sites certified, including their Head Office.

In addition to the certification of these UK operational sites, all our GLS European sites have also been successfully certified to ISO 14001:2015. GLS was one of the first European parcel companies to transition to the new standard in 2016–17.

This year, we launched an environment e-learning resource for our frontline managers. It is designed to equip them with the core knowledge required to manage their sites in line with our environment strategy and standards. By the end of the year, around 54 per cent of our frontline managers had completed this learning.

We continue to hold the Carbon Trust triple standard for carbon, waste and water for our approach to measuring, managing and reducing our environmental impact. Our latest reaccreditation was in 2018–19. We were the first delivery business to be awarded triple certification by the Carbon Trust Standard.

Climate change and other environmental risks and opportunities

We welcome the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), an industry-led taskforce founded by the Financial Stability Board following a request from the G20. The TCFD’s recommendations aim to standardise climate-related financial reporting to make it easier for investors to assess the impact of climate-related risks and opportunities on our business. They encourage companies to make disclosures on governance, risk management, strategy and metrics to support their approach to addressing the impacts of climate change. Expectations for reporting in these areas will continue to grow. Royal Mail is committed to implementing the TCFD recommendations. We will continue to enhance our climate-related disclosures as our analysis evolves.

Governance: Overall accountability for the management of climate-related risks and opportunities sits at Board level, with support from the Risk Management Committee (RMC) and Audit and Risk Committee. The management of climate-related risks and opportunities is integrated into the Company’s overarching risk management framework.

Our Environmental Governance Board’s (EGB) key purpose is to drive the environment strategy for the business. During 2018–19, the EGB established a working group to work on embedding the TCFD recommendations throughout the business. In the coming year, the working group will expand its work aimed at increasing our understanding of how climate change could impact different areas of our business e.g. our operations, fleet and property.

Strategy: The RMC reviews business unit risk registers on a regular basis. It ensures all risks on the Company’s consolidated environmental risk register are reflected in business units’ risk registers, as appropriate. Where climate-related risks and opportunities are identified, individual business units are required to factor the actual and potential impacts into their strategies and financial planning, then develop mitigation plans as necessary.

Risk Management: In line with the TCFD’s recommendations, we consider both physical and transitional risks in the risk assessment process, along other types of risk. During the year, the RMC agreed that climate-related risks be added to the Group Risk Profile as a principal risk. We recognise that climate change presents both risks and opportunities for our Company. As such, we maintain an environmental risk and opportunity register. The EGB and other relevant internal stakeholders, including the Group Risk team, review and update this regularly.

The most significant climate and environmental related risks include:

- climate change impacts, including severe weather affecting our ability to deliver the Universal Service Obligation (USO);
- increased costs of climate change mitigation, and the need to move towards Climate Change Adaptation;
- step change in societal expectations around waste management at the same time that rapid changes in recycle quality requirements are making it harder to recycle effectively;
- increased water scarcity in operational areas and increasing water demand within the UK; and
- reputational risks associated with not effectively addressing and managing our environmental impacts.

These risks are balanced by opportunities resulting from effective environmental management including;

- adopting new technology that reduces our climate and environmental risk(s) and provides a commercial advantage;
- sharing and adopting best practice within the wider Royal Mail Group (e.g. e-trikes);
- embracing the waste hierarchy and the challenge of embedding circular economy thinking in our business; and
- optimisation of return trailer journeys through commercialisation.

We assign impact levels to identified and emerging climate-related risks and implement risk controls and mitigation plans for high impact risks.

Responding to identified risk: In response to the increase in extreme weather events, we have rolled out a flood alert system in Scotland, England and Wales. It is focused on sites which are at a high risk of flooding. The system improves our ability to forecast and respond to flood warnings. This enables managers to take early action and plan for protecting our people, customers, property and equipment and to minimise operational disruption should a flood occur. During 2018–19, we received 1,798 alerts and 27 warnings of potential flooding across England, Wales and Scotland. During Storm Callum, a ‘Be Prepared’ flood warning was raised at Carmarthen Delivery Office, which resulted in 50 vehicles being moved to higher ground.

// We recognise that climate change presents both risks and opportunities for our Company //

Our environment

We welcome and have responded to consultations issued by the Department for Transport, Welsh Assembly Government and various local authorities into Clean Air Zones during the year. We have developed our plan to meet the Ultra-Low Emission Zone in London and the Low Emission Zones in other cities in the most efficient way possible. 100 per cent of vehicles that routinely enter the first phase of the Ultra-Low Emission Zone will be compliant. We are now focusing our efforts on minimising accidental non-compliance.

We are a partner in Optimise Prime, a consortium project testing large scale deployment of electric vehicles. We are also looking further ahead, including further deployment of electric and trialling other alternative fuel vehicles. Information about Royal Mail's overarching risk management framework is set out on page 113 of the 2018–19 Annual Report and Financial Statements.

Metrics and Targets: Our public commitment to reducing our carbon emissions relates to the climate-related risks and opportunities that we have identified. Further work is required to quantify the financial risks and opportunities with these climate-related risks and associated adaptation, in line with the TCFD recommendations. This will form part of the remit of the working group in 2019–20.

We have a target to reduce our absolute carbon emissions by 20 per cent by 2020–21, against our 2004–05 baseline. We are proud to have met this target, with a current reduction of 29 per cent against the 2004–05 baseline. As such we are currently reviewing and updating our emissions target. Over two-thirds of our carbon emissions are derived from our vehicles and transport. Therefore, a vital part of maintaining our performance against our carbon emissions reduction target is improving our fleet fuel efficiency. See page 77 for examples and current trials in this area.

We will continue to improve our understanding and assessment of both climate and financial risks in line with TCFD recommendations.

Energy and emissions

Royal Mail uses energy to power and heat our buildings, and to transport and deliver the mail.

In the UK, Scope 1 emissions from our operational fleet account for 59 per cent of our carbon footprint. Scope 1 and 2 emissions from powering our buildings account for 28 per cent. Most of our scope 3 emissions result from third-party transportation. These account for 10 per cent of our carbon footprint; business travel accounts for 2 per cent.

This year, our total UK carbon footprint decreased by 1 per cent compared with the previous year. It was 29 per cent lower than the 2004–05 baseline. On a normalised basis, emissions decreased by 2.9 per cent per £1 million of revenue last year, compared with the previous year. We are pursuing energy-saving opportunities across our fleet and property portfolio to maintain our performance and continue to meet our target. These include exploring more efficient ways of balancing the air, rail and road transport that we use to deliver mail items and training our employees in more energy-efficient behaviours.

We are currently in the process of reviewing and updating our targets, whilst ensuring that we:

- support the international commitments set out within the Paris Climate Change Agreement in 2015 and,
- consider assessments and recommendations set out within The International Panel on Climate Change (IPCC) reports.

We are a long-standing member of the International Postal Corporation (IPC) and their carbon management programme. Our performance contributes to their delivery efficiency targets to reduce emissions per parcel and per letter, which have been approved by the Science-Based Targets Initiative¹. In 2017–18 Royal Mail achieved the IPC target for parcel emissions with a 56 per cent reduction, and 2.3 per cent reduction on CO₂e emissions per letter, against a 2013 baseline.

2018–19 CO ₂ e emissions ('000 tonnes)	2018–19			2017–18 ²			2016–17			2015–16		
	Total	UKPIL	GLS	Total	UKPIL	GLS	Total	UKPIL	GLS	Total	UKPIL	GLS
Scope 1	474.2	460.0	14.2	462.3	447.8	14.5	458.2	444.9	13.3	473.7	458.4	15.3
Scope 2	100.4	80.1	20.3	118.1	98.3	19.8	134.4	116.3	18.1	152.2	134.1	18.2
Scope 3	80.9	80.9		83.8	83.8		87.7	87.7		88.7	88.7	
Total	655.5	621.0	34.5	664.2	629.9	34.3	680.3	648.9	31.4	714.6	681.2	33.4
Tonnes CO ₂ e per £1 million revenue		80.3			82.7			84.7			88.8	
Scope 2 (market-based)	29.0	7.1	21.9	38.3	8.5	29.8	40.3	14.3	26.0	40.7	14.1	26.6

¹ IPC performance is based on Calendar Year with performance finalised in the August/September post submission (May). 2018 performance will be available August/September 2019

² 2017–18 data has been restated for Scope 1 emissions following the provision of natural gas data which was previously estimated

Air emissions

We report on the air emissions released by our UK operations into the atmosphere. These include carbon monoxide, nitrogen oxides, particulate matter and sulphur dioxide. This year, our air emissions reduced across all sources, apart from nitrogen oxides.

A full breakdown of our 2018–19 air emissions and energy use is available to view in our CR Performance and GRI Data Appendix at www.royalmailgroup.com/en/responsibility/policies-and-reports.

Reducing the environmental impacts of our fleet

Providing the Universal Service requires us to maintain a large fleet of vehicles. We recognise our responsibility to reduce emissions associated with our fleet and to help improve air quality in the communities in which we operate. We align our fleet strategy to changes in environmental legislation and the growth in parcels. This ensures that we use our existing fleet more efficiently, prioritise vehicle replacements in London and other Clean Air Zones, purchase the cleanest technology available and use the correct size vans, trucks and trailers.

Royal Mail will continue to trial and deploy new approaches to reduce the environmental impact of our deliveries in urban locations.

Changing driving styles

We use an innovative telemetry³ system to track our vehicles, collect performance data and make informed decisions that improve our fleet resource efficiency. We use telemetry data in our training to change driver behaviour, and encourage safer and more fuel-efficient driving styles. The system produces regular reports for our driving coaches, monitoring acceleration, breaking, turning and excess idling. Using the findings, we create tailored driver training for each Royal Mail site. The telemetry systems in each vehicle give visible and audible warnings whenever our people drive inefficiently. In total, around 53 per cent of our fleet carries telemetry. This includes 100 per cent of our heavy goods vehicles (7.5-tonne and above) and 46 per cent of our small vans. This year, using telemetry saved us approximately 380,000 litres of diesel, equating to over 990 tonnes of CO₂e. In 2018–19, we retrofitted telemetry into around 5,700 vehicles in 173 locations.

All professional drivers undertake the Royal Mail Driver Certificate of Professional Competence (DCPC) training. This consists of seven different modules, can be tailored to different vehicle types and covers the safety of other road users as well as reducing emissions. Each driver will undertake at least one seven-hour module per year for the life of the five-year programme.

Investing in new vehicles and technologies

The size of our commercial vehicle fleet in the UK means that large-scale changes take time. As the demand for parcel deliveries increases, we constantly review the size and capability of our fleet. We are committed to ensuring that the changes we make deliver sustainable reductions in emissions, ensuring we continue to meet our customers' expectations.

We used 100 fully electric Peugeot Partner L2 vans for deliveries and collections from 17 Delivery Offices across the UK. The vehicles are charged using charging posts installed at Royal Mail sites. We monitor charging, telemetry and maintenance data through a web-based platform, to help us improve their performance. Utilising these electric vans has saved a total of 54 tonnes CO₂e compared to the diesel vans they replaced.

We continue to trial vehicles using low or zero direct emissions technology, to see if larger electric vehicles can meet the mail collection demands of our biggest sites. In 2018–19, we trialled an electric LDV van in our Mount Pleasant Mail Centre. This is a larger vehicle than the Peugeot Partner L2 vans, and can support a larger volume of mail within London. Due to the success of the trial and the recent introduction of ultra-low emission zone streets in London, we have purchased three electric LDV vans in order to improve air quality for the communities where we operate. In 2017, Royal Mail partnered with Arrival, a commercial vehicle start-up, to develop fully sized electric vehicles in three classes: 3.5-tonne, 6-tonne and 7.5-tonne. Each class of vehicle will have a range of up to 100 miles. To date, one 6-tonne truck (7.5 tonne payload) has been deployed at Mount Pleasant following extensive redesign of the vehicle after an initial trial. We are working with Arrival on the redesign and further trials of additional vehicles in the near future.

Trailers present another opportunity for environmental innovation. In 2017–18, we worked with our trailer manufacturer to design and build a new double-deck trailer with an adjustable roof that can be lowered after loading. This new design has enabled us to maximise trailer load capacity and use routes with restricted height access. The adjustable roof also reduces drag and improves fuel efficiency. During testing we saw a 4 per cent improvement when driving at 56mph, compared to a standard trailer. In recent years, we have replaced single-deck trailers with double-deck trailers. By the end of 2018–19, we had 1,222 double-deck trailers in our fleet.



³ Telemetry is the measure of data from a remote source which is transmitted to a monitoring station for analysis – it provides data on the vehicle or drivers performance i.e. speed, acceleration, driving patterns

Optimise Prime

In November 2018, we announced that Royal Mail is part of the Optimise Prime consortium, the world's biggest trial of commercial electric vehicles. The project will deliver a comprehensive understanding of the impact that electrification of commercial vehicles will have on power distribution networks. It will explore opportunities to minimise this impact, such as optimising network and charging infrastructure, providing network services and testing technical and commercial solutions. As part of the trial, Royal Mail, Centrica and Uber will purchase up to 3,000 electric vehicles and trial depot, home and on-the-road charging solutions. The project will deliver an end-to-end overview of what the switch to electric vehicles means for the cables and substations that deliver electricity to the community, for businesses and for end users.

Over time, we plan to increase the number of alternative fuel or advanced technology vehicles in our fleet. Our longer-term ambition is to transition to a low-carbon fleet and ensure that we are investing in a fleet that meets future legislation. We have recently purchased a small number of zero-emission cargo trikes for possible use in our UK delivery network. These machines work principally through pedal power supported by rechargeable lithium batteries. The batteries are charged using conventional mains power. This is supplemented by solar panels fitted directly to the bikes and through brake and freewheeling energy recovery. Each trike has a carrying capacity of 1.95m³, equivalent to a small Royal Mail van. We have started operational trials in Stratford (East London), Cambridge and Sutton Coldfield.

This year, GLS added a number of alternative fuel vehicles to reduce its fleet emissions. In 2018–19, GLS Italy upgraded its fleet of LNG-powered vehicles to cover long distances, adding an additional 10 LNG-powered articulated lorries to the 18 it already has. This will help to cut GLS Italy's annual CO₂e fleet emissions by 15 per cent. As vehicles travel about 500km a day, there will be an annual reduction in CO₂e emissions of about 24 tonnes per vehicle, which leads to a reduction of 670 tonnes of emissions per year for the 28 LNG-powered vehicles.

In the city of Oldenburg, GLS Germany operates four zero-emission eBikes and an eVan. In June 2018, GLS Austria became the first parcel service provider in Austria to deliver parcels by eScooter when it launched trials in Salzburg, Linz and Graz. The battery-powered eScooters enable parcels to be delivered to addresses that are otherwise difficult to reach due to construction work, driving bans or narrow streets.



Making our transport network more efficient

We use cutting-edge routing technology to improve efficiency for our transport networks. We use a mix of road, rail and air to deliver letters and parcels across the UK. We maximise our capacity by loading mail items onto aircraft and vehicles as efficiently as possible.

We are focused on minimising the use of air transport in order to reduce both CO₂e emissions and costs. We use airmail to meet First Class, Special Delivery and priority traffic obligations only. Over the past 5 years, we have successfully reduced mail volumes (tonnes) handled within the air network by 21 per cent.

External recognition

Our efforts to manage our emissions gained external recognition this year. We won Fleet of the Year (1,001-plus vehicles) at the Fleet News Awards 2018 and Low Carbon Award and Van Fleet of the Year at the Motor Transport Awards. We also won Private Sector Fleet of the Year at the Commercial Fleet awards where we were also highly commended as Clean Air Champion.

Business travel

Business travel accounts for around 2 per cent of our total CO₂e emissions. We encourage employees to use telephone, web and video conferences as an alternative to travelling. This led to a 13 per cent reduction in emissions associated with business travel during the year.

GLS Finland requires all company cars to comply with the Euro 6 standard on vehicle emissions. This standard aims to lower levels of harmful exhaust emissions, such as oxides of nitrogen (NO_x) and other pollutants.

Buildings emissions

Reducing energy use in our buildings is a priority for our environment strategy, given the size of our property portfolio and the scale of its energy consumption. Climate change legislation, uncertainty around energy prices and changing consumption patterns add to the pressure to minimise our energy use.

Despite a reduction in total building-related emissions of 8.4 per cent, our total electricity and gas consumption increased by 1 per cent (electricity) and 8 per cent (gas). This will continue to be a key focus for us.

We take a data-driven approach to reducing our emissions. During the year, we launched a new Energy Bureau to monitor energy use across our UK property estate and highlight sites which are the highest users, or appear to have anomalies in their patterns of consumption. This enables us to understand our energy usage and target both energy and cost savings. For example, we have installed two air source heat pumps in Edinburgh and are monitoring improvements in electricity consumption. In three of our properties, we are trialling a platform that uses self-powered, wireless sensors to transmit data from our energy-using equipment and devices in real-time to a cloud-based analytics platform.

We are assessing how the intelligence from this data could help us to optimise performance, deal with potential equipment failures before they happen, and reduce energy inefficiencies.

We are preparing to comply with the second phase of the UK's Energy Savings Opportunities Scheme (ESOS), which will be delivered by December 2019. We have commissioned energy audits at 50 of our sites in order to collect data, report on their energy performance and understand where improvements could be made. We are collating and analysing information from the ESOS Phase one and two audits to feed into our Energy Strategy, and identify cost-effective energy-saving measures that can further improve our performance.

Sourcing low-carbon energy for our building estate also helps us to reduce our overall carbon footprint. The electricity we buy in the UK is 100 per cent backed by low-carbon generation. This includes nuclear generation, which is considered a low-carbon source of energy compared with fossil fuel equivalents. We are reviewing the potential for a greater use of renewables in our energy mix. In 2018–19, solar panels at our Chelmsford Mail Centre generated 82,101 kWh in 2018–19, saving approximately 23t CO₂e. We are working with third parties to assess the potential for installation of solar panels on a further four of our buildings.

We predominantly heat our buildings and hot water with gas boilers. We monitor the efficiency of our gas boilers. In 2018–19, we replaced 38 boilers with modern and energy-efficient condensing boilers. These recover more heat than traditional boilers and discharge cooler gases to the air. We switched sites with old and inefficient gas-fuelled Combined Heat and Power (CHP) units to using mains electricity instead. We installed two Air Source Heat Pumps in our Edinburgh Mail Centre, to heat water for the building. These pumps absorb heat from the outside air and use this to heat the water.

We continue to replace fluorescent lights with high-efficiency LED lighting across our UK operations. This uses less energy to produce more light than the sodium lights we used previously. In 2018–19, all GLS sites in Belgium installed new LED lighting¹. Information on the full-year savings we achieve through this initiative will be available in 2019–20.

Our 2018–19 CR Performance and GRI Data Appendix is available at www.royalmailgroup.com/en/responsibility/policies-and-reports, and breaks down our direct and indirect energy consumption by primary source.

// Reducing energy use in our buildings is a priority for our environment strategy //

1 Not including rented premises

A cross-functional working group has been exploring what future buildings in the Royal Mail estate will look like with environmental and biodiversity considerations built-in. Changes to the core specification include greater use of translucent panelling to increase natural light and reducing the risk associated with roof lights, LED lighting as standard, and planning for wild-flower areas to improve biodiversity value.

Reporting on emissions

We report our carbon emissions management against the CDP framework. We use the benchmark to inform our strategy and identify areas for improvement. During the year, we were awarded an A- score, up from a B in 2017. This is ahead of the sector average score of B-.



Water use

Our water use predominantly for domestic purposes, such as washroom facilities and keeping our vehicles and equipment clean. We are committed to reducing our water use. It is a precious natural resource and a cost-saving opportunity for Royal Mail.

In 2018–19, our target was to reduce our water consumption by four per cent compared to the previous year. We missed our target, increasing our consumption by 15 per cent, or 242 megalitres. This increase was due in part to construction activities at a large site consuming additional water, as well as improved data processes across the business.

We have partnered with a new third-party contractor to cover all water purchases in England and Scotland. The partnership will enable a greater understanding of our water usage. It will assist us in identifying issues and developing remedial actions to address them. By switching to a single supplier, we have greater visibility and improved data to better monitor our water use. We calculate average daily water usage for each type of Royal Mail site. This enables us to pinpoint the locations where water consumption is higher than average for the site type, investigate the reasons and take appropriate action.

Our environment

We train our engineers and cleaning staff to be vigilant for signs of water loss and water damage. We also include a number of environmental elements in our unit managers' monthly site inspection checklists, including inspecting water-using equipment for faults. With improvements in data availability and changes to a single water supplier, we shall be concentrating on demonstrable savings in water use in the coming year.

Water metric ('000m ³)	2018–19	2017–18	2016–17	2015–16
Water consumed	1,818.9	1,576.9	1,413.1	1,474.4

GLS Spain plans to install water diffusers in all depots in 2019–20, as it aims to reduce its water consumption by 20 per cent. GLS Czech Republic is using two different methods to collect rainwater: an underground tank that collects water from the building's roof for use in flushing toilets, and an open retention tank that collects water from paved areas to be used in the event of fire.

Waste

We are committed to reducing the amount of waste sent to landfill by Royal Mail. In 2018–19, our target was to divert 95 per cent of our waste from landfill. In total, we diverted 99 per cent of waste, achieving our target for the year.

In 2018–19, we generated 35.32 kilotonnes of waste. We use a combination of reuse, recycling and waste-to-energy initiatives to divert this waste from landfill. We continue our efforts to reduce overall waste volumes by working with customers, suppliers and our people.

We continue to engage with our people, across the business, to reduce our waste. In January 2019, we launched a waste reduction campaign with our frontline colleagues. This focused on driving behaviour change and encouraging employees to consider the full waste hierarchy before purchasing and disposing of items.

Royal Mail Property and Facilities Solutions have been investigating chemical-free cleaning for some of the larger buildings in our estate. They have also been organising trials to reduce the amount of chemicals and associated packaging associated with cleaning our buildings.

We have launched trials of concentrated, pre-measured sachets of chemicals, packaged in small recyclable cardboard packages for use at our delivery sites. This will help us move away from single-use plastic packaging for cleaning chemicals, reduce the amount of storage and distribution space required. It will also reduce chemical waste through pre-measured doses. The sachets will also make the chemicals safer to use, by removing the need for 5 litre containers and associated lifting and chemical handling.

// In total, we diverted 99 per cent of waste from landfill, achieving our target for the year //

In the Czech Republic, Croatia, and Hungary, GLS has reduced the use of paper-based documents by using electronic signatures on hand scanners. GLS Spain introduced an awareness campaign on paper consumption. GLS Belgium has switched to electronic invoices for most customers. In addition, GLS Belgium monitors the paper consumption of its printers. Printers automatically send reports to the environmental representative. They can then analyse the data and identify where reductions can be made.

Cardboard is a major waste stream within the business. We have invested in 3 'super balers' to help increase the amount of cardboard that we recycle, and collect and bale cardboard at a number of hub sites. We also invest in training and communication, to increase our people's focus on cardboard recycling. This has led to 70 per cent of our cardboard waste now being baled, compared to 53 per cent in 2017–18. Our total waste recycled has improved from 64 per cent in 2017–18 to 66 per cent in 2018–19.

Minimising plastic waste

We are aware of the serious impact that plastics – especially single-use items – have on the environment. We want to play our part in reducing the impact on our landscapes and oceans. Work is ongoing to understand how we can move away from single-use plastic items and encourage replacement with reusable products. We have made efforts to:

- Remove plastic water cups from our sites, encouraging our people to use their own refillable vessels and providing paper cones where required.
- Reduce the use of traditional mail bag ties. Over the last 12 months, we have reduced the quantity of ties that we use by 30 per cent through a range of initiatives. We are also trialling the use of reusable mail bag ties.
- Move from 10 litre packs of Ad Blue (used to reduce emissions of oxides of nitrogen from our vehicles diesel engines), to reusable Intermediate Bulk Containers, or integrally banded bulk tanks. To date, we have ceased the purchase of smaller containers at three sites. We continue to review the usage of Ad Blue across our estate and will where possible remove or minimise the usage of plastic packs.

Minimising elastic band waste

We use elastic bands to keep bundles of mail together. This year, we used around 306 tonnes of elastic bands, 7.1 per cent less than in 2017–18.

Littering of elastic bands is a potential threat to wildlife and the environment, and a cost to our business. We continue to actively manage their use. We highlight best practice for colleagues in reusing and recycling elastic bands through our communication channels to avoid unintended littering. These include posters, regular intranet stories, our weekly RMTv programme and our monthly employee newsletter, Courier.

Waste metrics ('000 tonnes)	2018-19	2017-18	2016-17	2015-16
Waste generated	35.3	42.8	32.9	32.5
Waste to landfill	0.5	0.4	2.9	4.5
Waste diverted from landfill	34.8	42.4	30.0	28.1

Customers and suppliers

Alongside addressing the direct impacts of our operations, Royal Mail helps our customers and suppliers to minimise their impacts.

We set strict environmental and social standards for our suppliers. They are described in our Suppliers section on pages 61-70. In October 2018, we changed our UK paper supplier in order to source a high-quality recycled paper. In addition to the positive impacts on forestry, energy, water and CO₂e impacts, it saves the company money.

We help our customers to minimise their own impacts through the sustainability of the products and services that we provide. We offer our marketing mail customers environmentally focused direct mail and door-drop services. Our Sustainable Advertising Mail product enables customers to send marketing mail at a lower cost than standard advertising or business mail, if the items they post meet our sustainability requirements.

In Germany, customers can send parcels using GLS's carbon-neutral ThinkGreen service. GLS offsets the emissions associated with this service through supporting environmental projects in Indonesia and Bolivia, creating sustainable workplaces outside of the palm oil industry. In 2018-19, over seven million parcels were shipped using the ThinkGreen service, with the project helping to reforest 8.31 hectares.

Biodiversity

We encourage our sites to be mindful of their impact on local flora and fauna. We have a biodiversity survey template and guidance for our sites to use on a voluntary basis. The survey is designed to map surrounding areas and identify the different species that are present. This can then be shared with colleagues to inform them about local wildlife. The guidance also covers how employees can look to increase biodiversity at their sites, including introducing native species and leaving existing green areas to grow wild. In addition, new core building specifications include planning for wild-flower areas to improve biodiversity value.

Combating the illegal trade in wildlife

Royal Mail is proud to be a member of the United for Wildlife Transport Taskforce, which consists of leaders from the global transportation industry. The taskforce identifies opportunities to break the illegal wildlife trade chain between suppliers and consumers.

Royal Mail works with enforcement agencies, including the UK Border Force and the Metropolitan Police and global members of the taskforce, to prevent wildlife trafficking. During the year, His Royal Highness The Duke of Cambridge visited International Logistics Centre in Heathrow to see how the taskforce members are working together to disrupt attempts to traffic illegal wildlife products. His Royal Highness was also joined by Lord Hague of Richmond, who leads The United for Wildlife International Taskforce on the Transportation of Illegal Wildlife Products. We also created a commemorative sheet of stamps to mark the work carried out by United for Wildlife ahead of an international conference on the illegal wildlife trade held in London in October 2018.



PRIORITIES FOR 2019-20:

- Implement new reduction targets for emissions, waste generation and water consumption.
- Improve management of waste in accordance with the UK waste hierarchy.
- Improve water management, with a focus on areas of critical / high water scarcity.
- Increase engagement through additional e-learning modules covering key environmental risks and impact areas.



Independent Limited Assurance Report to the Directors of Royal Mail plc

The Board of Directors of Royal Mail plc (“Royal Mail”) engaged us to provide limited assurance on the information described below and set out in Royal Mail’s Corporate Responsibility Report and the website www.royalmailgroup.com/responsibility/cr-reports for the year ended 31 March 2019 (the “Report”).

Our conclusion

Based on the procedures we have performed and the evidence we have obtained:

- A) Nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 March 2019 has not been prepared, in all material respects, in accordance with the Reporting Criteria.
- B) Nothing has come to our attention to suggest that the description of Royal Mail’s alignment with AA1000 APS (2008) principles of Inclusivity, Materiality and Responsiveness is not fairly stated.

This conclusion is to be read in the context of what we say in the remainder of our report.

Selected Information

The scope of our work was limited to assurance over:

- A) The information for the year ended 31 March 2019 which is summarised in the table below (the “Selected Information”). Royal Mail’s internal reporting guidelines for measuring, recording and reporting the Selected Information (the “Reporting Criteria”) are set out in Royal Mail’s criteria document, 2018–19 Reporting criteria available at www.royalmailgroup.com/responsibility/cr-reports

Selected Information	Value
Customer	
Mean business customer satisfaction score (out of 100)	78
Number of customer complaints	578,600
People	
Total number of fatalities	7
Lost time accident frequency rate (per 100,000 hours worked)	0.49
Year-on-year change in Road Traffic Collision Frequency Rate (per 1000 vehicles)	-5.3%
Employee engagement score (out of 100)	60
Customer focus score (out of 100)	70

Diversity:

Gender diversity (headcount)	Royal Mail female	Royal Mail male
Royal Mail plc Board	2	5
Senior Management	720	1,551
Management	1,495	5,523
Administrative	1,398	974
Operational	22,531	105,634

Age distribution (headcount)	<30	30–49	50+
Royal Mail plc Board	–	–	7
Senior Management	81	1,269	921
Management	622	3,552	2,844
Administrative	221	1,154	997
Operational	10,791	57,082	60,292

Ethnicity distribution (headcount)	Asian	Black	Chinese	Mixed	Other	White
Royal Mail plc Board	–	–	–	–	–	7
Senior Management	99	22	4	21	403	1,722
Management	467	226	15	80	599	5,631
Administrative	137	42	12	18	140	2,023
Operational	8,634	4,269	241	1,111	16,835	97,075

Community

Total amount contributed by Royal Mail (£'000)	5,767
Total amount raised by employees (£'000)	3,057

Environment

Scope 1 and 2 carbon emissions (tonnes of carbon dioxide equivalent)	574,628
Business Scope 3 reported carbon emissions (tonnes of carbon dioxide equivalent)	80,883
Direct energy consumption by primary energy source (TJ)	7,163.3
Indirect energy consumption by primary energy source (TJ)	1,929.8
Total waste to landfill ('000 tonnes)	0.5
Total waste diverted from landfill ('000 tonnes)	34.8
Total water consumption ('000 m ³)	1,818.9

B) Royal Mail's description of alignment with the AA1000 APS (2008) principles of Inclusivity, Materiality and Responsiveness for the year ended 31 March 2019, which is set out in the Stakeholder Engagement section of the Report.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information', and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements' issued by the International Auditing and Assurance Standards Board, and AA1000APS (Type 1, moderate, which is the equivalent to ISAE 3000 (Revised) limited assurance). A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our Independence and Quality Control

We applied the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control (UK) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our work was carried out by an independent and multi-disciplinary team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

The Selected Information needs to be read and understood together with the Reporting Criteria. The Stakeholder Engagement approach is included within the Stakeholder Engagement section of the Report. Royal Mail is solely responsible for selecting and applying the Reporting Criteria and Stakeholder Engagement approach. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. The Reporting Criteria used for the reporting of the Selected Information are as at 25 March 2018.

Work done

- A) We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:
- made enquiries of Royal Mail's management, including the Corporate Responsibility (CR) team and those with responsibility for CR management and group CR reporting;
 - evaluated the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information. This included visiting three sites to understand the key processes and controls for reporting site performance data to the group CR team;
 - performed limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported; and
 - considered the disclosure and presentation of the Selected Information.
- B) In respect of Royal Mail's description of alignment with AA1000 APS (2008) principles of Inclusivity, Materiality and Responsiveness we performed the following activities:
- interviewed a selection of Royal Mail's executives, senior managers, and site managers to determine their understanding of their stakeholders, the mechanisms used to engage them and key issues that are of interest to each stakeholder group;
 - reviewed evidence on a selective basis to support the assertions made in these interviews and in the Stakeholder Engagement section within the Report;
 - assessed the outputs from the risk assessment and materiality process relating to stakeholders and Royal Mail's engagement; and
 - assessed the disclosure and presentation of the Stakeholder Engagement description included within the Report.

Royal Mail's responsibilities

The Directors of Royal Mail are responsible for:

- designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing objective Reporting Criteria for preparing the Selected Information;
- measuring and reporting the Selected Information based on the Reporting Criteria;
- reporting the Stakeholder Engagement description in the Report; and
- the content of the Report.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Directors of Royal Mail.

This report, including our conclusions, has been prepared solely for the Board of Directors of Royal Mail plc in accordance with the agreement between us, to assist the Directors in reporting Royal Mail plc's Corporate Responsibility performance and activities. We permit this report to be disclosed in Royal Mail's Corporate Responsibility Report for the year ended 31 March 2019, to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and Royal Mail plc for our work or this report except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
10 May 2019

ⁱ The maintenance and integrity of Royal Mail's website is the responsibility of the Directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on Royal Mail's website.



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Royal Mail plc

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