



Royal Mail plc

**Corporate  
Responsibility  
Report 2014–15**





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# Foreword from Moya Greene



Amid challenging market conditions, Royal Mail has continued to make progress by putting the principles of corporate responsibility (CR) at the heart of our business strategy. Our vision is to be recognised as the best delivery company in the UK and across Europe. We believe that this holds the key to building sustainable value for our shareholders, and we know that it cannot be achieved without a responsible focus on our relationships with our customers, our people, our communities, our suppliers and the environment.

## Progress in 2014-15

The progress that we have made in corporate responsibility (CR) during 2014-15 is very significant for Royal Mail. We were ranked 1<sup>st</sup> of all Transport and Transport Infrastructure businesses in the Dow Jones Sustainability Index; Business in the Community's Corporate Responsibility Index puts us among the most responsible businesses in the UK; and we have become the first delivery business to be awarded triple certification by the Carbon Trust Standard for carbon, water and waste.

We have won customers throughout the year and remain the UK's number one delivery service for parcels in terms of both revenue and volume. We have succeeded in reducing the number of complaints that we receive whilst increasing our levels of employee engagement. And we are taking steps to actively manage the environmental impact of our business and our supply chain.

## Pushing for decent employment standards in the delivery industry

The delivery industry touches every aspect of life in the markets where we operate. According to the Centre for Economics and Business Research, Royal Mail makes the 6<sup>th</sup> biggest contribution of any UK company to the UK economy, with one in every 180 employees in the UK working for our business, and a far higher proportion doing so in the UK's deprived regions where jobs are scarce. The significance of the delivery industry as an employer makes it vitally important that decent employment standards apply across all businesses operating

within it. We have taken a leadership position on this issue. At Royal Mail, we pay our people a fair wage to do good quality jobs. All permanent employees enjoy employment rights such as National Insurance contributions, paid holiday and generous pension contributions. We have taken the first steps towards campaigning for such standards to be applied across the delivery industry as a whole – and we will continue to raise this issue in the year ahead.

## Putting Royal Mail people at the heart of our business

The ability to invest in our people is hugely important to Royal Mail. It is through our people that we are able to deliver for our customers, and it is through our people that many of our positive impacts on communities flow. It was our people, for example, who first suggested that we mobilise our delivery network to support the search for missing people, an initiative that we launched this year. It is our people who are enabling us to transform as we handle fewer letters and manage increasing parcel volumes. And it is our people that support such new, customer-focused initiatives as Sunday deliveries, new collection and delivery options and the opening up of our network to large customers later into the evening and longer at weekends. Beyond this, Royal Mail employees contributed more than £2.5m to good causes this year through our award-winning payroll giving scheme.

Our groundbreaking Agenda for Growth agreement, with the Communication Workers Union (CWU), underpins Royal Mail's ongoing relationship with our employees. Agenda for Growth has already been recognised



by the Chartered Institute of Personnel and Development, which described it as "a genuine and serious attempt at partnership that already marks a dramatic and convincing turnaround."

We have already launched 60 joint projects with the CWU, forwarding our aim of transforming industrial relations and delivering change at pace. In particular, our Together for Growth joint training programme, the UK's largest ever investment in such training, will help more than 6,500 of our managers and union representatives to build stronger working relationships, resolve issues and drive the cultural change that Royal Mail needs to thrive.

## Guarding against complacency

Our business will never be complacent, whether about the challenges of remaining the UK's market leading delivery service or about the CR objectives that we believe are fundamental to delivering sustainable shareholder value. As you will read in the pages of this report, we have made important progress in all of these areas during 2014-15. We are investing in improving our efficiency, growth and innovation to deliver a high quality service for our customers. We are being more flexible to accommodate the increasing demands of e-retailers and online shoppers. Benchmarking and reporting on our progress helps to ensure that CR remains embedded within our business strategy. We are committed to continuing to improve our sustainability performance in the year ahead.

# At a glance

Royal Mail makes a major contribution to the UK's social and economic infrastructure. As the designated provider of the Universal Service, we play a vital role in connecting millions of customers, businesses, organisations and communities – including those in the most remote rural areas. We are the only company that has the capability to deliver a 'one-price-goes-anywhere', six-days-a-week service on a range of letters and parcels to more than 29 million addresses across the UK. We add value to our communities.

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

## Contributing to the economy

 **6<sup>TH</sup> LARGEST CONTRIBUTION**  
**£11.1 BN**  
 VALUE ADDED TO THE ECONOMY

- We made the **6<sup>th</sup> largest** contribution to the UK economy of all UK corporations<sup>1</sup>
- Our impact totalled **£11.1 billion** in terms of value added to the economy, made up of direct and indirect impacts<sup>1</sup>

## Providing employment

 **MORE THAN 160,000 EMPLOYEES**  
**£4.4**  
 BILLION IN WAGES  
 **TIMES TOP 50**

- Across UK and Europe, we have **160,000** employees and pay **£4.4 billion** in wages
- Royal Mail is recognised by The Times as one of the **Top 50** Employers for Women in the UK
- **One in every 180** employees in the UK works for Royal Mail<sup>1</sup>

<sup>1</sup> Finding of Cebur economic impact assessment of UKPIL, commissioned by Royal Mail in 2015.

93.0%



DELIVERED ON TIME

98.9%



**16.2**  
 BILLION  
 LETTERS



**1.5**  
 BILLION  
 PARCELS

## Connecting people

- We met our targets, delivering **93.0 per cent** of First Class Universal Service mail and **98.9 per cent** of Second Class mail on time
- We delivered **16.2 billion letters** and **1.5 billion parcels** through our Royal Mail, Parcelforce Worldwide and GLS networks

## Supporting communities

**£7.6**  
 MILLION

TO CHARITIES AND GOOD CAUSES



**84%**  
 OF PEOPLE IN THE UK SAY

ROYAL MAIL IS AN  
 IMPORTANT PART OF  
 LOCAL COMMUNITIES

**36**  
 FUNDED  
 PROSTATE  
 CANCER  
 NURSES

**725**  
 GRANTS FOR  
 STROKE SURVIVORS

- **84 per cent** of people in the UK think Royal Mail is an important part of local communities<sup>2</sup>
- **36 prostate cancer nurses** were funded through our partnership with Prostate Cancer UK
- We contributed **£7.6 million** directly to charities, good causes and schemes for disadvantaged groups. In addition, our people raised over **£3 million** for good causes across the UK
- Our people have contributed over **£53 million** to over 1,300 charities since our payroll giving scheme began in 1989
- We delivered around **3.6 million items** of mail through our Articles for the Blind service – a free delivery service for blind and visually impaired people

<sup>2</sup> Ipsos MORI Corporate Image Survey Winter 2014.





# 1

## About Royal Mail Group

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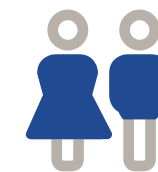
## 1.1

# About Royal Mail Group

Royal Mail is proud to be the sole provider of the Universal Service in the UK, delivering letters and parcels throughout the country for a universal public tariff, six-days-a-week.



**29 MILLION**  
UK ADDRESSES



**MORE THAN**  
**160,000**  
EMPLOYEES

### Who we are

Royal Mail is the UK's pre-eminent delivery company, connecting people, customers and businesses. As the country's sole designated Universal Service Provider<sup>1</sup>, we are proud to deliver a one-price-goes-anywhere service on a range of letters and parcels to more than 29 million addresses, across the UK, six-days-a-week.

Through UK Parcels, International & Letters (UKPIL), we make a very significant contribution to the wider UK economy. In 2014-15, our impact totalled £11.1 billion in terms of value added<sup>2</sup>. This includes our contribution through employment, procurement and taxation. We made the 6<sup>th</sup> largest direct contribution to the UK economy of all UK corporations.

With our European parcels delivery business, General Logistics Systems (GLS), we operate one of the largest ground-based deferred<sup>3</sup> parcel delivery networks in Europe.

### Our people

We employ more than 160,000 people across our Group. UKPIL employs around 143,000 people. On average one in 180 employed people in the UK works for Royal Mail<sup>4</sup>. Approximately 3,200 people work in our UK partially-owned subsidiaries. GLS employs around 14,000<sup>5</sup> people across a range of frontline, operational and support roles.

### Our shareholders

Following our flotation on the London Stock Exchange in October 2013, we continue to have a large retail shareholder base. Approximately 150,000 eligible Royal Mail employees in the UK received free a 10 per cent stake in total in our Company on privatisation. HM Government retains 29.9 per cent of Royal Mail's shares at 29 March 2015.

### Our operations and networks

Royal Mail Group operates through UKPIL and GLS. UKPIL comprises Royal Mail's core UK and international parcels and letter delivery businesses under the Royal Mail and Parcelforce Worldwide brands. Royal Mail's network is unparalleled in the UK in its scale and scope. It supports the provision of services for the collection, sorting and delivery of parcels and letters by Royal Mail. This includes those services Royal Mail provides as the UK's designated Universal Postal Service Provider. Parcelforce Worldwide is a leading provider of express parcel services.

GLS is the Group's European parcels business. It operates one of the largest ground-based deferred parcel delivery networks in Europe. Across Europe, the GLS network covers 37 countries and nation states through a combination of wholly-owned and partner companies. As our gateway to Europe, GLS is a strategically important part of the Royal Mail Group.

### Where we are now

Royal Mail continues to be one of the UK's most trusted and respected brands. In 2015, we have maintained our position of 15 out of 500 in the Business Superbrands survey.

In September 2014, Royal Mail Group was named as the global leader in its industry in the Dow Jones Sustainability Indices. We achieved the top ranking in both the Dow Jones Sustainability World Index and Dow Jones Sustainability Europe Index for the Transportation and Transportation Infrastructure Industry. The successful ranking follows our first ever submission to the index as a publicly listed company.

<sup>1</sup> 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 Postal Service Provider. Subject to the special administration regime, and as set out in the Act, this designation is not time-limited.

<sup>2</sup> Comprising direct and indirect contributions. Cebr research, conducted for Royal Mail in May 2015.

<sup>3</sup> The least time-sensitive type of delivery.

<sup>4</sup> Cebr research, conducted for Royal Mail in May 2015, based on data for 2014-15.

<sup>5</sup> Includes discontinued operations.



Our future competitiveness as a business depends on our ability to innovate successfully to meet changing customer needs and capture new opportunities as they emerge. It also depends on our ability to engage our employees in a customer-focused culture.

Our transformation

We are transforming as we handle fewer letters and manage increasing parcel volumes.

UK addressed letter volumes have fallen on average by around five per cent per annum in the last four years. Alongside these declines, there is not a level playing field for competition in the UK postal market. The UK postal market is fully-liberalised. No other EU country has experienced the same degree of mandated<sup>1</sup> and price controlled access as the UK.

We continue to believe that Ofcom should set out a comprehensive regulatory framework that safeguards the future financial sustainability of the Universal Service, with clear guidelines around the commercial freedoms afforded to Royal Mail, which are necessary to respond to market conditions.

We are the UK’s leading parcels delivery company. Growth in UK parcel volumes continues to be driven by e-retailing. But over capacity has combined with the reduced rate of growth in the addressable market<sup>2</sup> to create pricing pressure.

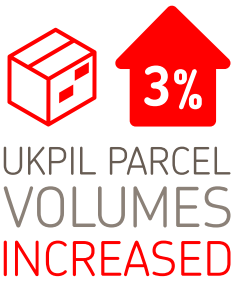
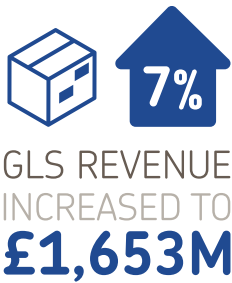
In the medium term, the fastest areas of growth in the parcels market are expected to be clothing and footwear; and toys and sports equipment. We are transforming our core UK network so we can handle a greater number of these larger parcels. We are being more flexible to accommodate the increasing demands of e-retailers and online shoppers. Combined with the disciplines of being a public company, these competitive dynamics mean that we face strong efficiency incentives.

We are seeking to introduce sustainable change, in partnership with our unions. We are driving a cost-conscious culture through a combination of cost actions, optimising our network and standardising our processes.

Our performance

We delivered an operating profit performance for the full year in line with our expectations. Financial and operating performance highlights include:

- Adjusted<sup>3</sup> revenue increased by one per cent<sup>4</sup>. This was due to parcel revenue growth in UKPIL and revenue growth in GLS, which was ahead of our expectations
- UKPIL revenue was flat at £7,757 million. A one per cent decline in total letter revenue was offset by parcel revenue growth of one per cent, reflecting the competitive market
- UKPIL parcel volumes increased by three per cent, with a better performance in the second half. Addressed letter volumes declined by four per cent, at the better end of our forecast range
- In UKPIL, operating costs before transformation costs were down one per cent, better than expected. People costs increased by one per cent and non-people costs reduced by four per cent
- GLS revenue grew to £1,653 million, up seven per cent, with revenue growth in all its markets. Volumes were up eight per cent
- Collections, processing and delivery productivity in UKPIL improved by 2.5 per cent, within our target range of a 2-3 per cent improvement per annum



Group financial highlights	Adjusted 52 weeks 2015	Adjusted 52 weeks 2014
Group external revenue (£m)	9,424	9,456
Operating profit after transformation costs (£m)	595	488
Free cash flow (£m)	453	398

1 Royal Mail is obligated to provide access to its inward mail centres by our Regulator, Ofcom. This means that competitors to Royal Mail can collect and sort mail posted by business and hand it to Royal Mail for final mile delivery.

2 Defined as individually addressed parcels and packets weighing up to 30kg, that do not require special handling and comprise goods that have been ordered based on Triangle Management Services / RMG Fulfilment Market Measure. Excluding international.

3 Adjusted results exclude specific items, including the difference between the income statement pension charge and the total cash cost of pensions, including deficit payments. The figures include DPD Systemlogistik, a subsidiary of GLS Germany, which was owned by the Group for the full reporting period, and sold following the year end, and is identified as a discontinued operation.

4 All movements are on an underlying basis unless otherwise stated. Underlying change is calculated after adjusting for movements in foreign exchange in GLS, working days in UKPIL and other one-off items that distort the Group's underlying performance. For volumes, underlying movements are adjusted for working days in UKPIL and exclude elections in letter volumes.

Our regulatory environment

We welcome the competition that is an integral part of operating in a fully-liberalised postal market. The ongoing decline in letter volumes means that the incentives on Royal Mail to reduce costs are already strong. The intensely competitive parcels business adds to these efficiency drivers. The sustainability of the Universal Service depends on Royal Mail being able to use revenue from easy-to-serve urban areas to cover the cost of a nationwide network capable of serving all addresses at a uniform price. In June 2014, Royal Mail made a detailed regulatory submission to Ofcom highlighting the risk that direct delivery poses to the financial sustainability of the Universal Service Obligation (USO).

Royal Mail in the private sector

We are proud to be the Universal Service provider in the UK, delivering six-days-a-week to cities and remote rural locations for the same affordable price.

We provide good value for money, we work to a high Quality of Service and we continue to invest in our people. In February 2015, we announced our consumer tariffs for 2015-16. The average price rise across domestic parcels, USO letters and international letters is the lowest for at least five years. Our relations with our unions are improved as together we seek to deliver essential improvements in the way we work. We also continue to support our communities and our heritage. Almost 3.6 million articles were delivered through our Articles for the Blind service. We partner with the British Postal Museum & Archive to support its viability and long-term sustainability.

As when we were in public ownership we remain committed to our focus on great customer service, good quality jobs and making a difference to our communities.

Our future

We have a clear vision to be recognised as the best delivery company in the UK and across Europe. We are focused on delivering improved efficiency, innovation and flexibility as we deliver more parcels and fewer letters. We must change at pace if we are to deliver growth in a competitive marketplace.

We are focused on adapting our network to improve the efficiency at which we can collect, sequence and deliver a changing mix of parcels, cost-effectively, on foot. We must continue to develop our services in line with the market to retain and win business.

Our customer strategy seeks to improve our customers’ experiences across our network – from business collections, to the doorstep and the Enquiry Office. Royal Mail benefits from being a trusted brand and the high-esteem in which members of the public hold our postmen and women.

Finally, Royal Mail is nothing without its people. We must continue to deliver difficult change. But, working together with our people and our unions, we can continue to deliver the services our customers want and sustainable value for our shareholders.



# Our strategy

1.2

We have a clear vision to be recognised as the best delivery company in the UK and across Europe. Our three-part strategy aims to deliver our vision, while generating sustainable shareholder value and sustaining the continued provision of the Universal Service.

Our strategy aims to maintain our market-leading positions, and target new segments and channels where we can grow. We are also focused on becoming a more efficient and flexible delivery company.

We are transforming as we handle fewer letters and manage increasing parcel volumes. We are being more flexible to accommodate the increasing demands of e-retailers and online shoppers.

### Our corporate strategy

Our three-part strategy aims to deliver our vision, while generating sustainable shareholder value and sustaining the continued provision of the Universal Service.

#### Strategic priority one Being a successful parcels business

In the UK, we will seek to maintain our pre-eminent position by retaining and growing existing business relationships and increasing our presence in growth areas. We are delivering significant IT upgrades and accelerating the migration of parcel customers to information-rich 2D barcodes. In time, we will significantly increase the number of parcels we scan at the Mail Centre and on the doorstep. We will continue to flex our offering to meet the changing demands of e-retailers and consumers. In Europe, we will continue to deliver growth organically and through selective acquisitions. We will roll out new products, such as FlexDeliveryService, to other international markets to meet increasing demands.

#### Strategic priority two Managing the decline in letters

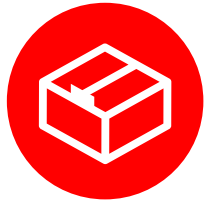
We aim to mitigate the impact of e-substitution by demonstrating the value of letters to UK consumers and large businesses. We will seek to protect and improve revenue generation through initiatives like Mailmark® and by rolling out revenue protection processes. We will continue to make the case to Ofcom for a level

playing field for all letter delivery operators in the UK. At the same time, we will seek opportunities for further efficiencies across our pipeline, to reduce the hours required to process and sort letters.

#### Strategic priority three Being customer focused

We will continue to be flexible to meet changing customer demands. The roll out of improved IT capability will offer business customers improved access to products and services, better visibility of their mailings and improved customer data. Consistent deployment of delivery standards across our UK operation aims to drive up average first time delivery rates for parcels. We will continue to deliver an improved customer experience through investment in our Delivery Offices.

Our three strategic priorities are underpinned by a focus on managing our business successfully, which is assessed on a range of financial and non-financial measures. We will continue to keep a tight grip on costs, as we drive up efficiency and improve productivity across our operation. We are investing in training our people, through training programmes such as Together for Growth and the Management Acceleration Programme. Continued roll out of improved IT solutions will provide the service levels our customers expect in an increasingly competitive marketplace.



### PRIORITY ONE BEING A SUCCESSFUL PARCELS BUSINESS



### PRIORITY TWO MANAGING THE DECLINE IN LETTERS















### PRIORITY THREE BEING CUSTOMER- FOCUSED

### Integrated responsibility

Our corporate responsibility (CR) strategy is an integral part of fulfilling our business model and realising our core strategic priorities.

The links between our CR aims and our core strategic priorities are shown in the table below. This also summarises achievements against each CR objective for 2014-15.

Corporate strategic priority	Corporate responsibility objective	Achievement
  	<b>Delivering economic and social benefit to the communities we serve</b> Communities, page 66	As a major employer and purchaser of goods and services, our economic impact is significant. Commissioned by Royal Mail, the Centre for Economics and Business Research Ltd (Cebr) carried out a complete economic impact assessment of UKPIL. Cebr found that we made the 6 <sup>th</sup> largest direct contribution to the UK economy of all UK corporations. For the 2014-15 financial year, our impact totalled £11.1 billion <sup>1</sup> in terms of value added, made up of direct and indirect contributions to the wider UK economy. Following our successful partnership with Prostate Cancer UK, in September 2014 we announced a new partnership with the Stroke Association, aiming to raise £2 million, including matched giving, over two years.
 	<b>Driving colleague advocacy of the Group and its community role</b> People, page 52 Communities, page 66	Employee engagement is one of the key drivers in our business success. Our Agenda for Growth agreement with the Communication Workers Union (CWU) aims to transform industrial relations at Royal Mail. The initiative was recognised at the Chartered Institute of Personnel and Development awards as the year's Best Employee Relations Initiative. In 2014, we launched a new partnership with the charity Missing People. We send the charity's missing people alerts to our postmen and women, enabling them to keep an eye out for missing adults and children while on their rounds. The idea originated from a postman working in our Bow Delivery Office in London.
 	<b>Managing the environmental impacts of our business operations</b> Environment, page 84	Management of natural resources is a commercial imperative as well as an environmental one. This year we became the first delivery business to be awarded triple certification to the Carbon Trust Standard for Carbon, Water and Waste. In an effort to reduce fuel use and greenhouse gas emissions in our fleet, we deployed a Heavy Goods Vehicle telemetry system that captures data more accurately and provides real-time feedback on driver behaviour. Our aim is to train more than 2,000 colleagues who drive these vehicles in 2015.
  	<b>Delivering our transformation responsibly</b> People, page 52 Customers, page 37	We are focused on delivering improved efficiency, innovation and flexibility as we deliver more parcels and fewer letters. We have agreed with CWU a Joint Statement on Growth, Efficiency and Incentives that is enabling resourcing to better match changes in workload. Our Together for Growth programme supported by a joint mediation process facilitates a collaborative approach to improving efficiency at a local level. At the same time, we have achieved an 11 per cent reduction in the number of accidents across the UK last year.
 	<b>Communicating our management of corporate responsibility openly and transparently</b>  What matters to us Page 24  Independent assurance Page 109	This year we are reporting against the new Global Reporting Initiative G4 framework to the Comprehensive level. This sets out Principles and Standard Disclosures for sustainability reporting. We engaged almost 50 stakeholders from across groups representing customers, consumers, employees, our unions, suppliers, environmental representatives and investors, in order to define the issues that are material to the business.  Our Corporate Responsibility Report is assured against the dual standards of AA1000AS and ISAE3000, to ensure the content is material and relevant to stakeholders and to provide confidence in the robustness of the data.

<sup>1</sup> Cebr research, conducted for Royal Mail in May 2015, based on data for 2014-15.

Our business model, presented on pages 14–15 of the 2014–15 Annual Report and Financial Statements, highlights that our management of customer, people, financial and performance matters is essential to our business success.

Delivering our CR strategy

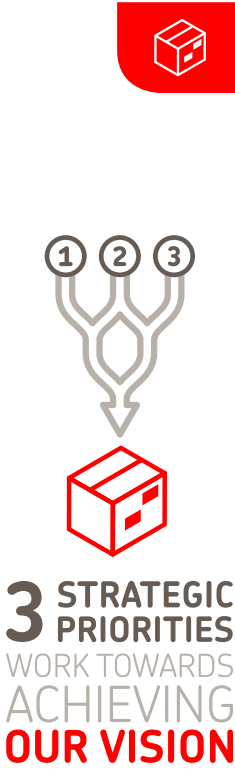
Overall responsibility for corporate responsibility (CR) lies with Moya Greene, our Chief Executive Officer (CEO). Responsibility for each of the major strands of our CR agenda rests with members of her senior leadership team as follows:

- **Shane O’Riordain**, Managing Director, Strategy, Communications, Regulation & Pricing, is responsible for shaping and implementing our CR strategy, including our community investment programme
- **Jon Millidge**, Director of Group Human Resources, is responsible for all People strands of our CR strategy
- **Mike Newnham**, Chief Customer Officer, is responsible for all Customer strands of our CR strategy
- **Matthew Lester**, Chief Financial Officer, is responsible for all financial reporting and core sustainability issues, including procurement. Matthew sits on the Royal Mail plc Board
- **Sue Whalley**, Chief Operations Officer, is responsible for all Environment strands of our CR strategy

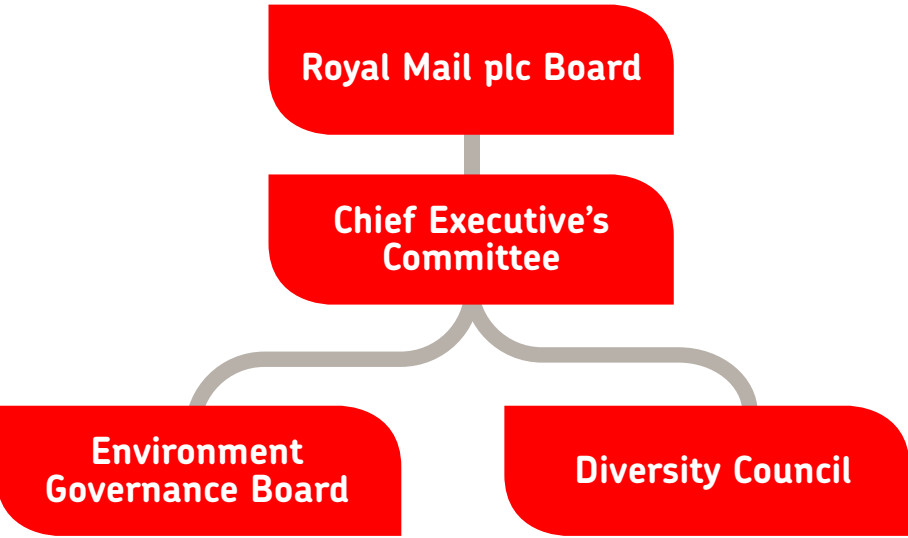
Delivery of the strategy is further supported by senior managers, as set out in the CR Governance diagram opposite.

Supporting this, we have a comprehensive structure of delivery tools that promotes clear responsibilities and targeted measurement to achieve our aims. In this way, responsibility is integrated throughout the business (see page 16).

Our Corporate Balanced Scorecard reflects our business model imperatives of customer, people and financial, setting out key performance indicators (KPIs) to drive business success. Managers’ bonuses, from Board members down, are linked to the Scorecard. On the ground, our policies, procedures and training engage and inform our people. Using our three strategic priorities as focal points, each cascaded level works towards achieving our vision: to be recognised as the best delivery company in the UK and across Europe.



Corporate responsibility governance



Royal Mail plc Board

Receives regular updates on CR activities, e.g. monthly health and safety briefings. It also reviews and approves the Corporate Responsibility Report every year.

Chief Executive’s Committee (CEC)

Chair: CEO

As described on page 14, individual members of the CEC take responsibility for CR aspects of the people, customer, community, environment and supply chain strands. The Managing Director of Communications, Strategy, Regulation & Pricing is accountable to the CEO for implementing the CR strategy, supported by the CR team.

Environment Governance Board

Chair: Group Director of Safety, Health, Wellbeing & Sustainability

Drives the environment strategy, proposing targets for approval by the CEC and ensuring delivery of improved performance. The group is made up of senior managers accountable for functional areas concerned with material environmental issues, including fleet, facilities management and customers.

Diversity Council

Chair: Company Secretary

Responsible for progressing and monitoring our diversity performance. Members include the Chief Operating Officer, Group HR Director, frontline employees and representatives from the Communication Workers Union and Unite. Its progress is regularly reviewed by the CEC.

The Gender Diversity Steering Group supports the delivery of the gender strategy set by the Council. During the reporting period the Diversity Council established additional committees to support its work on other strands of our diversity strategy, as follows:

- LGBT (lesbian, gay, bisexual and transgender) and Friends Steering Group
- BAME (Black, Asian and Minority Ethnic) Steering Group
- Disability Steering Group

In addition, in 2015–16 the Diversity Council plans to establish Parents and Carers and Youth Steering Groups.





Corporate responsibility delivery frameworks and tools

Corporate Balanced Scorecard

- Supports the implementation and execution of our strategy by linking managers' remuneration to both business and individual key performance indicators (KPIs)
- Managers' bonuses are also linked to the scorecard
- 55 per cent of KPIs are corporate responsibility-related, specifically targeting people and customer issues
- Managers' individual targets and appraisals are aligned with the three areas of customer, people and financial

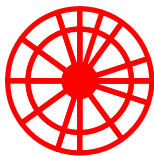
World Class Mail

- Driving continuous improvement at the frontline, engaging and involving our people in transformation
- Improving performance in safety, productivity and environment through a comprehensive seven-step system

Policies, procedures and training

See policies at: [www.royalmail.com/policies](http://www.royalmail.com/policies)

- **Corporate Responsibility Policy** – sets out our strategy, governance and commitment to corporate responsibility including our support of the United Nations Global Compact (UNGC) and Universal Declaration of Human Rights
- **Responsible Procurement Code of Conduct** – requires all suppliers to adhere to the United Nations Universal Declaration of Human Rights, act in accordance with the Ten Principles of the UNGC and adopt and apply standards consistent with Royal Mail Group's internal standards on social, ethical and environmental issues. These include provisions against labour abuses, such as forced labour and child labour, prohibitions against corruption and bribery and a commitment to continuous improvement in environmental performance
- **Environment Policy** – sets out our commitment to environmental management
- Other relevant support includes the Royal Mail Code of Business Standards and the Equality & Fairness; Bullying & Harassment and Anti-Bribery policies and associated employee training



55%  
OF KPIs RELATE TO  
CORPORATE  
RESPONSIBILITY

Measuring our progress

We are independently rated as a leading responsible business. We have been named global leader for 2015 in our industry in the Dow Jones Sustainability Indices (DJSI). We achieved the top ranking in both the Dow Jones Sustainability World Index and Dow Jones Sustainability Europe Index, ahead of around 100 other organisations in marine, rail, trucking, freight forwarding and logistics businesses. The ranking follows our first ever submission to the index as a publicly listed company. We achieved industry-best scores for supply chain management; corporate citizenship and philanthropy; and environmental and social reporting.

Business in the Community's (BITC) Corporate Responsibility Index is another good way of measuring our performance.

In the 2015 Index, Royal Mail was ranked one of the most responsible companies in the UK after scoring 98 per cent in its assessment. We were awarded a rating of 4.5 stars, out of a possible five.

Both the BITC and DJSI assessments highlight environmental management as an area for improvement. In the last year, we have continued to strengthen our environmental reporting processes and procedures. For the first time we assured 100<sup>1</sup> per cent of our UK scope 3 data. We integrated environment management into our Group Safety, Health and Wellbeing Management System and further increased the breadth of our environmental data reporting by disclosing our emissions of nitrogen oxides, carbon monoxide and other particulate matter. We continue to look for opportunities to embed effective environmental management through the work of the Environment Governance Board. Further details are provided in the Environment section on page 84.

<sup>1</sup> Our reported scope 3 data comprises emissions from business travel, airmail and transmission and distribution losses associated with electricity use.

Sustainability risks and opportunities

The CR objectives and strategy outlined in this report are fundamental to the sustained business success of Royal Mail Group. Failing to meet those objectives would result in significant risks for our business. On the other hand, managing sustainability effectively can result in significant benefits and competitive advantage.

As a business, we must meet changing customer demands, deliver a high quality of service and fix problems proactively. Our people are fundamental to our ability to deliver such customer service. We must provide them with a safe and respectful working environment and ensure that they are appropriately trained for their jobs. As a transport business, it is important that we effectively manage our environmental impacts and reduce our resource use. Alongside these issues, we must look to transform our business and increase its efficiency in a responsible manner.

Failing to address these issues would create a number of risks: loss of customers; disengaged and demotivated employees; increased compliance costs; poor reputation and the loss of our social licence to operate, and the goodwill of customers and stakeholders on which Royal Mail depends. Failing to manage our use of resources, such as fuel and water, 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, an engaged workforce delivering great customer service, the ability to attract and develop the right talent, and reduced costs associated with improved efficiency.

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

The Governance section of the Annual Report and Financial Statements describes in detail how the Group manages its risk from the Group Board level, its respective sub-Committees and through the organisation (see pages 41 and 50–54).





# Our progress and future priorities

## 1.3

### Our customers

#### Key achievements

- Trialled weekend collections for business customers to enable delivery on a Monday
- Trialled Sunday opening hours at around 100 of our Enquiry Offices and Sunday parcel delivery to addresses within the M25
- Announced an investment of around £130 million over five years in new handheld scanners
- Launched ‘Parcelforce Select’, allowing customers to choose when, where and how they want their parcels delivered
- Introduced a new, bigger Small Parcel size, providing better value for money
- Launched a new initiative with the Trading Standards Institute to help protect our customers from fraudulent mail
- GLS Germany expanded its Saturday and evening delivery options to Hamburg and Bonn, and now provides this service in eight cities

#### Areas to strengthen

- Continue to offer customers even greater choice and flexibility
- Continue to drive improvements in first time delivery rates

#### Priorities for 2015–16

- Roll out our new handheld devices and supporting IT systems to support the tracking of significantly more parcels
- Begin the roll out of automatic sorting of parcels at around 20 of our busiest Mail Centres across the UK
- Promote the value of advertising mail through targeted new business campaigns, such as Mailmen
- Continue to drive down complaints, with a focus on the four most common categories
- Continue to invest in our Enquiry Offices to provide an improved customer experience

- Further build on our digital offering to offer better service to our customers, including improving the end-to-end online ordering experience
- Expand GLS’s FlexDeliveryService that uses texts and emails to enable customers to choose where and when they would like their parcel delivered

### Our people

#### Key achievements

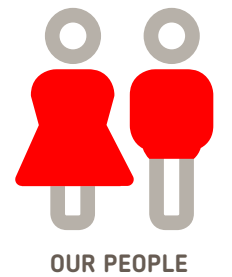
- Increased participation in our annual Employee Survey, with 89 per cent of our people providing feedback
- Around a quarter of eligible employees took up the opportunity to participate in our Save As You Earn scheme
- Launched 60 projects under our Agenda for Growth initiative. Our Together for Growth programme will train more than 6,500 managers and union representatives by October 2015
- Expanded our Dog Awareness Week campaign, driving awareness of this important safety issue for our people
- Launched our ‘We can sort it out’ campaign with our unions, designed to address bullying and harassment at Royal Mail

#### Areas to strengthen

- Continue to ensure more people feel they have the training and development they need to do their jobs well, and offer more opportunities for them to develop their careers
- Continue to promote an inclusive culture that values difference and is free from bullying and harassment

#### Priorities for 2015–16

- Continue to drive reductions in accidents and our lost time accident frequency rate
- Roll out our new values and embed them across the business
- Further develop support programmes and networks for female, Black, Asian and Minority Ethnic and lesbian, gay, bisexual and transgender employees
- Provide new development opportunities for frontline employees, including access to digital learning
- Develop and roll out new films about mental health to drive awareness
- Enrol a further 75 business leaders in our Executive Leadership Programme and 250 senior managers in the Management Acceleration Programme at the University of Oxford’s Saïd Business School
- Deliver conduct training for around 12,000 managers and frontline employees
- Continue our programme to enrol 6,500 employees in Together for Growth training



### Our communities & suppliers

#### Key achievements

- Contributed £7.6 million directly to charities, good causes and schemes for disadvantaged groups
- Named Corporate National Partnership Champion at the annual Charity Times Awards, in recognition of our partnership with Prostate Cancer UK
- Launched a partnership with the charity Missing People, supporting the search for high risk vulnerable adults and children in the UK
- Developed our free First World War educational pack The Last Post, covering a range of National Curriculum subjects for Key Stages 1 and 2
- Developed a new procurement standard to check that suppliers of temporary staff meet our standards on diversity

#### Areas to strengthen

- Continue to identify ways in which we can ‘mobilise’ our assets – such as our brand, people and logistical network – to benefit the communities we serve
- Support our people in pursuing volunteering opportunities within our communities

#### Priorities for 2015–16

- Launch a series of community-wide fun runs in Birmingham, Glasgow and London, engaging at least 1,000 people in raising money for our Charity of the Year
- Partner with the charity Career Ready, enabling our people to volunteer in schools and help young people in reaching their potential. Engage 50 employees in our first year
- Raise £2 million for the Stroke Association, including matched giving, and undertake 15,000 employee blood pressure tests
- Deliver our refreshed Young Letter Writer’s competition in autumn 2015, encouraging letter writing and creativity amongst at least 1,000 young people
- Implement supplier self-accreditation in terms of safety, environmental and ethical standards, via our Supplier Relationship Management system

### Our environment

#### Key achievements

- Royal Mail became the first delivery business to be awarded triple certification by the Carbon Trust Standard for carbon, water and waste
- Increased the breadth of our reporting, disclosing our emissions of carbon monoxide, nitrogen oxides and other particulate matter for the first time
- Deployed a Heavy Goods Vehicle telemetry system to improve the fuel efficiency of our fleet through capturing data more accurately and providing real-time feedback on driver behaviour
- Consumed one per cent less water and sent 20 per cent fewer tonnes of waste to landfill
- Continued to strengthen our environmental reporting processes and procedures, and for the first time assured 100<sup>1</sup> per cent of our UK scope 3 data

#### Areas to strengthen

- Continue to seek more and better ways to improve resource efficiency across energy, waste and water
- Continue to identify ways to mitigate the impact of our fleet

#### Priorities for 2015–16

- Review and update our environment strategy
- Complete the LED lighting replacement programme at all 60 GLS Germany depots
- Develop an Environmental Action Plan and progress implementation to include revised targets
- Continue to integrate Environment into the Safety Health and Environment (SHE) Management System, and up-skill the SHE manager and advisor community
- Retain ISO14001 at our existing sites while targeting expansion to our major hubs
- Complete roll out of our real-time telemetry system to all 2,000 of our 7.5 tonne vehicles and 13,000 of our small vans

<sup>1</sup> Our reported scope 3 emissions comprise of business travel, airmail, and transmission and distribution losses associated with electricity use.



# Key performance indicators

1.4

This section sets out performance against the key performance indicators (KPIs) in our Corporate Balanced Scorecard (CBS). It also includes a number of additional KPIs that are essential for the successful delivery of our business strategy and CBS indicators. These additional KPIs include, for example, aims around learning and development; diversity and inclusion; and community investment.

Customers	Target for 2014-15	2014-15 Performance	2013-14 Performance	Achievement
First Class Quality of Service <sup>1</sup>	93.0%	93.0%	93.2%	Achieved
Composite parcels Quality of Service <sup>1</sup>	95.3%	95.0%	95.1%	Not achieved
Mean business customer satisfaction <sup>1</sup>	75	76	75	Achieved
Customer complaints <sup>1</sup>	460,000 <sup>2</sup>	445,476	465,461 <sup>3</sup>	Achieved

<sup>1</sup> This is a key performance indicator on our Corporate Balanced Scorecard.  
<sup>2</sup> Target has been adjusted to reflect factors including routing customer calls from Delivery Offices to Customer Contact Centres.  
<sup>3</sup> Total number of complaints for 2013-14 has been restated from 458,739 to 465,461 to include 6,722 complaints from Stamps & Collectibles.

People	Target for 2014-15	2014-15 Performance	2013-14 Performance	Achievement
Lost time accident frequency rate <sup>1</sup>	0.69	0.67	0.77	Achieved
Total accidents	Reduce the number of work-related accidents	9,738	10,999	Achieved
Days lost due to accidents	Reduce the number of days lost due to accidents	29,903	33,351	Achieved
Fatalities	Zero work-related fatalities	4	4	Not achieved
Sickness absence	Reduce the sickness absence amongst our workforce	4.7%	4.3%	Not achieved
Employee engagement <sup>1</sup>	55	56	54	Achieved
Customer focus <sup>1</sup>	70	69	69	Not achieved
Learning and development	Deliver customer experience training for 2,000 frontline employees in Enquiry Offices	Trained 2,640 colleagues in customer service skills as part of our 'Customer and You' programme	50,000 colleagues attended instructor-led training in the UK; 90,000 attended web-based training sessions	Achieved
Diversity and inclusion	Enhance focus on diversity actions through our Diversity Council	The Council introduced diversity objectives for senior managers and three supporting steering groups to help deliver its strategy	Provided 67 Springboard training programmes to over 1,000 female employees	Achieved



Communities				
Communities	Target for 2014-15	2014-15 Performance	2013-14 Performance	Achievement
Community investment	Raise £2 million, including matched giving for the Stroke Association over a two-year partnership	At year end, over £145,000 had been raised for the Stroke Association to fund 725 grants	Raised £2 million, including matched giving for Prostate Cancer UK over a two-year partnership	On track
Colleague engagement	Increase the number of colleagues supporting charities through payroll giving, matched giving and fundraising	Over £3 million raised: 34 per cent increase in applications for matched giving, volunteering and fundraising grants	£3.3 million raised; 7 per cent increase in employee fundraising and a 22 per cent increase in applications for matched giving, volunteering and fundraising grants	Achieved
Suppliers	Review our procurement governance processes and incorporate ethical, social and environmental risks into decisions on whether contracts must be submitted to the Royal Mail Board	Updated our governance process. Contracts classed as critical due to social and environmental risks are now subject to Board approval	Reviewed and revised our critical supplier list, identifying around 50 organisations to target	Achieved



Environment	Target for 2014-15	2014-15 Performance	2013-14 Performance	Achievement
Carbon emissions	Achieve a 20 per cent reduction in carbon emissions by 2020-21 compared with a 2004-05 baseline <sup>1</sup>	732.9k tonnes CO <sub>2</sub> e; a 16 per cent reduction against the baseline <sup>2</sup>	709.5k tonnes CO <sub>2</sub> e; just under 19 per cent below emissions in our baseline year <sup>3</sup>	On track
Waste	Divert 70 per cent of waste from landfill by 2014-15	78 per cent of waste diverted from landfill	71 per cent of waste diverted from landfill	Achieved
Water	Manage and reduce our use of water	1 per cent reduction in water consumption	6 per cent reduction in water consumption	Achieved

Financial	Target for 2014-15	2014-15 Performance	2013-14 Performance	Achievement
Total UK costs <sup>4,5</sup>	£7,434 m	£7,275 m	£7,242 m	Stretch See Annual Report 2014-15, page 22
Group operating profit before transformation costs <sup>4,6</sup>	£620 m	£620 m	£670 m	Target <sup>7</sup> See Annual Report 2014-15, page 25
Free cash flow <sup>4,8</sup>	£300 m	£353 m	£398 m	Above target <sup>7</sup> See Annual Report 2014-15, page 26
Group revenue <sup>4,9</sup>	£9,685 m	£9,556 m	£9,436 m	Above threshold <sup>7</sup> See Annual Report 2014-15, page 70
Productivity <sup>4</sup> for collections, processing and delivery	2.2%	2.5%	1.7%	Above target <sup>7</sup> See Annual Report 2014-15, pages 10-11

<sup>1</sup> Our 2004-05 baseline represents CO<sub>2</sub> rather than CO<sub>2</sub>e emissions

<sup>2</sup> We quantify and report our organisational greenhouse gas emissions according to the Defra Environmental Reporting Guidelines 2013 and have utilised the UK Government 2014 Conversion Factors for Company Reporting in order to calculate CO<sub>2</sub> equivalent emissions from corresponding activity data. Natural gas data has been estimated for seven months of the year due to billing problems at British Gas.

<sup>3</sup> Our 2013-14 footprint has increased slightly compared with the figure reported in our 2013-14 CR report (from 705.2k). Scope 3 emissions have been restated to include electricity losses associated with rail electricity losses. There has also been an update to personal business travel which has increased from 9,233.7 tonnes CO<sub>2</sub>e to 12,828.3 tonnes CO<sub>2</sub>e.

<sup>4</sup> This is a key performance indicator on our Corporate Balanced Scorecard

<sup>5</sup> Total UK costs (before transformation costs)

<sup>6</sup> Group operating profit before transformation costs and adjusted for foreign exchange movements

<sup>7</sup> More detailed information is provided in the 2014-15 Annual Report and Financial Statements on page 70

<sup>8</sup> Group free cash flow (excluding London property portfolio)

<sup>9</sup> Group revenue adjusted for foreign exchange movements



# What matters to us

1.5

Royal Mail is part of the UK’s social fabric. We are a stakeholder-focused business. The support of our stakeholders – such as customers, investors, communities, suppliers and government – is integral to our success and the ongoing sustainability of our business.

## Our stakeholders

Royal Mail is committed to being open and transparent about our business. We know that communication with our stakeholders is essential for our success. We must understand their views, needs and expectations if we are to maintain our leadership position and grow our business in a competitive marketplace.

Our engagement with stakeholders helps us understand the impact of our operations and where we can take steps to deliver additional benefits. We reach out to them proactively for their perspectives on our role and responsibilities. We also offer a range of channels for them to get in touch with us and share their views. Our stakeholder engagement policy is published at the following address: [www.royalmailgroup.com/our-approach-stakeholder-engagement](http://www.royalmailgroup.com/our-approach-stakeholder-engagement)

The way we engage with our primary stakeholders is described on pages 28 to 35.

## Determining materiality

Our different stakeholder groups provide important feedback on our approach through our corporate responsibility (CR) materiality assessment, which helps us to structure our reporting so that we are covering the key issues in a transparent way. In 2014, we introduced an expanded CR materiality assessment. We engaged with almost 50 stakeholders from across groups representing customers, consumers, employees, our unions, suppliers, environmental representatives and investors. Through this, we have gained greater understanding about the key issues they expect us to report on. This process also provides us with evidence-based justification for the broader CR decisions that we take.

The materiality assessment was carried out independently by CR experts from the company Corporate Citizenship. It consisted of three stages:

### Research into key issues

To evaluate the key CR issues for Royal Mail, the assessment included a review of our existing reports, management and assurance statements, a review of media coverage, and a comparison with external standards such as the Dow Jones Sustainability Index and Global Reporting Initiative. We used the reporting of our peers and competitors to benchmark the key issues for our industry as a whole.

### Stakeholder survey and interviews

We conducted online surveys and telephone interviews with our stakeholders to gather evidence on the importance of different issues.

### Stakeholder panel

We put together a high-level stakeholder panel to explore the issues covered in greater depth in the research and survey stages, and to identify whether there were any outlying issues that had not been previously covered. The panel included representatives from our primary stakeholder groups, including:

- Alliance Trust plc
- Business in the Community
- British Postal Museum & Archive
- Confederation of British Industry
- Charities Trust
- Citizens Advice Bureau
- Communication Workers Union
- John Lewis Partnership
- Peugeot
- Post Office Ltd



## Key messages from our stakeholder engagement

Our stakeholders want Royal Mail to focus on the basics in our CR reporting. They are most interested in our economic impact, whether we are responsibly run and governed, how we prioritise the customer and provide high quality, good value products and services. They also want to know that we manage our environmental impact responsibly. These issues should be the foundation of our reporting.

In an increasingly commercial and competitive environment, it is more important than ever that we also stress our unique corporate purpose and role as a Universal Service provider. We must continue to engage actively with stakeholders, and report openly and frankly about performance, progress and difficult choices, as our Company continues to change. At the same time, we should demonstrate how social and environmental responsibility makes good long-term business sense.

The key output of our CR materiality assessment is the materiality matrix shown on page 26, which highlights the key issues that influence our business success. Our materiality assessment process will be updated on a regular basis. We will engage an extensive range of external stakeholders in the process every two years, with internal reviews conducted in the intervening years.





Materiality matrix

In order to construct our materiality matrix, we spoke to around 50 external stakeholders and ranked different CR issues according to how important they perceived them to be. We also asked our Group Strategy team, together with other senior managers, to rank issues in terms of their perceived influence on business success, both financial and non-financial.


The outputs of these rankings are set out in the matrix below. We disclose information on the majority of the issues that both groups deem to be materially important to Royal Mail. Issues in the bottom left hand corner of the matrix are managed by our business, but not covered in detail in our CR reporting.





# Key stakeholders

## 1.6

Customers	Who they are	What they expect	How we engage	Progress during 2014-15	Looking ahead to 2015-16
	Consumer senders and receivers of mail	Provision of the six-days-a-week, one-price-goes-anywhere Universal Service at competitive prices	Around 15 million customer conversations a year through phone, email, letter and Twitter	Trialled Sunday openings at Enquiry Offices; Sunday parcel deliveries (within the M25); and weekend collections for large business customers	Add 2,000 new postboxes to our network
	Small and medium-sized enterprises (SMEs), including online marketplace traders	That we understand and innovate to meet their changing requirements	Our frontline postmen and women engage with our customers at point of collections and on deliveries six-days-a-week	Launched 'Parcelforce Select', allowing customers to choose when, where and how they want their parcels delivered	Roll out our new handheld scanners, which allow more flexible delivery options
	Large corporations, Government and public sector	A high quality and consistent service	Our sales team of account managers: field, desk, new business and specialists	Introduced a new, bigger Small Parcel size, delivering greater value for money	Continue to roll out our 'Customer and You' training to support redesigned Enquiry Offices
		Value for money	Our <a href="http://www.royalmail.com">www.royalmail.com</a> website	Announced an investment of around £130 million over five years in new handheld scanners, enabling more flexible delivery and better tracking of parcels	
			Business and consumer customer surveys and focus groups		
			Our relationship with the Post Office allows customers to buy products and services at 10,500 Post Office branches	Increased customer satisfaction score by one point	

## Colleagues

	143,000 UK employees in UKPIL. Around 14,000 people employed by GLS	Engagement on issues of importance to the Company	Weekly Work Time Listening and Learning sessions	Launched our first ever Save As You Earn scheme, with more than 36,000 people choosing to participate; increasing their stake in the business	Develop our Employee Survey further, with more insight on the cultural changes required to achieve our strategic priorities and a demographic breakdown to help us to understand the diverse groups in Royal Mail
	17 per cent female across the Group	High standards of health and safety	JustSayIt (an email link to the CEO)	Improved employee engagement score in our annual Employee Survey	
	10 per cent in the UK declare themselves to be from Minority Ethnic groups	Equality and fairness throughout workplaces	Royal Mail TV	Launched an internal career development site that showcases job opportunities across Royal Mail, and includes resources to help with CVs and interviews	Focus on driving down long-term absence rates, in particular targeting mental health and musculoskeletal disorders
	Six per cent in the UK identify themselves as having a disability	Learning and development support	Intranet and <a href="http://www.myroyalmail.com">www.myroyalmail.com</a>	Our monthly magazine, Courier, Courier Specials and Newsflashes sent direct to employees' homes	Launch a communication and engagement plan to promote alignment with our new Royal Mail values
			Postcards, posters and daily and weekly emails sent to business units or individuals' homes	Continued the upgrade of our Safety, Health & Environment Management system, to ensure that it provides the best possible protection for our people	
			A programme of 'town halls', forums, conferences and on-site engagement with senior managers and leaders across the business		



Suppliers	Who they are	What they expect	How we engage	Progress during 2014-15	Looking ahead to 2015-16
	Around 5,500 suppliers	Fair and transparent contracting and ordering processes, and payment in accordance with agreed terms	Group Procurement monitors compliance with our Responsible Procurement Code of Conduct, based on the United Nations Global Compact's 10 principles around good human rights, labour and environmental practice, and anti-corruption	Implemented a system for monitoring the number of SMEs (small and medium-sized enterprises) added to our supplier base	Roll out a process for identifying SMEs success in bidding for and winning contracts
	Our annual procurement spend is approximately £2.5 billion	Clear, relevant information on Royal Mail's requirements and standards		Developed a new Health & Safety contract schedule clarifying our suppliers' obligations to meet our standards	Implement supplier self-accreditation in terms of safety, environmental and ethical standards
				Developed a new procurement standard to check that suppliers meet our standards on diversity	Work with our new framework of IT suppliers to drive higher corporate responsibility performance within the technology supply chain
				Completed our anti-bribery due diligence for suppliers deemed to be at medium or high risk of non-compliance	
Unions	Who they are	What they expect	How we engage	Progress during 2014-15	Looking ahead to 2015-16
	Communication Workers Union (CWU) – an estimated 84 per cent of operational and administrative grade employees are members	Fair and respectful treatment of members	Weekly meetings held between CWU representatives and frontline operational managers to discuss resource to workload, review core costs, upcoming work and additional resource requirements	60 projects are up and running under our Agenda for Growth initiative, which is changing our entire approach to industrial relations	Continue to advance our Agenda for Growth
	Unite Communication and Managers' Association (Unite CMA) – over 40 per cent of our managers are members of Unite CMA	Consultation and engagement on issues of importance to the Company		Agenda for Growth was awarded best employee relations initiative at the Chartered Institute of Personnel and Development (CIPD) People Management Awards	Work with Westminster, Sheffield and Plymouth universities, to research the impact of Agenda for Growth on industrial relations
		Negotiation of improvements to terms and conditions		Implemented a voluntary mediation scheme, externally recognised through a PMA (Professional Mediators' Association) Award. We have established 10 mediation processes ranging from union mediation to management mediations, and held 620 awareness sessions so far	
			Daily/ad-hoc meetings as required to review resourcing and in support of individual members		
			Dedicated specialist industrial relations team regularly consulting with unions to address business-wide issues such as jobs, pay, privatisation and transformation		
Investors	Who they are	What they expect	How we engage	Progress during 2014-15	Looking ahead to 2015-16
	Institutional investors and retail investors	Sustainable shareholder value	Regular financial reporting and disclosures to the market as required by the UK Listing Authority's (UKLA's) Disclosure, Transparency and Listing Rules	Access to external capital enabled the Group to issue its first publicly traded bond in July, with the proceeds partly used to pay off more expensive sources of finance	Continue to make regular financial disclosures to the market and continue our Investor Relations programme
	HM Government			Our Save As You Earn scheme, one of the UK's largest, launched in September, giving employees the future option to buy shares in Royal Mail at a discounted fixed price	Focus on being a more efficient and flexible company
	The overwhelming majority of our employees in the UK, who in total received a free 10 per cent stake in our Company. More than 36,000 of eligible employees also chose to take part in our Save As You Earn share scheme in September 2014			Eligible full-time employees with 729 shares will have received around £152 in dividends for 2014-15 <sup>1</sup>	Maintain our market-leading positions and target new segments and channels where we can grow
			Annual General Meeting		Aim to deliver sustainable shareholder value

<sup>1</sup> Eligible part-time employees will receive a dividend based on their pro-rata allocation of Free Shares. Based on final dividend payment of 14.3 pence per share to be paid on 31 July 2015, subject to shareholder approval, and maiden interim dividend payment of 6.7 pence per share for 2014-15.





Local communities	Who they are	What they expect	How we engage	Progress during 2014-15	Looking ahead to 2015-16
	Communities across the areas in which we operate	Operate in a socially responsible way	Support our people in making a difference to local communities	Made a total economic contribution to the UK of £11.1 billion	Continue to activate our new Charity of the Year partnership with the Stroke Association UK, driving linkages at all levels of our business
	Charities and non-Government organisations	Deliver a high Quality of Service, six-days-a-week	Collaborative working with charity partners	Launched a partnership with the charity Missing People, sending location-specific high risk alerts across our network when someone is reported lost	Continue working with the Keep Me Posted campaign to protect the rights of consumers to choose, without penalty, to receive communications such as bills and statements by post
				Contributed £7.6 million directly to charities, good causes and schemes for disadvantaged groups	
				Announced a new Charity of the Year partnership with the Stroke Association	Support the construction of a new British Postal Museum and Archive

Ofcom	Who they are	What they expect	How we engage	Progress during 2014-15	Looking ahead to 2015-16
	Independent regulator for the UK communications market	We must meet high Quality of Service standards for the Universal Service	Regular engagement through reporting, face-to-face meetings and consultation responses	Made a detailed and evidential regulatory submission arguing for the need for it to bring forward a full review of direct delivery	Continue to engage with Ofcom on our ongoing efficiency programme
	Ofcom's primary regulatory duty for postal services is to secure the provision of the Universal Postal Service UK	Continuous improvement in the efficiency of our operations	Relationship managed by the Regulation and Compliance departments	Attended the Business Select Committee on the Sustainability of the Universal Postal Service, outlining the threat of unfettered direct delivery competition to the long-term financial feasibility of the Universal Service Obligation (USO)	Work with Ofcom as it seeks to further understand the parcels market, and we will engage fully in its review of the market
		Regular updates on our performance, including providing data to enable monitoring against this		Responded to Ofcom's consultation on Access Pricing, outlining the need for Royal Mail to be able to have flexibility in setting fair prices for handling other operators' mail	Continue to engage Ofcom on the threat posed by direct delivery competition and the regulatory framework that is needed to manage this threat
		Responses to public consultations regarding the regulatory framework			

UK Government	Who they are	What they expect	How we engage	Progress during 2014-15	Looking ahead to 2015-16
	Department for Business, Innovation and Skills (BIS)	As the policy holder for postal services, the Government (BIS) expects Royal Mail Group to deliver the USO for the UK	Royal Mail Group retains a relationship with the Shareholder Executive and meets as required with Government on shareholder matters through the Company Secretary's department	Work closely with Government on reviewing and developing policy areas that impact on the business and the delivery industry	Continue to work with Government discussing policy developments related to delivery services, and the USO across a range of departments. Issues include employment standards, security, competition, data protection, consumer protection and preserving the USO
	At the time of writing, HM Government had a stake of 29.9 per cent in our Company	Compliance with applicable law and regulations	Day-to-day policy engagement through our Public Policy and Group Communications departments	We have a relationship with the Shareholder Executive, to share investor information with Government as it does with all other shareholders	
		Contribution to policy development relevant to our sector			
		Like any other shareholder, the Government expects Royal Mail Group to deliver sustainable shareholder value	Royal Mail Group regularly engages with the BIS, the Treasury, the Home Office and some other central Government Departments and the Devolved Administrations on key policy issues as a strategic partner		



European institutions	Who they are	What they expect	How we engage	Progress during 2014-15	Looking ahead to 2015-16
	European Commission	Engagement with the EU legislative and policy-making bodies	Contributing to consultation exercises	Developed relationship with new members of the European Parliament	Continue to work with key opinion formers and decision makers in the EU institutions
	European Parliament	Formal consultation exercises and ongoing meetings	Regular meetings with officials	Introductory meetings with key European Commission officials	Contribute to policy developments
		Compliance with applicable law, regulations and policy initiatives	Providing information or insights where appropriate	Ongoing engagement with UK Permanent Representation	Respond to consultation exercises

International stakeholders	Who they are	What they expect	How we engage	Progress during 2014-15	Looking ahead to 2015-16
	Universal Postal Union (UPU): a United Nations (UN) body, which has 192 member states, dedicated to the development of the global postal service	Engagement on issues of importance to the development of the organisations and the global postal network	Taking a leading role at the UPU as an elected member of the Postal Operations Council	Continued development of services to support e-commerce, both in Europe and globally	Participate in the UPU Strategy Forum held in Switzerland in April 2015, reviewing progress and looking towards the 2016 Congress
	PostEurop: regional union of the UPU in Europe with 52 postal operators. Its aim is to promote further cooperation among the European posts and improve services	Commitment to and participation in the various bodies, groups and work programmes	Raising our visibility and engagement with EU decision-makers and the wider EU stakeholder community	Obtained UPU agreement on global e-commerce product specification	Continue Quality of Service measurement and operational services to support international mail exchange
	International Post Corporation (IPC): dedicated to improving service quality, promoting cooperation and interoperability, and providing informed intelligence about the postal markets		An elected member of the PostEurop Management Board	Improved efficiency of Quality of Service measurement, and continued operational and IT enhancements	
			Leadership (at Chief Executive level) as a member of the IPC Board		
			In all organisations, providing leadership and expertise on topics of importance to Royal Mail Group and our stakeholders		



# Our customers

We are focused on getting things right for our customers and being their first choice. Being customer-focused is one of our three strategic priorities. We offer the lowest prices and amongst the highest Quality of Service of any major European country. We are looking to innovate to meet customer needs.

 **c.1.1**  
**BILLION**  
**PARCELS**  
2014-2015

 **c.16.2**  
**BILLION**  
**LETTERS**  
2014-2015

## Key facts

- As the UK's Universal Service provider, Royal Mail can deliver to more than 29 million addresses, across the UK, six-days-a-week, for a sustainable and affordable uniform price
- The UK has amongst the highest quality specifications of any major European country for its Universal Service
- We carried around 1.1 billion parcels and 16.2 billion letters within the UK in 2014-15
- We are the UK's leading delivery partner for small businesses, including home and small offices (micro SMEs) and SMEs
- Our European network General Logistics Systems (GLS) spans 37 countries and nation states and delivered over 430 million parcels in 2014-15
- GLS Germany expanded its Saturday and evening delivery options to Hamburg and Bonn, and now provides this service in eight cities
- Announced an investment of around £130 million over five years in new handheld scanners, enabling more flexible delivery and better tracking of parcels
- Launched a new initiative with the Trading Standards Institute to help protect our customers from fraudulent mail
- Launched the UK's largest single click-and-collect service – Local Collect – with our retail partner the Post Office
- Launched a new online postage solution, Click & Drop, to make it easier for consumers, small businesses and eBay sellers to send parcels

## Key achievements in 2014-15

- Began operating our distribution networks on Saturday afternoons and Sundays and introduced later weekday acceptance times for parcels into our network
- Trialled weekend collections for business customers to enable them to process orders over a weekend for delivery on a Monday
- Trialled Sunday opening hours at around 100 of our Enquiry Offices and Sunday delivery for parcels to addresses within the M25 motorway
- Parcelforce Worldwide became the UK's first national parcels carrier to deliver seven days a week, when it launched its Sunday delivery service
- Launched 'Parcelforce Select' allowing customers to choose when, where and how they want their parcels delivered
- Introduced a new, bigger Small Parcel size delivering greater value for money

## Our customer strategy

Royal Mail Group is the sole provider of the Universal Service in the UK. It offers every UK resident and business a uniform price and high Quality of Service. The concept of the Universal Service has been a fundamental part of the UK's social fabric for hundreds of years. It is a service that Royal Mail is proud to deliver. We play a vital role in connecting millions of customers, businesses, organisations and communities, including those in the most remote rural areas.

The Universal Service requirements and our commitment to high Quality of Service standards mean that costs in delivery are high and relatively fixed. In particular, our prices have to cover the costs of delivering six-days-a-week across the country. Large parts of the country are deeply rural and costly to serve.

## Our responsibility

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2.4	<b>Our suppliers</b>	78
2.5	<b>Our environment</b>	84



We are also facing a structural decline in the addressed letter market of around four to six per cent a year in the medium term. Royal Mail must set prices that reflect the costs of delivering the Universal Service.

Despite this, Royal Mail prices continue to represent some of the best value in Europe, with the cost of sending letters up to 100g significantly below the European average for both first and second class. The UK also has amongst the highest quality specifications of any major European country. In February 2015, we announced our consumer tariffs for 2015–16. The average price rise across domestic parcels, Universal Service Obligation letters and international letters and parcels is the lowest for at least five years. We simplified our parcels specifications and cut the price of our medium-sized parcels.

We know that our customers have plenty of choice when it comes to where they take their business. The UK has the most developed postal services market in Europe: it is fast changing and intensely competitive. We want to be customers' first choice. We are looking to innovate to meet their needs. We are also focusing on improving our efficiency and productivity.

Our approach for being customers' first choice is focused on four priority areas:

- **Understanding our customers' needs**, in order to upgrade our services effectively and respond to changing requirements
- **Being easy to do business with**, by simplifying our processes and making life easier for senders and recipients
- **Maintaining a high Quality of Service**, collecting and delivering in line with customers' expectations and meeting the standards for the Universal Service set down by Ofcom
- **Providing value for money to all customers**

Our detailed parcels and letter strategies are set out on pages 7–11 of the Annual Report and Financial Statements.

### Monitoring the health of the Royal Mail brand

The strength of the Royal Mail brand is a good indicator of the quality of service that we provide for our customers.

In the last year we have succeeded in improving our performance across a range of external and internal measures:

- Royal Mail was ranked 15 out of 100 in the 2015 Business Superbrands survey, maintaining our 2014 position<sup>1</sup>

<sup>1</sup> Business Superbrands 2015

<sup>2</sup> Ipsos MORI Consumer CSI Survey 2014–15

- In March 2015, 72 per cent of our customers said they were favourable towards us, and 66 per cent said they could not imagine life without Royal Mail<sup>2</sup>
- Consumers rate Royal Mail as the most trusted delivery company, and most say that we are the company they prefer to use<sup>2</sup>

### Understanding customer needs

Customer research is an integral part of how Royal Mail does business. We talk to our customers to find out what is working for them, what they think of Royal Mail and what needs to improve. We know that this process is vital for maintaining high service levels, being easy to do business with, and remaining first choice for both consumers and business customers.

We conduct two major ongoing pieces of customer research. Every month we speak to around 700 business customers of all sizes to investigate their satisfaction levels and inquire about their experience with us. During 2014–15, we also surveyed around 3,000 retail customers each month, from a nationally representative sample of customers.

For the past two years, we have implemented post-call surveys with both business and retail customers. This provides real-time feedback for line managers and enables us to tackle issues proactively. This process has helped to reduce the number of occasions when customers escalate complaints because their issues are not dealt with effectively.

The measures that we have taken to improve our customers' experiences have delivered results. In 2014–15, the mean satisfaction score for business customers improved by one point to 76, and the consumer mean satisfaction score improved by one point to 71.

After our customers, our own people are best positioned to tell us how customer-focused our products and services are. We use our annual Employee Survey to gauge what they think about the customer experience. This year we achieved a customer focus score of 69, maintaining last year's performance.

Our research programme tells us that our customers have the following priorities:

### Business customer priorities

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



### Consumer customer priorities

- Items arriving in good condition
- Deliveries arriving on time

The UK has the most developed postal services market in Europe: it is fast changing and intensely competitive. We want to be customers' first choice.

During 2014–15, we acted on a number of key improvement areas identified through customer and employee research. In particular, we improved our Something for You cards, to communicate information to customers more clearly, and we rolled out improvements to the online services we offer customers; including improved functionality for those using our services on mobile devices, such as tablets and mobile phones.



### Anticipating needs around identity protection

When we surveyed almost 13,000 home movers who had used our redirection service, it highlighted a worrying discrepancy between people's concerns about identity theft and fraud – and the extent to which they protect sensitive financial information about themselves.

Our research found that 34 per cent of those using redirection discovered that they had failed to notify one of their financial service providers that they were moving – and were only reminded of the fact when a letter from the company was redirected from their old address. In addition, 48 per cent had themselves received what they believed to be sensitive financial information intended for someone who used to live at their address.

The study showed the importance of the redirection service in providing a safety net to prevent sensitive financial information falling into the wrong hands.

### Campaigning for improved industry standards

We believe Ofcom should create a level playing field for competition. This would include minimum standards for all postal operators to increase consumer confidence in our industry. These would apply to the delivery of both letters and parcels.

In a submission to the Business Innovation and Skills (BIS) Select Committee, in November 2014, we highlighted that as Direct Delivery operators are not subject to Universal Service Obligations they can choose when, where, and what they deliver. They therefore can deliver a lower level of service, when compared to Royal Mail.

Direct delivery operators typically only deliver three days a week, meaning that consumers may have to wait longer for their post. In addition, entrants are free to choose what they deliver and typically focus on easy to deliver letter mail that can be processed using machines. In contrast, Royal Mail offers consumer services, such as stamps, and delivers a mix of letters, large letters and parcels (weighing up to 20kg) to all UK addresses.

Royal Mail further proposed, in our submission to BIS, that an industry standard for parcels is developed to increase customer confidence in the market.

We outlined a set of proposed standards:

- Delivery staff required to declare past criminal convictions
- Requirement to provide appropriate driver training to delivery staff
- All operators required to adhere to standardised alternative delivery options when the recipient is not available
- Requirement to publish complaints handling schemes
- Requirement to adhere to good employment standards

BIS has recommended that the Government considers extending Ofcom's remit to include consideration of labour costs, conditions and standards in the postal sector.



### Celebrating 40 years of mapping communities through postcodes

During 2014 we celebrated the 40<sup>th</sup> anniversary of the allocation of postcodes to every town in Britain. Today the 1.8 million postcodes in use across the country do more than just enable more efficient delivery of the mail. Postcodes play a fundamental role in the UK's daily life, used by thousands of people and organisations to confirm identities, prevent fraud and help them find their way to destinations via GPS and Sat Nav.

Postcodes represent a powerful fusion of technology with on-the-ground expertise and local knowledge. The Postcode Address File (PAF), which is maintained by Royal Mail's Address Management Unit, contains details of all 29 million UK delivery points, and our postmen and women use their delivery rounds to identify any changes needed to keep PAF up to date. Almost 5,000 changes are made to the file each day.

We marked 40 years since the introduction of postcodes with a unique in-depth study that showcased how central they have become to community life and community identities. National and local media alike picked up on our research with coverage of the most desirable postcodes in the country.

### Easy to do business with

Providing simple, flexible choices that suit our customers' needs and budgets is essential to Royal Mail's future competitiveness. We look to capture growth in new areas of the market, such as clothing and footwear, and toys and sports equipment. We also seek to put additional value and services into the letters sent through our network. We cannot achieve either without being easy to do business with.

Our different customers have different needs. Those sending parcels have different priorities to those receiving them – and different priorities again from those sending and receiving letters. There are also specific priorities for those who engage with Royal Mail through our online channel.

During 2014-15, we undertook key initiatives to make Royal Mail easier to do business within each of these areas:

#### For those sending parcels, we have:

- Extended the times that we can accept parcels from business customers, including at weekends
- Rolled out our click-and-collect service, Local Collect, so that our 20,000 SME customers can offer this option
- Worked with Amazon to offer Local Collect to its online customers
- Launched a new online postage solution, Click & Drop, to make it easier for consumers, small businesses and marketplace sellers to send parcels
- Established a new parcels shipping and tracking platform
- Launched our new 'Parcelforce Select' service, which gives customers greater choice and control over their parcel delivery, and helps us achieve better first time delivery rates



We now offer large business customers later weekday access, and weekend access, to our network. Twelve months ago, it was open to these customers five and a half days a week. Today, we are open seven days a week and later into the evening. We have also trialled weekend collections for large business customers to enable them to process orders over a weekend for delivery on a Monday. The changes have enabled our customers to be more responsive – and get items to their customers a day sooner. During the busy Christmas period, we also opened up our network to our larger customers on Boxing Day and New Year's Day, to help them cope with sales volumes.

Local Collect, our click-and-collect service, enables online businesses to offer customers the choice of collecting their deliveries from their nearest branch of our retail partner, the Post Office. This is essential to their own competitiveness, since research suggests 46 per cent of online shoppers are more likely to choose a retailer if they deliver direct to a Post Office branch. During 2014-15, we rolled out this service to all 20,000 of our SME contract customers, enabling them to offer 10,500 Post Office branch locations to their customers for picking up parcels. This is supported by the extension of Post Office opening hours across 3,000 branches – an additional 85,000 hours per week – and the opening of around 2,000 branches on Sundays. In November, we added Amazon to the list of retailers offering Local Collect to their customers.

Our new shipping and tracking API (Application Programming Interface) enables online retailers to connect their IT systems to our tracking platform more effectively. Now available to all of our business account customers, it makes it easier for businesses to track the progress of their parcels, and share this information with their customers.

In February 2015, we announced the acquisition of StoreFeeder. This acquisition supports our continuing efforts to enable customers of all sizes to connect and ship parcels easily.

Our international tracked returns service makes it easier for online retailers in the UK to accept returns from international shoppers, supporting their expansion into additional markets. By extending our Global Priority Return service we have made it easier for our customers to do business in 10 new countries across Europe.

We know that these improvements are helping to drive a better experience for our customers, because we measure how easy they find it to do business with us. In March 2015, 79 per cent of customers rated Royal Mail as easy to do business with, an increase of four points compared with the previous year.

#### For those receiving parcels, we have:

- Continued to focus on improving first-time delivery rates
- Invested in new handheld scanners to provide more flexible delivery options and improve parcel tracking
- Introduced new customer service points and upgraded a number of our Enquiry Offices to improve the customer experience
- Launched a new Sunday delivery service through Parcelforce Worldwide
- Introduced an improved process in Delivery Offices for redirecting mail
- Introduced a new computerised booking-in system in Delivery Offices, supporting our aim to serve each customer within 30 seconds
- Trialled opening around 100 of our biggest Enquiry Offices on Sundays to give customers more options for collecting their parcels

Missed deliveries are the biggest cause of frustration among those receiving parcels. During 2014-15, we continued to focus our efforts on 'getting it right first time' and reduce the need for redelivery requests or customers making unplanned journeys to collect parcels from our Enquiry Offices. Our Delivery to Neighbour service has played a key role in helping to improve our rate of first-time delivery during the year. This has been supported by internal campaigns, stressing the importance of this service in reducing customer complaints and building brand loyalty.

To make it easier for customers to receive or collect their parcels, we launched a trial of Sunday opening hours at around 100 of our Enquiry Offices.

In October 2014, we announced a five-year investment in new handheld scanners that will enable more flexible delivery and better tracking of parcels. The capability for wireless upgrades will enable us to continue to upgrade our services quickly and efficiently in the future. See the adjacent case study, 'Our new handheld scanners', for more details.

During 2014–15, we upgraded 61 of our Enquiry Offices to help them deliver the highest possible levels of service to our customers. Improvements include modern, bright offices, new screenless, open-plan counters and new IT systems that improve the tracking of mail and reduce the time that people need to wait to collect it. This is supported by additional customer service training for our people, which helps them to anticipate the needs of those visiting the office and respond to them more effectively. For more details of our 'Customer and You' training programme, see the People chapter on page 59.

To make it easier for customers to receive or collect their parcels, we launched a trial of Sunday opening hours at around 100 of our Enquiry Offices – and a further trial of Sunday delivery for parcels to addresses within the M25 motorway. Between them, these two initiatives make it easier for busy working people to receive their parcels at more convenient times whilst providing another reason for businesses and their customers to choose Royal Mail.

In June 2014, Parcelforce Worldwide became the UK's first national parcels carrier to deliver seven days a week when it launched its Sunday delivery service. The service is designed to offer improved flexibility and delivery choice for online shoppers who buy goods from participating retailers. Fortnum & Mason was the first retailer to sign up to the scheme.

Consumers in Luxembourg became the latest to benefit from GLS's FlexDeliveryService, which launched in the country in April 2015, outside the reporting period. Now available in 13 European countries, FlexDeliveryService notifies parcel recipients via email or text when a package is on the way to them, and enables them to change the delivery time to suit them.

GLS Germany also expanded its Saturday and evening delivery options for a further two cities: Hamburg and Bonn. This brings to eight the total number of cities in Germany where consumers can choose to receive parcels between 5pm and 8pm on weekdays or 8am and 1pm on Saturdays.

Earlier this year, Parcelforce launched Parcelforce Select which allows customers to choose when, where and how they want their parcels delivered.

Using texts or email, customers are offered three different pre-delivery messages informing them about when to expect their delivery. If they wish, they can respond to the first two messages in order to select a different delivery destination or delivery day.

#### Our new handheld scanners

In October 2014 we announced an investment of around £130 million over five years in handheld scanner technology to provide more flexible delivery for customers and better tracking capability. The investment will mean more flexible delivery for customers not at home when we attempt to deliver a parcel, for example by enabling them to tell us a safe location to leave the item. They will also enable better tracking of parcels so that customers know when to expect them. The scanners will have the capability to be upgraded wirelessly, ensuring updates can be carried out quickly and efficiently in future.

More than 400 employees involved in the collection, delivery and sorting of mail were consulted in the final selection of the new device. We will start using the new devices in summer 2015.



  
**£130m**  
**HANDHELD**  
**SCANNERS**  
**TECHNOLOGY**  
**IMPROVEMENT**

  
**ONLINE**  
**CUSTOMER**  
**SATISFACTION**

#### For those sending and receiving letters (including marketing mail, magazines, bills and statements), we have:

- Helped customers make the most of our Mailmark® barcode tracking technology. Mailmark® enables customers to more closely track the delivery of their mail and understand the issues that may slow it down, such as incorrect addressing. It also helps Royal Mail deliver their mail more quickly and efficiently. Around 17 per cent of suitable mail currently carries the Mailmark® barcode. Existing customers, including telecoms and electricity providers and high street retailers, benefit from price incentives and more accurate mailing data
- Continued to consult with partner mail producers as part of our Strategic Mailing Partnership – on industry trends, product development and innovation – to make it as easy and effective as possible for business customers to produce and send letters
- Made it easier for businesses looking to market to consumers through the mail by:
  - Publishing the latest in-depth independent research to help businesses understand the role that mail plays as a communication channel as part of our Mailmen campaign
  - Launching schemes such as First Time User, to encourage businesses to try mail as part of their marketing mix
  - Establishing Mail Made Easy, a network of mail providers across the UK who can advise and support businesses – especially small to medium-sized enterprises (SMEs) – on how to quickly and cost-effectively produce their own mailings

#### Recognition for our data-driven direct mail planning

The deep knowledge and precise planning of direct mail campaigns through MarketReach was recognised at the Data IQ awards, where a campaign we delivered for Tesco landed the Direct Mail Advertiser of the Year and Data Professional of the Year awards.

**The judges described Tesco's MarketReach-powered campaign as "An effective project that is building the role of direct mail through the use of data."**

In January 2015, a MarketReach campaign launched, demonstrating the value of marketing mail as part of an integrated advertising campaign. Using five of the UK's top advertising executives and research conducted over an 18-month period, the Mailmen campaign looks at the true value of mail. It found that people value something they can see and touch 24 per cent more than things they can only see. More than half (57 per cent) say that receiving a communication by mail makes them feel more valued.

#### For those using Royal Mail's online services, we have:

- Made it easier to find prices
- Introduced a new journey for arranging delivery or redelivery
- Made it easier to pay fees and buy postage online
- Improved the online customer experience for our business customers

We built on the successful redesign of the Royal Mail website in 2013, to further improve navigation of our site and access to our services online. In November 2014, we improved our online redirection service to make it quicker and easier for customers to arrange to have their mail diverted to their new address. In January 2015, we launched a Delivery Office finder tool to make it easier for customers to find the most convenient office for them to collect undelivered parcels from us. Our new 'Tell us once' service provides businesses with a single point of contact when they are moving premises so that their new address details are updated across all of our services that they use.

For business customers, we have improved our online account set-up processes. Our live chat service provides instant assistance for anyone using our online tools.

Customer satisfaction with our online services has improved from 53.5 per cent at the time of our website redesign to 61 per cent in March 2015. The mobile version of our site has served more than 29 million users so far.



## Communicating with our customers

During 2014–15, we spoke to customers on the phone on more than 4.7 million occasions, received over 640,000 emails and sent and received more than 414,000 tweets. Our Twitter account @royalmail enables us to provide rapid, real-time information to customers, keeping them informed about potential disruptions and updates, capture feedback and deliver customer service. We communicate all pricing and product changes clearly in advance, keeping customers updated on improvements to our service, and providing daily updates at busy times.

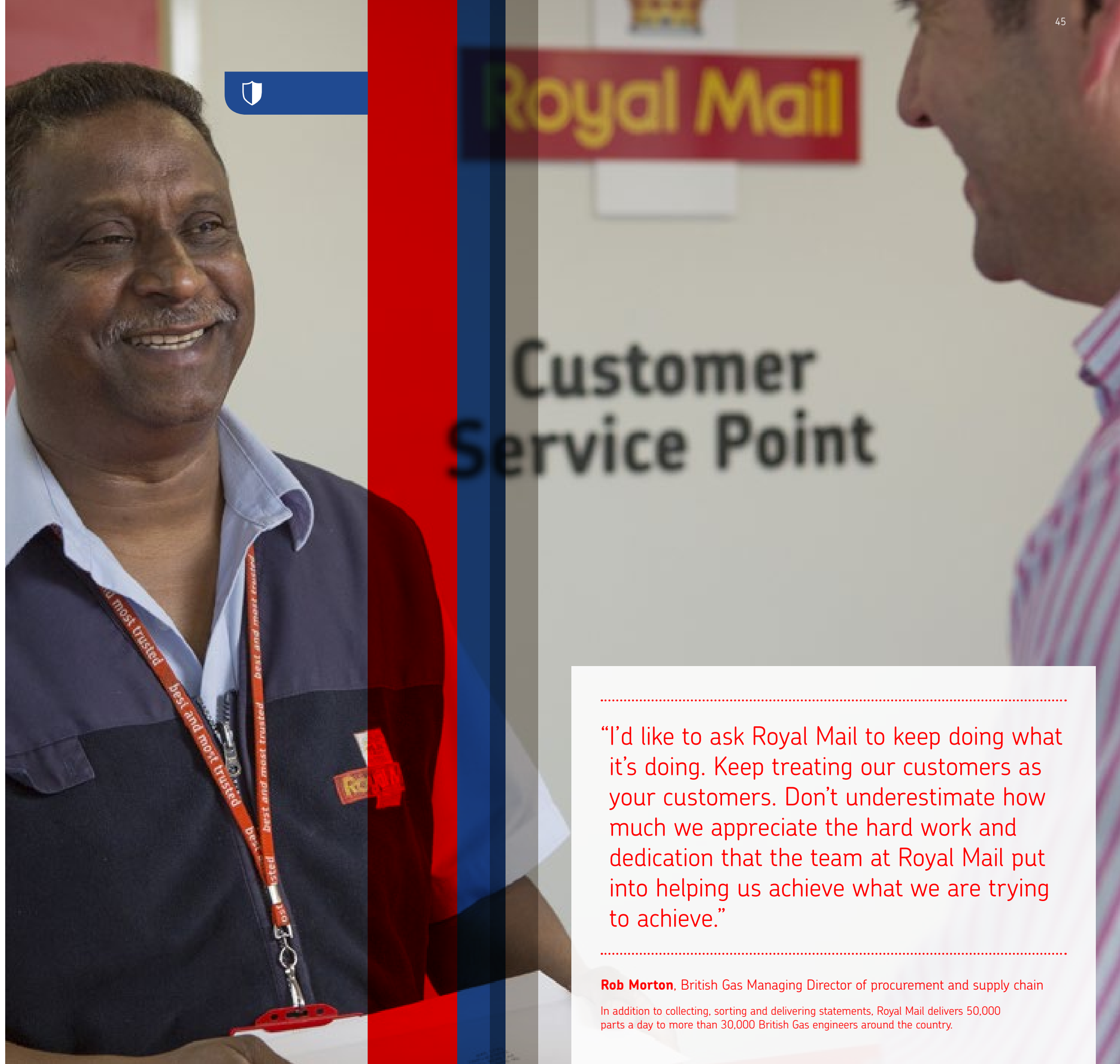
## Maintaining a high-quality service

Delivering when we say we will is a key component of our service standards. Royal Mail has demanding Quality of Service targets set by Ofcom as part of our obligation to deliver the Universal Service. We are the only postal services company to adhere to these specific targets and to publish performance against them. In addition, customer satisfaction metrics form part of our Corporate Balanced Scorecard which is linked to managers' remuneration.

We are proud to report that we met our regulatory target for First Class USO mail, delivering 93.0 per cent of First Class mail on the following day. We also beat our 98.5 per cent target for Second Class mail, delivering 98.9 per cent within three days of posting. Our Special Delivery by 1pm performance now stands at 98.8 per cent, an increase of 0.1 per cent year-on-year.

### Connecting global e-retailing

In March 2015, we launched a shop front on Alibaba's Tmall Global e-marketplace. This platform will offer over 300 million Chinese consumers the opportunity to buy distinctive British products, using Parcelforce Worldwide to ship the products to China.



“I’d like to ask Royal Mail to keep doing what it’s doing. Keep treating our customers as your customers. Don’t underestimate how much we appreciate the hard work and dedication that the team at Royal Mail put into helping us achieve what we are trying to achieve.”

**Rob Morton**, British Gas Managing Director of procurement and supply chain

In addition to collecting, sorting and delivering statements, Royal Mail delivers 50,000 parts a day to more than 30,000 British Gas engineers around the country.

Access to postboxes

Offering convenient access to postboxes is a critical element in the Universal Service that Royal Mail provides. However, as letter volumes fall, many postboxes only receive a handful of mail every day and are not economically viable.

During 2014–15, we introduced a more efficient approach to collecting mail that will avoid the need to decommission these loss-making postboxes. We worked closely with Citizen's Advice Bureau and Consumer Council for Northern Ireland throughout the development of our proposal. Low volume postboxes will be emptied on a 'collection on delivery' basis, with the postman or woman emptying them on their delivery round, rather than providing a dedicated collection by van. This often involves emptying these postboxes earlier in the day than previously. We are ensuring that any postboxes moving to an earlier collection time will have a late posting box within a half mile distance.

Ofcom's User Needs Review in 2013 found that postal users are positive about the idea of moving collections, particularly from low volume boxes. In fact, 91 per cent said they did not choose their box based on collection time. Our customers understand the need for an efficient postal service, and that this must be balanced with the need to keep postboxes within easy reach.

The UK already has the highest geographic densities of postboxes in Europe of those countries that report the data. As part of this programme we are installing an additional 2,000 postboxes across the UK by March 2016. They will be targeted at rural areas, particularly in Scotland and Northern Ireland, as well as areas of new development that currently lack a postbox. They will take the total number of postboxes in the UK to around 117,300.

Recognition for Operations at the Customer Experience awards

Islington Delivery Office became the first Operations winner of Royal Mail's Customer Experience awards, which recognise the efforts of our people in delivering excellent customer experiences. We extended the awards to reflect the important role that our Operations employees play in this area.

"We've made a lot of changes at the office," said postman Charlie, Coventry. "We used to leave undeliverable items at Post Office branches, which led to complaints as customers couldn't collect them from the Enquiry Office the same day. Now, any items we can't deliver to a neighbour, we always take back to the office on the day. We also have a new computerised booking-in system, and we now aim to serve each customer within 30 seconds."

Fixing problems

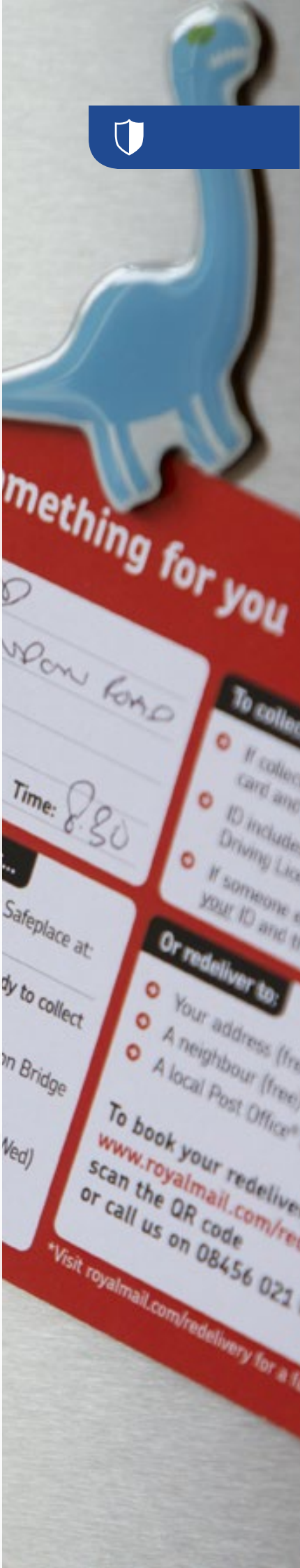
Recognising and fixing problems with our service is an important element of being easy to do business with, and reducing the number of complaints that Royal Mail receives.

Four issues account for the majority (59 per cent) of complaints; redirection, misdeliveries, redeliveries and Something for You cards. The steps we have taken during the year to improve the customer experience in each of these areas has helped us achieve an overall reduction in complaints of four per cent, from 465,500<sup>1</sup> in 2013–14 to 445,500 in 2014–15.

Something for You cards

Our 'Something for You' cards play a key role in enabling a better rate of first-time delivery, in particular by supporting our Delivery to Neighbour service. However, 'Something for You' cards are also the biggest cause of complaint on the part of our customers. During 2014–15, we rolled out a new landscape design for the Something for You card that incorporates feedback from both customers and our delivery staff, and has been updated to address the most common causes of complaint.

<sup>1</sup> Total number of complaints for 2013–14 has been restated from 458,739 to 465,461 to include 6,722 complaints from Stamps & Collectibles.



During 2014–15, we rolled out a new landscape design for the Something for You card that incorporates feedback from both customers and our delivery staff.



The new cards feature all customer information on the front of the card, clearly indicating if an item has been left with a neighbour, and which neighbour it can be collected from, or explaining the options for redelivery or collection from an Enquiry Office. We have made it simpler to work out when an item can be collected and we have explained more clearly which items of ID a customer needs to bring with them to collect it.

Delivering value for money

Royal Mail prices continue to represent some of the best value in Europe, with the cost of sending letters up to 100g significantly below the European average for both First and Second Class. The UK also has amongst the highest quality specifications of any major European country.

On 20 October 2014, we introduced a new, extended size for our Small Parcel format, which enables both consumers and our small to medium enterprise (SME) customers to fit more and larger items into the parcels that they send. The changes both simplify the small parcel requirements for our customers, and help to deliver greater value for money.

We marked the launch of our new Small Parcel sizing with a Christmas price promotion running from 20 October to 18 January, under which small parcels weighing up to 2kg could be sent for the same price as those weighing up to 1kg. This helped to control mailing costs for small businesses, marketplace sellers and those sending presents to friends and family during the busy Christmas period. In February 2015 we announced that we had decided to embed this price promotion into our 2014–15 price changes. This means that there continues to be a single price for Second Class parcels weighing up to 2kg and this remains unchanged at £2.80. We also cut the price of our medium-sized parcels. Second Class Medium Parcels weighing up to 2kg are now priced at £4.89. This represents a saving of up to £3.11 – customers will get more for less.

Earlier this year we also announced new stamp prices. We thought carefully about the impact on our customers and our own business before deciding to increase our stamped letter prices. On 30 March 2015, the price of a First Class stamp increased by one penny to 63 pence (compared to a European average of 72 pence) and the price of a Second Class stamp increased by one pence to 54 pence (compared to a European average of 62 pence). We have limited the increase to the lowest possible amount, balancing our aim to provide good value with the need to maintain a high quality Universal Service. The average price rise across domestic parcels, Universal Service Obligation letters and international letters is the lowest for at least five years.

Championing consumer rights with Keep Me Posted

Royal Mail is a key supporter of Keep Me Posted, the campaign for consumers' right to choose to receive important information such as bank statements and utility bills in paper form. Research released by the London School of Economics (LSE) in December 2014 demonstrates why this matters. The LSE's study confirmed that people are more likely to understand the information they are given when it arrives on paper, and they are more likely to act on that information as a result. Not only does Keep Me Posted's campaign help to ensure access to information for vulnerable people such as the elderly, those without digital skills and those lacking broadband internet connections; the LSE research also proves that it helps people to make better financial decisions.

The Keep Me Posted campaign now has the support of around 75 organisations, including businesses, consumer groups, charities and industry partners, up from 50 a year ago. To date, four service providers have signed up to Keep Me Posted's Six-Point Right to Choose Pledge, committing to continuing to offer bills and statements in paper form.



This was reinforced by independent research through MarketReach which used the latest neuroscience-based techniques to explore the impact of printed mail on people's hearts and minds. Our study showed that mail was 32 per cent more likely than email to make it into people's long-term memory – and 72 per cent more likely than information communicated through TV. At the same time, 57 per cent of respondents said that receiving mail from a company made them feel more valued, compared to only 17 per cent who said the same for email. We spread the word about our findings through our high-profile Mailmen campaign, which stressed the advantages to brands and businesses of continuing to communicate with customers through mail.

Key priorities for 2014–15

- Roll out our new handheld devices and supporting IT systems to support the tracking of significantly more parcels
- Begin the roll out of automatic sorting of parcels at around 20 of our busiest Mail Centres across the UK
- Promote the value of advertising mail through targeted new business campaigns, like Mailmen
- Continue to drive down complaints, with a focus on the four most common categories
- Continue to invest in our Enquiry Offices to provide an improved customer experience
- Further build on our digital offering to offer better service to our customers, including improving the end-to-end online ordering experience
- Expand GLS's FlexDeliveryService that uses texts and emails to enable customers to choose where and when they would like their parcel delivered



UK Parcels adding value and convenient services

The journey so far...

- Simplified and renamed: UK and international parcels
  - Local Collect rolled out
  - New tracking API introduced
  - Royal Mail open seven days a week
  - Delivery to Neighbour becomes Royal Mail standard
- Launch of tracked returns
  - Trial of Sunday deliveries
  - Small parcel size increased
  - Over 100 Delivery Offices enhanced
  - Launch of Click & Drop
  - Tracked returns portal



What's in our plan

- Barcoding more parcels
  - Further enhancements of Delivery Offices
- Roll out of new handheld scanners and finger scanners
  - More parcels scanned on the doorstep
  - International tracked returns service

Dealing fairly and openly

Our commitment to clear and open communication with our stakeholders makes transparency an essential element of our strategy. It is fundamental to the type of business that we are. A collaborative and transparent relationship with all of our stakeholders strengthens our brand, ensures better understanding of developing customer needs and the regulatory environment, and helps embed high standards within the way that we operate.

Transparency and the European Union

In early 2014, Royal Mail signed the European Union Transparency Register Code of Conduct. This commitment demonstrates that we play by the rules in being transparent and respectful of democracy when we deal with European institutions.

Transparency matters in this context because it empowers us to play a role in discussions with the EU about industry developments and issues. It provides confidence that when we share important information and opinions we are doing so in a way that is fair and open. This is fundamentally good for our business – and it is a principle that we apply to other areas of transparency as well.

Fraudulent mail sent by criminals

We strive to protect customers targeted by fraudulent mail sent by criminals and who may suffer fraud and financial loss as a result. In May 2014 we launched a new initiative with the Trading Standards Institute that takes a multi-dimensional approach to protecting our customers. Trading Standards have worked with our postmen and women to help identify victims of fraud and we have created a new process for cancelling the mailing contracts of companies involved in them. The initiative also aims, whenever possible, to protect customers by intercepting any money that they send to the fraudsters and returning it to them,

while raising their awareness of the issue by informing them that they have been targeted by a criminal. During the year, we were able to return 3,590 items of mail containing payments totalling £88,000 to victims of fraud. We have launched a dedicated scam mail training programme for our postmen and women, about mail sent by criminals, to help support the Trading Standards initiative.

Keeping an eye out for vulnerable customers

When James Clarke-Hogg, one of our postmen, noticed that a 78-year-old customer was receiving unusual amounts of mail, he raised his concerns with the Trading Standards Institute. His awareness helped to expose that the pensioner had been targeted by fraudsters and had previously been tricked into sending money to them. By acting on our Trading Standards training, and raising his concerns, James was able to protect this vulnerable person from further losses as a result of fraud.

Trading Standards Institute Hero Award

Colleagues at our Kirkcaldy and Glenrothes Delivery Offices in Scotland have been recognised by the Trading Standards Institute's Hero Awards for their efforts to help identify and protect victims of scam mail in their area. They were nominated by Katherine Hart of Trading Standards in Fife, who worked with them to identify 21 chronic victims of mass-marketing fraud. One victim had been paying almost £1,000 a month to fraudsters.

Returned mail

The overwhelming majority of mail items we handle are delivered safely to the correct address. However, a small proportion of items are unfortunately undeliverable, for reasons that include incomplete addresses and the lack of forwarding addresses for recipients who have moved home. It is part of our commitment to openness to report what happens to this mail. In 2014–15, our National Returns Centre in Belfast processed 16 million items, out of a total of 14 billion pieces of addressed mail. We aim to return undeliverable mail to sender. If this is not possible, we securely dispose of it. In addition, we auction valuable items that cannot be returned to help fund the cost of the Returns Centre. See the table below for additional details.

Delivery exceptions

Royal Mail aims to collect and deliver every item of mail that passes through our network. There are, however, cases where it is not possible to deliver mail to certain addresses. We term these cases Universal Service exceptions and, where required, we report on them in detail each year. Our 2014 Exceptions Report, published in June 2014, showed there were 5,536<sup>1</sup> addresses where it was not possible to deliver mail six-days-a-week. This represents 0.02 per cent of the 29 million addresses to which we deliver.

There were 2,033 long-term Universal Service collection exceptions in the report published in June 2014. This represents one per cent of around 205,000 collection points across the UK. These exceptions can be caused by a variety of reasons, including difficulties in accessing postboxes and business postboxes that are usually only open Monday to Friday. We report all of these exceptions to our regulator Ofcom on an annual basis.

Returned mail	2014-15	2013-14	2012-13
National Returns Centre employees	146	150	134
Items processed (m)	16.03	17.05	19.15
Revenue generated at auction (£m)	2.01	1.86	1.32
Cost of running National Returns Centre (£m)	3.95	3.98 <sup>2</sup>	3.25

<sup>1</sup> This is an increase compared to the previous year because we are now reporting against the new Delivery Exception and Collection Exceptions Direction, which came into effect in December 2013. We are now required to report on a broader section of exception categories such as health and safety, poor security and lack of road access.  
<sup>2</sup> In our 2013-14 CR Report running costs were understated by £0.53 million. This figure has therefore been restated.



Data protection and privacy

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



“Our customers are busier than ever, and as such they need their shopping when it suits them. We know there’s a huge appetite for weekend deliveries, as we already send out 500 packages every Saturday. We’re delighted that our customers can now choose items in-store, online or over the phone on Saturday morning for delivery on Sunday.”

Ewan Venters, CEO of Fortnum & Mason



# Our people

## 2.2

The future success of Royal Mail depends upon our people. Supporting and engaging them is one of our strategic priorities. We are committed to understanding their views, identifying their needs, and addressing the issues that they face. We are doing this, in part, by transforming their relationship with Royal Mail and engaging them with a shared Agenda for Growth.

### Key facts

- Over 160,000 people employed across the Group
- We employ one in 180 of the UK workforce
- The overwhelming majority of our UK employees are shareholders in our Company

### Key achievements in 2014-15

- Responses to our annual Employee Survey increased by four per cent to 89 per cent
- Around a quarter of eligible employees took up the opportunity to participate in our Save 'As You Earn' scheme – an unprecedented level of interest
- In November 2014, 90 per cent of our Delivery Office managers said they are clear about what they can do to help Royal Mail achieve its strategy
- By the year end, we had launched 60 projects under our Agenda for Growth initiative, which was awarded Best Employee Relations Initiative for 2014 by the Chartered Institute of Personnel and Development
- We launched our Together for Growth training programme, which will help both managers and union representatives build the skills they need to create stronger working relationships
- We launched 'We can sort it out' with our unions, a new campaign designed to address bullying and harassment
- We expanded our Dog Awareness Week campaign to drive awareness of this crucial safety and wellbeing issue for our people
- We rolled out a new case management programme to help reduce long-term absence through mental health and musculoskeletal issues; and launched our new First Class Mental Health and First Class Support initiatives in October 2014

### Our people strategy

We are a people business, and our colleagues are fundamental to our ability to achieve our strategic priorities. It is their active support and engagement that will ensure we continue to grow our parcels business, manage the decline in letters and build a culture around delivering for our customers.

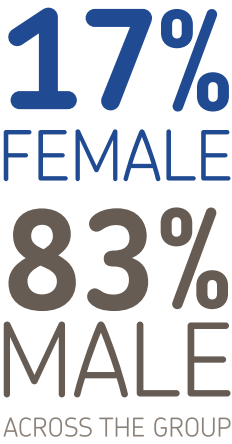
#### Our people strategy is therefore focused on ensuring the following:

- We create a customer-focused culture with the right mix of people
- Our people are safe, engaged, respected, treated fairly and feel valued
- We continue to invest in people and provide opportunities for all
- Our colleagues are fairly rewarded within a stable industrial relations climate

During 2014-15, we made progress in each of these areas. However, we recognise there is still more to do – and we continue to set challenging targets when it comes to transforming our business and creating an environment that enables our people to thrive.

#### Leading the industry on employment standards

At Royal Mail, we pay our people a fair wage to do good quality jobs. All employees enjoy employment rights such as National Insurance contributions, paid holiday, sick leave, maternity and paternity leave, and generous pension contributions. The vast majority of our people are employed on permanent contracts, except where there is a genuine short-term need. Unlike some of our industry peers, none of Royal Mail's permanent employees are on zero-hour contracts. As at year end, 97 per cent of our employees were permanent. At Christmas, our temporary workers are not tied to working for Royal Mail exclusively.



They are also eligible for statutory sick and holiday pay. Some other large parcel operators opt for a self-employment model, providing no job security, financial certainty or employment rights for their workers.

In November 2014, we called for Ofcom to develop a standard for acceptable practices across the industry to increase customer confidence in the market.

#### This could include:

- A rigorous vetting process for employees
- Proof of safe delivery to door or neighbour as standard
- A fair wage for employees
- Publishing clear compensation guidelines

The Department for Business, Innovation and Skills has supported our proposal to Ofcom and has recommended that the Government considers extending Ofcom's remit to include consideration of labour costs, conditions and standards in the postal sector.

#### Equal pay

We conducted a gender pay review across the UK business using mid February 2015 pay rates. The assessment was based on median pay rates (using the full time rate for part time employees). For the business as a whole, we were pleased to verify that we do not have a gender pay gap, with the average male salary and average female salary being the same.

#### Our values

Royal Mail's values are central to the way we operate and to our strategy for transforming our business. They reflect the principles, beliefs and aspirations that guide our behaviour and shape our culture. Last year we worked together with our people and our unions to develop and shape new values that put the customer at the heart of our Company. The process of communicating and embedding our new values began just before year end and will continue throughout 2015.

### Transforming Royal Mail

The transformation of Royal Mail is essential if we are to compete effectively in the changing postal landscape. We have undertaken a major modernisation of our business in recent years, rolling out more efficient mail sorting, increased parcel delivery capability and handheld scanners across our delivery operations. The transformation of our business to compete effectively has involved the rationalisation and consolidation of our estates. There has been an inevitable impact on colleagues where sites are closed and operations streamlined. Providing full and effective support during this transition is an important part of our transformation process. Throughout this sometimes challenging process, our people have shown consistent flexibility and commitment to Royal Mail.

Our transformation is an ongoing process. During 2014-15, we issued a joint statement with our unions recognising this, and anticipating the continued need to improve efficiency.

#### From employees to shareholders

Underpinning our transformation has been a significant change in the relationship of our people to the Royal Mail business. Following the flotation of Royal Mail in October 2013, the overwhelming majority of our UK employees are now shareholders in our Company. Full-time employees taking part in the Free Shares Offer each received 729 shares. For 2014-15 they will have received dividend payments of around £152<sup>1</sup>. Those who had bought shares in a private capacity will have benefited further.

<sup>1</sup> Eligible part-time employees will receive a dividend based on their pro-rata allocation of Free Shares. Based on final dividend payment of 14.3 pence per share to be paid on 31 July 2015, subject to shareholder approval, and maiden interim dividend payment of 6.7 pence per share for 2014-15.

Our Save As You Earn (SAYE) scheme, which we launched in September 2014, offers an opportunity for colleagues to take a further financial stake in our business. It enables our people to set aside a portion of their salary for tax-efficient saving and the option of buying shares at a discounted price. Demand for the scheme has been unprecedented, when compared with other companies' schemes. Royal Mail's received a 25 per cent take-up rate, with more than 36,000 of eligible employees deciding to participate. We believe that this appetite for a share in the business is positive evidence of engagement with our transformation programme, and the alignment of our people's interests with those of Royal Mail.

### Engaging colleagues within a customer-focused culture

Engaged employees are essential for the customer-focused culture that we continually strive for at Royal Mail. Engagement is one of the three people-related key performance indicators on our Corporate Balanced Scorecard. We measure employee engagement through our annual Employee Survey. In 2014-15, employee engagement increased by two points to 56.

#### Other outcomes include:

- Job satisfaction has increased by two points to 69 per cent
- 56 per cent say Royal Mail values diversity, up from 52 per cent last year
- 65 per cent say they understand how their jobs contribute to the success of Royal Mail, up from 43 per cent last year

Our Delivery Office managers act as a vital conduit for employee engagement, helping to bring our strategy to life for frontline staff, and ensuring that all of our people understand the contribution that they can make to our business. It is therefore a significant success for Royal Mail that our engagement scores amongst Delivery Office managers are high, with more than 90 per cent saying they are clear about what they can do to help Royal Mail achieve its strategy. This follows our strategic decision to focus on developing manager level engagement through channels such as our weekly email campaign Taking Action to all managers who own an action plan targeting improvements. Similarly, the Network e-zine initiative was used to provide updates to managers while supporting them with work tips from other managers across the business.

Levels of engagement also play a role in employee turnover, which influences recruitment and training costs. Including temporary contractors, our turnover rate is 7.5 per cent – compared to the average UK turnover rate of 10.6 per cent<sup>1</sup>.

Turnover for permanent employees is lower at 6.4 per cent. 74 per cent of our UK employees say they would like to be with Royal Mail Group in two years' time.

Effective employee engagement is a two-way process. The Employee Survey itself acts as an important channel for our people to feed back on their experience of working at Royal Mail, and the areas of improvement that matter most to them.

#### We have worked with our survey provider, Ipsos MORI, to develop a Corporate Action Plan that focuses on three key drivers of employee engagement:

- Life at work and accountability of others
- Personal value, and how involved people feel in the decisions that affect them
- Personal performance and whether people have opportunities to progress

Our 2014 survey showed that, although 51 per cent of our employees said they were interested in developing their career at Royal Mail, only 36 per cent felt they had the opportunity to do so. When we conducted focus groups to explore the issue in more detail, we found that career progression means different things to different people: promotion opportunities for some, expanding their skills base and being considered for a range of different roles for others. We have launched a new online career development portal, Success Factors, that aims to support both types of career progression. It highlights opportunities for learning new skills, and provides advice for those seeking promotion or exploring new roles. During 2014-15, we recruited 844 new workplace coaches to support the development of our people in their role. This brings the total number of workplace coaches across the business to 2,553. Our aim is to have one workplace coach for every 25 employees. We are also deploying advanced driver coaching to help reduce the risk of accidents, reduce our fuel consumption and reduce wear and tear of our vehicles. Improved driver behaviours already reduced fuel consumption in our Heavy Goods Vehicles by five per cent last year. From Spring 2015 we will tackle performance in our 7.5 tonne fleet. See page 90 for more details.

Another key area of focus was the need for simple and immediate ways for managers to show their appreciation of a job well done. We responded to this with the launch of the Appreciate programme, which uses a simple Thank You card, allowing managers to recognise a job well done. In our 2015 Employee Survey, 63 per cent said their manager says thank you when they do a good job, up from 54 per cent last year.

<sup>1</sup> [www.xperthr.co.uk/blogs/employment-intelligence/2013/10/turnover-hr-data-round-up](http://www.xperthr.co.uk/blogs/employment-intelligence/2013/10/turnover-hr-data-round-up)



JOB SATISFACTION  
INCREASED TO  
**69%**



EMPLOYEES  
UNDERSTAND  
WHAT'S EXPECTED  
OF THEM



ROYAL MAIL  
INTRANET  
WEEKLY HITS

As part of our Agenda for Growth agreement, we conducted a review of Royal Mail engagement tools with the Communication Workers Union (CWU), and used this to inform our execution of our Corporate Action Plan. We have provided bespoke support for more than 100 units and their teams to help them develop and deploy local action plans that tackle the things that matter most to our people. We are committed to continuing to provide tools and support to help engagement building at a local level which includes showcasing positive case studies and peer-to-peer coaching sessions.

In 2014-15, we took steps to develop our Employee Survey further, to provide more insight on the cultural changes required to achieve our strategic priorities and the needs of protected characteristic groups working within Royal Mail.

#### Internal communications

Building an ongoing dialogue with our people through our internal communications channels is a vital aspect of our employee engagement strategy.

A comprehensive communications strategy has been crucial in building understanding of the need for change:

- Approximately 80 per cent of our employees do not have a work computer or an email address. Our broad range of internal communications channels are designed to reach all of our people, including those working shift hours or in remote, rural locations. These channels include Royal Mail TV (targeted at frontline staff), the Courier internal newspaper, which is delivered to all employees' homes, our Daily Courier email, text messages and messages on handheld scanners
- Around 5,000 people a week access our online employee portal, myroyalmail, and the Royal Mail Group intranet receives around 400,000 hits weekly
- Work Time Listening and Learning is a half-hour weekly engagement session for employees, which includes a short TV programme sharing national news and group discussion around local updates. This crucial opportunity to update our employees has been supported by the CWU as a part of our recent engagement review
- During 2014-15, we continued our 'town hall' programme with members of our senior management team addressing thousands of colleagues at almost 40 meetings
- 68 senior managers held more than 350 on-site engagement sessions, briefing an estimated 17,500 frontline colleagues about the changes taking place, and providing them with the opportunity to ask questions

- We brought together around 3,000 operations managers and union representatives for our annual Operations Conference in March 2015
- The success of our SAYE scheme was driven by a comprehensive internal communications programme, including an invitation booklet and letter for all eligible employees, dedicated Royal Mail TV programmes; special editions of the Courier newsletter, and face-to-face briefings from managers
- Now in its fifth year, the annual Chairman's Awards recognised employees across categories such as Best Colleague, Customer Excellence and Change Champion

#### Just Say It

Our Just Say It initiative provides all Royal Mail people with a channel of email communication to our CEO, Moya Greene. Moya typically receives around 300 emails each month from our employees.

Just Say It provides a popular channel for raising concerns, asking questions and sharing ideas that help to improve our business. During 2014-15, we acted on suggestions from our people for clarification of the Delivery to Neighbour procedure, mail handling processes within Delivery Offices, and commendations for community work and customer service on the part of our employees. Through Just Say It, we were also able to advise on correct health and safety procedures.

#### Working with our unions

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

We recognise two unions, the CWU and Unite/CMA. We estimate that approximately 84 per cent of our operational and administrative grade employees are members of the CWU and over 40 per cent of our managers are members of the CMA.

During 2014-15, the number of days lost due to strike action was 514. These were all as a result of unballoted strikes; there were no days lost due to balloted strikes. This represents a reduction of 77 per cent compared with 2013-14, during which 2,284 days were lost. We believe that the marked reduction in the number of strikes and days lost due to strike action is a result of our Agenda for Growth agreement with the CWU.



Rolling out our Agenda for Growth

Our Agenda for Growth agreement with the Communication Workers Union (CWU) includes legally binding terms covering employee pay, protections and industrial stability as well as a programme of work to help deliver change.

The agreement sets out:

- A three year pay deal
- A commitment to work together to develop and implement business strategies, respond to competitive challenges and develop new approaches to improve efficiency
- Defined processes and strict timescales to resolve any disputes
- Protections, including the maintenance of existing terms and conditions of employment; a commitment to retain a predominantly full-time workforce; no additional franchising or outsourcing; and an objective to continue to manage change without recourse to compulsory redundancy

The agreement is transforming industrial relations at Royal Mail. By the year end, we had launched 60 projects under the Agenda for Growth initiative, including the following:

- Our Together for Growth development programme for managers and union representatives is focused on increasing the pace and agility of change, and improving managers' ability to communicate with and engage their teams. We offered training to over 3,700 of our colleagues during 2014-15

- We launched a voluntary mediation scheme to help resolve disputes between colleagues in the workplace, and completed training our 10 mediators, selected from amongst our employees, in November 2014.
- We began work with Westminster, Sheffield and Plymouth universities on research to understand how our Agenda for Growth improves employee engagement and industrial relations

Our Chief Executive's senior team meets with the union on a quarterly basis to track progress. The importance of the initiative was recognised at the Chartered Institute of Personnel and Development awards in 2014. It was declared the year's Best Employee Relations Initiative. Judges described the agreement as "a genuine and serious attempt at partnership that already marks a dramatic and convincing turnaround."

Safeguarding our colleagues

Employees' safety, health and wellbeing is an enduring priority for Royal Mail. We are committed to achieving and maintaining an incident-free working environment where everyone is safe, healthy and secure.

During 2014-15, we continued the upgrade of our Safety, Health & Environment Management System, to ensure that it provides the best possible protection for our people (see page 87 for further details). We have sought to improve and standardise the way that we deal with some of the most significant threats that they face in the course of working for Royal Mail. We have introduced new processes to ensure that we learn from the incidents that do take place – and are able to prevent similar occurrences in the future.

Health & Safety KPIs	2014-15	2013-14	2012-13
Lost time accident frequency rate	0.67	0.77	1.17
Total accidents	9,738	10,999	13,878
Days lost due to accidents	29,903	33,351	42,393
Total number of fatalities	4	4	7
Sickness absence (%)	4.7	4.3	4.3



£431,000  
SAVED BY  
ACCIDENT  
PREVENTION

Our week-long Slip and Trip campaign focused on the reporting of outdoor hazards within teams and stressed the importance of wearing the right footwear for the conditions.



LAUNCHED  
DO THE  
RIGHT THING



FEWER  
DOG ATTACKS

Preventing accidents

We continue to make progress in reducing our lost time accident frequency rate (LTAFR), which is included as our safety Key Performance Indicator on our Corporate Balance Scorecard. We achieved a LTAFR of 0.67 this year; down from 0.77 in 2013-14. The total number of working days lost due to accidents decreased by about 10 per cent. In addition to supporting a safer and more engaged workforce, the reduction in working days lost is estimated to have saved the business £431,000.

Part of our management of hazards involves creating behavioural changes to avoid accidents. We launched our Do the Right Thing DVD last year, which aims to set higher standards for our drivers' behaviour on the roads. Our Annual Road Safety Week campaign used channels such as Royal Mail TV to raise awareness of our updated Safe Driving Code of Practice. When accidents and near-misses do take place, we have introduced a new procedure for capturing important information, and learning from what happened.

We also ran our annual Severe Weather Safety Communication Programme during the autumn and winter months, maintaining awareness of the increased risks of driving or working outside in high winds, snow, ice and fog. Our week-long Slip and Trip campaign focused on the reporting of outdoor hazards within teams and stressed the importance of wearing the right footwear for the conditions.

Assessing risks and learning from incidents

We launched a new Workplace On-site Risk Assessment in 2014-15, which provides more consistent and effective management of workplace risks posed by noise and indoor vehicles, amongst others. The assessment guides managers through a series of questions so that they can identify hazards. It provides a level of risk for each identified hazard and automatically generates a prioritised action plan based on those risk ratings.

Reducing the risk of confrontation and dog attacks

Dog attacks are a significant hazard faced by postmen and women on a daily basis. On average around nine postmen and women a day are attacked by dogs across the UK.

Working with CWU on this critical safety issue, we held our second Dog Awareness Week in June 2014, gaining support from a number of politicians, customers and organisations such as Battersea Dogs & Cats Home, Dogs Trust, and the National Dog Warden Association. The aim of the campaign was to raise awareness, not only about the problems our postmen and women face when they are delivering the mail, but also about responsible dog ownership. Key campaign messages included top tips for dog owners to help recognise aggressive behaviour by their dog, and consequently prevent attacks. Thanks to our independent report commissioned in 2012, legislation was changed in May 2014 to protect our postmen and women beyond the garden gate.

Following the success of an initial trial, we rolled out our 'Customer Dog Card', which requests voluntary support from owners when it comes to controlling their dogs. For occasions when measures are unable to prevent attacks, we finalised our 'consideration of prosecution' procedure. Developed in partnership with our unions, this procedure will enable us to respond better to incidents involving the risk of dog attacks – and pursue legal action where necessary.

Together these measures helped reduce the number of dog attacks over the summer months – when they are most prevalent – by 10.4 per cent in 2014-15 compared with the previous year.

Unfortunately, dogs are not the only threat that our delivery men and women occasionally face on their rounds. During 2014-15, we launched a new Risk of Confrontation Assessment, which will help to determine the risk level of assault from any member of the general public, and identify effective control measures.

Fatalities

We strive to improve our safety performance in everything we do. It is with great regret that we report four people lost their lives in connection with our activities in the UK in the past year. All fatalities were associated with road traffic accidents with our vehicles. At the time of writing, three of these had been found not to have been attributable to Royal Mail undertakings. We liaise closely with the relevant authorities and undertake our own detailed investigations to establish the root cause of each accident and, where possible, to determine what lessons can be learned. We have a fatal and serious standard and protocol, which tracks investigation report production and the closure of actions. This is discussed at Board level and is communicated across the Group.

Members of our Group-wide and Regional Business Unit Safety teams have also undertaken specialist training in investigating serious or fatal accidents and evidence gathering. This provides enhanced investigating capability and an additional resource for all serious incidents, supporting continuous improvement across Royal Mail.

Improving employee health and wellbeing

Providing support for employee health and wellbeing is a priority for Royal Mail. We were concerned when an increase in absence was recorded due to sickness during the early part of 2014-15, and that there was a particular rise in cases of long-term sickness. We are working to reduce sickness absence and have set up a taskforce to work across the business and co-ordinate our efforts. The taskforce aims to investigate and gain a better understanding of the drivers behind absence trends. It also ensures involvement and awareness of our unions at a national level.

We found that two of the major causes of long-term sickness at Royal Mail are mental health and musculoskeletal problems. In January 2015, we rolled out a new case management programme to support employees unable to work as a result of these issues. We will be investing £2 million this year, using expert case managers to decide the correct care pathway for each person and help to ensure progress is made. At the same time we continued to build on our comprehensive Feeling First Class Health and Wellbeing strategy with the launch of the First Class Mental Health and First Class Support initiatives in October 2014. We signed up to Business in the Community's Mental Health Champions Group to work with other large organisations to shape the workplace wellbeing agenda in the UK. We also signed the Time to Change Pledge to publically commit to ending the stigma of mental health conditions in the workplace and support the mental wellbeing of our employees. Finally, we are a partner of the Target Depression in the Workplace initiative and have signed its charter to improve mental health training across the organisation.

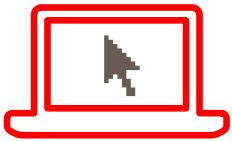
As at year end, the rolling average for sickness absence was 4.7 per cent for 2014-15, compared with 4.3 per cent for the previous year.

Royal Mail's support for health and wellbeing includes the following services:

- The Feeling First Class online portal, which provides access to check-ups, health and fitness advice, and shares discounts from health and wellbeing providers. The portal registered its 9,000<sup>th</sup> member in 2014-15
- Onsite gyms and external gym offers, with 37 gyms at Royal Mail sites
- Feeling First Class Support (previously called the Help Employee Assist) service, which offers counselling, financial and legal advice
- Access to occupational health services for all employees



MENTAL  
HEALTH  
INITIATIVE  
LAUNCHED



9,000  
FEELING FIRST  
CLASS MEMBERS

37  
ON-SITE  
GYMS

Investing in our people

Royal Mail is fully committed to the training and development of our people, in order to equip them with the skills they need to deliver our strategy. During 2014-15, we updated key areas of our learning and development programme, to reflect the ongoing transformation of our business. We invested over £24.8 million in training during the year.

We invested over  
£24.8 million in  
training during  
the year.

During 2014-15, almost 54,000<sup>1</sup> colleagues attended instructor-led training in the UK, with over 40,500<sup>1</sup> attending web-based training sessions. This equates to around 80,000 training days being delivered throughout the year. Highlights of our learning and development programme include:

- Our Together for Growth programme, which will train around 6,500 managers and union representatives by October 2015, represents the UK's largest ever investment in this form of joint training. Designed to support the objectives of our Agenda for Growth agreement, this programme aims to help both managers and union representatives build the skills they need to create stronger working relationships, resolve issues and drive the cultural change that Royal Mail needs to thrive. The training programme covers areas such as the business landscape, Royal Mail culture, crucial relationships, handling disagreements, working together and overcoming communication barriers
- We continued the roll out of the first module in our 'Customer and You' training programme, which develops skills such as the ability to identify different customers' priorities and respond accordingly. We delivered customer service skills training for 2,640 employees in 2014-15, as part of our 'Customer and You' programme

- We received good feedback from the first 55 delegates on our Royal Mail Management Acceleration Programme, delivered by Oxford University's Saïd Business School. We plan for 500 of our senior managers to have completed the course by the end of 2015-16. During the year we also expect to enrol a further 250 people in the programme
- We involved our employees in the development of a new company-wide induction programme. It was successfully piloted during the year and will be fully rolled out during 2015-16

Throughout 2014-15 we have worked closely with PwC to enhance our approach to performance management. We aim to identify gaps and opportunities for development more effectively, and enable individuals to take greater ownership of their performance:

- We carry out annual performance reviews with all of our managers (approximately seven per cent of our employees in total), with bonuses linked to their performance. Managers must also show that objectives are achieved in the right way, demonstrating good leadership behaviours such as working collaboratively with colleagues and leading by example. In this way we align the objectives for each manager with our business strategy, and ensure that high performance is encouraged and rewarded
- We do not have union agreement to appraise non-managers in the same way. However we do assess our frontline postmen and women against the World Class Mail competency framework, to identify skills gaps and development opportunities. As part of this process we provide coaching and action planning to help individuals improve their performance
- In March 2015, we launched a new learning management system, Success Factors. This points employees towards the learning solutions and skills development opportunities that can help them achieve what they aspire to in their careers. At the same time, we have started an exercise to map the skills and capabilities required for business critical leadership roles

<sup>1</sup> This represents the number of attendees. Actual number of colleagues may be lower as one person may have attended multiple training sessions.



Supporting diversity and equal opportunity

Royal Mail employs a diverse mix of people that reflects the communities we serve. We are committed to being an equal opportunities employer and we proactively seek to recruit people from socially excluded groups. We are a signatory to the Government’s Think, Act, Report Initiative and work with Business in the Community’s Opportunity Now and Race for Opportunity programmes which promote equal opportunities best practice.

At our Board and senior management grades, we have relatively high gender diversity. At Board level, 33 per cent of members are female. On average, FTSE 100 companies have 23.5 per cent female representation on their boards<sup>1</sup>. At senior management level, 29 per cent of employees are female, compared to 14 per cent in operational functions. We are committed to improving the gender balance across all areas of the business.

During 2014–15, we made advances in embedding awareness of diversity issues at leadership level, addressing key areas highlighted by our Employee Survey, and strengthening our support networks and career management opportunities for a range of different groups. Before the reporting period, in March 2014, we established our Diversity Council, which is chaired by our Company Secretary and includes representatives from unions and employee volunteers. During the year the Council agreed a diversity scorecard, which reports progress on key measures on a monthly basis, and endorsed our Diversity and Inclusion strategy.

This establishes an action plan based around eight key commitments:

- Engender ownership and accountability at all levels of the organisation
- Educate to change attitudes and behaviours
- Remove barriers
- Provide support
- Monitor progress effectively
- Engage with our people
- Increase diversity visibility
- Align diversity with our commercial strategy

All Chief Executive’s Committee (CEC) members are now working towards diversity targets that include: the proportion of women and people from different ethnic groups amongst new recruits, the introduction of Diversity Champions and, identifying female successors for a percentage of critical roles. During 2014–15, around 600 senior managers, including all CEC members, took part in a series of workshops to raise awareness of unconscious bias. The workshops were tailored to the specific requirements of Royal Mail Group’s leaders, and to different audiences such as senior leaders, resourcing teams and the wider HR team. We will continue the workshops next year, while also launching an e-learning tool to support them.



We strengthened our representation of lesbian, gay, bi-sexual and transgender issues at a senior level with the launch of our LGBT and Friends Steering Group. Sponsored by a Senior Operations Director this will actively support the introduction of national and local LGBT networks, and liaise with external organisations to identify best practice and maintain strategic partnerships. Royal Mail is a member of Stonewall’s Diversity Champions programme, Britain’s leading employers’ forum on sexual orientation.

At the end of the reporting period, the Diversity Council also established a BAME Steering Group (Black, Asian and Minority Ethnic) and a Disability Steering Group to drive its work in these areas of our diversity strategy.

In 2014–15, we were included once again in The Times Top 50 Employers for Women. Our Gender Steering Group, chaired by our Chief Operating Officer, continues to look at new and innovative ways to attract women to Royal Mail Group, and help them progress in their careers once here. We have revised our attraction strategy and collateral, and ran two senior Women’s Network events during the year. We have also rolled out a philosophy of ‘balanced shortlists’ whereby equal numbers of male and female candidates will be put forward for new roles.

Our Springboard programme provides direct support to help develop the potential of our female employees in non-management positions. During the year, 101 female employees attended eight courses under the programme.

Succession planning

We have worked to embed diversity within our talent pipeline through our Annual Talent Review, which identifies likely successors for business critical roles and provides them with career guidance. Considering those from protected characteristic groups is a core part of this process. Employees are able to provide information on their career history, qualifications and aspirations into a personal profile that is accessible to managers at the touch of a button. This helps us link our people’s career aspirations to appropriate career development opportunities, whatever their background.

Disability

As a Disability Two Ticks employer, Royal Mail welcomes job applications from candidates with a disability or health condition. Our recruitment processes ensure a fair approach for people with disabilities and we interview all disabled applicants who meet the minimum criteria for a role.

We make reasonable adjustments to the workplace to support employees who become disabled. We provide training as required, for example in assistive technology and software. We also focus on ensuring those with disabilities are not discriminated against. Approximately six per cent of our employees identify themselves as having a disability.

1 The Female FTSE Board Report 2015, Cranfield University School of Management.



Gender diversity	UKPIL Female	UKPIL Male	GLS Female	GLS Male
Royal Mail plc Board	3	6		
Senior Management	664	1,646	36	251
Management	1,509	5,896	2,910	2,308
Administrative	1,566	1,085		
Operational	18,810	111,716	1,802	7,102

Age distribution	<30	30–49	50+
Royal Mail plc Board		1	8
Senior Management	68	1,525	726
Management	588	4,215	2,602
Administrative	230	1,380	1,041
Operational	11,007	67,040	52,479

Ethnic diversity	Asian	Black	Chinese	Mixed	Other	White
Royal Mail plc Board						9
Senior Management	70	16	3	13	411	1,806
Management	360	160	11	57	1,375	5,442
Administrative	116	34	7	15	401	2,078
Operational	8,281	3,880	252	836	20,767	96,510



### Our partnership with Remploy

We have been a national partner of disability charity Remploy since 2006, working together to provide jobs and placements for people with disabilities.

Last year we celebrated a significant milestone in our partnership, having employed over 2,000 disabled and disadvantaged candidates through Remploy. We were the first logistics company in the UK to reach the milestone and only the third national organisation to do so overall.

### Apprenticeships and opportunities for young people

Apprenticeships provide a range of young people from diverse backgrounds with the opportunity to develop their career skills at Royal Mail. We expanded our apprenticeship programme during 2014–15, with the launch of a two-year project management programme, in addition to our existing engineering and vehicle technician apprenticeships. Working alongside experienced project managers, our apprentices on the new programme will learn how to evaluate projects in terms of time, money and expertise, create project plans, and pull together the right project teams. With our specialist training partner providing dedicated class-based study, they work towards an NVQ Level 4 in Project Management, a qualification that is equivalent to a degree. At the end of the programme they become a member of the Association of Project Managers.

Participation in the Duke of Edinburgh Award Scheme has helped add a new dimension to our apprenticeship programmes during the year. The Duke of Edinburgh Award programme enables our apprentices to develop a wide range of additional skills including leadership development, confidence building and personal growth. 11 of our apprentices received the Duke of Edinburgh Gold Award last year.

**"I joined the Royal Mail Apprentice Scheme because it allowed me to develop my skills while earning a salary that was more competitive than other schemes were offering. When I finish my NVQ in June 2015, I will graduate as an EngTech member of the IET and Engineering Council. This is a real highlight because it means that I will be accredited to carry out the work I have trained for in the past three years."**

**Alex Stevens, Apprentice Engineer**  
Royal Mail Chester Mail Centre

### Ready for Work

We are one of 11 national partners in Business in the Community's Ready for Work programme. The programme has now helped 3,403 long-term unemployed people to find a job. Royal Mail offered 40 placements under the scheme during 2014–15, bringing the total number of people we have helped prepare for work to almost 500. We continue to work to remove potential barriers to our Ready for Work participants applying for permanent roles at Royal Mail, and ensure a smooth recruitment and induction process.

**Royal Mail offered 40 placements under Ready for Work during 2014–15, bringing the total number of people we have helped prepare for work to almost 500.**

### Ensuring dignity and respect

We are committed to creating and maintaining a working environment that is free from bullying and harassment, and where we treat each other with dignity and respect. This is key to driving employee engagement and wellbeing.

In January 2015, we launched a new bullying and harassment awareness campaign, which highlights the damaging impact of inappropriate banter in the workplace and encourages informal resolution of issues. Developed in partnership with our unions, the 'We can sort it out' campaign is based around a 10-minute film based on actual incidents with a campaign toolkit for managers including guides, checklists and pre-training guidelines. It has been rolled out across our business to both managers and union representatives.

The majority of complaints relate to value and respect at work and inappropriate banter. We take all complaints seriously. Conduct action was taken in 80 per cent of cases in 2014–15, compared with 74 per cent the previous year.



### Breaches to the Code of Conduct

Our Code of Business Standards sets out the standards of behaviour that we expect from our people at Royal Mail Group. It is about doing the right thing: following the law, acting honourably and treating others with respect. It sets out our values, policies and behaviours that are required to make Royal Mail Group a trusted, positive and successful place to work. Where standards are not maintained, appropriate actions are taken under the Code of Conduct.

In 2014–15, 2,593 breaches to the Code of Conduct were recorded. Breaches include relatively minor incidents, such as a failure to follow workplace practices, through to bullying and harassment and theft of mail. In the year, 27 per cent (705) of cases resulted in suspended dismissal or dismissal. Information is reviewed centrally in order to inform policies and procedures and to provide coaching for managers.

### Priorities for 2015–16:

- Continue to drive reductions in accidents and our lost time accident frequency rate
- Roll out our new values and embed them across the business
- Further develop support programmes and networks for female, Black, Asian and Minority Ethnic, lesbian, gay, bisexual and transgender employees
- Improve attendance performance
- Undertake cultural awareness and disability awareness training for all employees
- Provide new development opportunities for frontline employees, including access to digital learning courses, and the opportunity to have development-focused conversations with their line managers as well as set goals that are reviewed every quarter
- Develop and roll out new films about mental health to drive awareness
- Support employee health and wellbeing with the offer of blood pressure testing for at least 15,000 employees, as part of our partnership with the Stroke Association
- Enrol a further 75 business leaders in our Executive Leadership Programme at the University of Oxford's Saïd Business School. In addition, enrol a further 250 senior managers in the Business School's Management Acceleration Programme
- Roll out a new, consistent company-wide induction for all new joiners, including a new pre-joining learning offer that will help welcome people to the business

# Our communities

Delivering economic and social benefit to the communities we serve is one of Royal Mail’s core corporate responsibility objectives. It reflects our role at the heart of life in the UK and as the sole provider of the Universal Service. We seek to be an integral, valued and trusted part of every community that our service reaches.

Key facts

- Royal Mail makes the 6<sup>th</sup> biggest contribution of any UK company to the UK economy
- One in every 180 people working in the UK is employed by Royal Mail
- We deliver 3.6 million items free of charge through our Articles for the Blind service
- Our payroll giving scheme holds the Platinum Payroll Giving Quality Mark Excellence Award, and a Guinness World Record for the most registered charities supported through a payroll giving scheme
- Royal Mail sets a target of raising £2 million over two years for its Charity of the Year partner

Key achievements in 2014-15

- We contributed £7.6 million directly to charities, good causes and schemes for disadvantaged groups
- Our people raised a further £3.03 million for charities and good causes across the UK
- Launched a partnership with the charity Missing People, mobilising our business assets to support the search for vulnerable missing people
- Royal Mail was named Corporate National Partnership Champion at the annual Charity Times Awards, in recognition of our partnership with Prostate Cancer UK
- Launched a new Charity of the Year partnership with the Stroke Association
- Marked the centenary of the First World War with services of remembrance across our organisation, and with educational initiatives that brought the experience of war to life for a younger generation
- Provided over 9,700 free books for children and grandchildren of Royal Mail employees, helping to foster a love of books and reading

Our community investment

In 2014-15, Royal Mail contributed £7.6 million<sup>1</sup> directly to charities, good causes and schemes for disadvantaged groups. We also supported almost £533,000 of colleague fundraising for charities and good causes across the UK.

Our payroll giving scheme began in 1989 and, to date, has supported charities with over £53 million.



COLLEAGUE  
FUNDRAISING OF  
£533,000

£7.6  
MILLION



CONTRIBUTION TO  
CHARITIES  
GOOD CAUSES  
DISADVANTAGED  
GROUPS

Our payroll giving scheme began in 1989 and, to date, has supported over 1,300 charities across the UK. Our Charity of the Year, matched giving and grant schemes have built on this success, expanding the range of ways in which our employees can contribute to good causes. Our people donated over £3 million in total to charity in 2014-15 through fundraising and payroll giving.

We encourage our people to get involved in charitable causes through the provision of matched giving, fundraising and volunteering grants. This year, we saw an overall 34 per cent increase in the number of applications from our people. We raised over £640,000, including matched giving, for our Charity of the Year programme, successfully transitioning to a new partnership with the Stroke Association in September 2014. In addition, Royal Mail provided £188,000 to other charities through our matched giving and grants schemes, a 40 per cent increase on the previous year.

<sup>1</sup> Includes our mandated commitments to Articles for the Blind and British Postal Museum & Archive totalling £4.4 million. Our Articles for the Blind service costs reduced compared with the previous year, due to a reduction in the number of items sent through the service.

Our community investment (£m)	2014-15	2013-14	2012-13
Amount contributed by Royal Mail	7.60	9.79	9.49
Amount contributed through employee fundraising	3.03	3.25	3.18
Total contributions supported by Royal Mail	10.63	13.04	12.67
Total voluntary contributions	6.22	6.93	6.55
Cash – Royal Mail	2.08	2.66	2.36
Cash – employee fundraising	3.03	3.25	3.18
In-kind	0.34	0.24	0.24
Time	0.50	0.40	0.41
Administration	0.26	0.37	0.35
Total mandated contributions	4.42	6.11	6.13
Cash	0.46	0.47	0.48
In-kind	3.96	5.64	5.65



MISSING  
PEOPLE  
PARTNERSHIP  
LAUNCHED

Our community strategy

In the UK, Royal Mail is a truly national business that makes a difference to people's daily lives on a local level. We have a presence in every community. We connect customers and companies across communities to make commerce happen and increase prosperity.

Our community strategy is focused on enhancing this contribution to the UK economy by linking our role as an employer to targeted community investment. We align our activities with the central goals of our business strategy and the interests of our employees.

Our strategy is to connect and contribute to our communities in the following ways:

- **Connecting through our business** – we make a positive economic contribution to the UK through our core business operations. We do this by providing good quality jobs and being an inclusive, equal opportunities employer
- **Connecting through our employees** – we provide our large UK workforce with meaningful opportunities to get involved in their communities and deliver real benefit to good causes
- **Connecting with tomorrow** – we promote education and literacy in the communities we serve, supporting their future social and economic wellbeing



### Connecting through our business

As a major employer and purchaser of goods and services, our economic and social impact is significant. In order to understand our contribution we commission the Centre for Economics and Business Research (Cebr) to carry out complete, regular economic impact assessments of our UK Parcels, International & Letters business.

The Cebr analysis of our economic impact for 2014-15 found that we add £11.1 billion to the UK economy, made up of direct and indirect contributions. We rank as the 6<sup>th</sup> largest of all UK corporations in terms of our contribution to the UK economy. This includes our contribution through employment, procurement and taxation.

#### Key findings of the Cebr research were:

- Royal Mail contributes £6,910 of every £1 million of UK economic output, including direct and indirect impacts
- We contribute £1.69 billion in taxes to the UK Exchequer, including employer and employee National Insurance contributions, income taxes and business rates
- In addition, Royal Mail has a significant indirect economic impact in the form of activity generated through our supply chain, where we spend £2.5 billion a year procuring goods and services from around 5,500 suppliers

#### Our social impact

Cebr research finds that we make a significant contribution to social inclusion through the vital employment and earnings that we bring. Our employment follows the contours of the population; where there are more people we provide more jobs. As one of the UK's largest private employers, one in every 180 employees works for Royal Mail. We provide jobs where there are generally fewer and, through this, make a significant contribution to the distribution of wealth across the UK.

In May 2015, Cebr undertook research to understand the impact of the jobs we provide at a regional and country level, based on data for the year 2014-15. It found that in Wales, for example, Royal Mail directly employs over 6,100 people, contributing £320 million of direct and indirect economic contributions. A further 2,800 people are employed in Wales indirectly as a result of Royal Mail's presence. Royal Mail directly employs nearly 12,700 people in Scotland, with a further 7,000 indirectly employed in the supply chain that supports Royal Mail's operations and in all the businesses that benefit when Royal Mail employees spend their wages in their local economies. This provides £710 million of direct and indirect contributions to the Scottish economy.

We aim to maximise this contribution to social inclusion through a commitment to equal opportunities in our employment practices, ensuring that we provide job opportunities for all. Our apprenticeships help young people into work by enabling them to earn a salary at the same time as gaining qualifications, while our graduate programmes provide the opportunity to advance careers quickly. Our Ready for Work scheme provides opportunities for the long-term unemployed, and we work with Remploy to support those with disabilities. Full details of these schemes and the measures we take to embed diversity and promote acceptance and understanding in the workplace are on page 64 of this report.

#### Rowland Hill Fund

The Rowland Hill Fund supports current and former Royal Mail employees who fall on hard times, helping those dealing with sudden illness or long-term sickness, disability, or serious financial problems.

During 2014-15, the fund provided 359 grants with a total value of over £330,000. Many of these grants involved help with arrears on mortgage payments, council tax, rent payments or utility bills, a fact that reflects the importance of the fund in the current economic climate. See the case studies on page 69 for more information.

Royal Mail contributes around £50,000 a year to the fund, in addition to around £60,000 in in-kind support costs, such as facilities, services and Human Resources support.

Maintaining the financial health of the fund is a priority for Royal Mail. During the year we began the process of recruiting Rowland Hill Fund Ambassadors to help spread awareness of its work and of the need for regular contributions from present and former employees. We have recruited 100 Ambassadors in South and West Yorkshire and will be rolling out the scheme across our North, West and East regions during the coming year.

Harnessing the potential of our new partnership with the Stroke Association (see page 72), the Stroke Association and the Rowland Hill Fund are working together to support stroke survivors within Royal Mail. The Fund alerts the Stroke Association to stroke survivors from among Royal Mail people who could benefit from a grant.



WE ADD  
**£11.1**  
BILLION  
TO THE UK  
ECONOMY



3.6M ITEMS  
DELIVERED FOR  
**FREE**  
ARTICLES FOR THE BLIND

#### Making a difference through the Rowland Hill Fund

Support from the Rowland Hill Fund helped restore hot water and heating for John, Maureen and their autistic son Darren after their boiler was deemed unsafe, and they couldn't afford a replacement. John worked as a postman and night sorter at our Porthmadog Delivery Office but has since retired. **"Thank you for your kindness and your sympathetic generosity," wrote Maureen afterwards. "It has made such a difference to us all."**

After suffering a stroke at the age of 30, Stephen was left with a clenched right hand and a weakness down his right side. He applied for a Disability Facility Grant to help adapt his home and enable him to continue living there. However, the grant available required Stephen to make a contribution of £1,500. The Rowland Hill Fund paid for Stephen's contribution, ensuring that he could continue to live at home. Stephen worked as a postman in a Delivery Office in Wolverhampton but has had to retire due to ill health.

#### Articles for the Blind

2015 is the 50<sup>th</sup> consecutive year in which Royal Mail has delivered post for blind and partially sighted people free of charge. During 2014-15, we delivered around 3.6 million items through the Articles for the Blind service, representing an investment by Royal Mail of £4 million.

We are committed to continuing to offer our Articles for the Blind service to the highest Quality of Service standard specification of any major European country. An important part of the scheme is our ongoing work with the Royal National Institute of Blind People (RNIB) and other charities for blind and visually impaired people to ensure that it continues to meet their needs. In recent years, this has included working with the RNIB to deliver the society's new talking book USB service, an update to its previous audio CDs. We will also deliver braille and large print books for children through Articles for the Blind and our partnership with Dolly Parton's Imagination Library – see page 76 for more information.

#### Free delivery for good causes in Europe

General Logistics Systems (GLS) operations in several European countries use their delivery networks to provide direct support for organisations doing important work in the community. During the run-up to Christmas in Ireland, GLS transports presents for children in need to Barnardos' centres free of charge, after they are dropped off at its parcel shops. In Germany, GLS transports information brochures for the breast cancer charity Brustkrebs Deutschland e.V. free of charge, saving substantially on the charity's costs.

#### Maintaining dialogue with politicians

During 2014-15, 85 politicians from all of the major political parties took up our invitation to visit a Royal Mail operational site or to join one of their local postmen or women on their delivery rounds. For Royal Mail, it provides an important opportunity to demonstrate the fundamental role that our service plays in the community. We have used this opportunity to help explain the impact of direct delivery competition, how our business is modernising in response to the modern postbag, and our ongoing commitment to a high-quality Universal Service.

There were over 1,000 visits by politicians to Royal Mail delivery offices over the festive period. This was an opportunity for them to say a personal 'thank you' to our people working to deliver the mail over the Christmas period. Those taking part in this long-standing tradition included Home Secretary Theresa May MP, Shadow Chancellor Ed Balls MP and Chief Secretary to the Treasury Danny Alexander MP.

In the run-up to the 2015 General Election, promoting understanding of our community role among all politicians and candidates was a priority for Royal Mail.



### Speaker's Parliamentary Placements Scheme

Royal Mail is a proud sponsor of the Speaker's Parliamentary Placements Scheme, which is administered by the Social Mobility Foundation. The scheme provides a broad range of people with the experience of working in Parliament, helping to encourage more diverse leadership for the UK in the future. In 2014, for the third consecutive year, we helped to fund nine months of paid employment for one person to work for an MP.

As a sponsor of the scheme, Royal Mail hosted a corporate day for all of those taking part in the scheme. Our agenda for the day was focused on broadening their experience of the business world through practical group exercises and scenario-planning workshops, and engaging future leaders with the importance of the Universal Service.

### Giving to communities at Christmas

Royal Mail's Christmas Grants programme makes a direct contribution to charities that support vulnerable people, at a time when those services are in high demand. During Christmas 2014, we donated £50,000 to three such charities. Our support for The Silver Line, a free helpline service for the elderly, enabled 3,500 lonely older people to receive a friendly

phone call on Christmas Day. Our donation to Cruse Bereavement Care helped the charity to respond to 1,800 calls from those who had suffered the devastating loss of a loved one, and our support for Carers UK enabled 1,570 of those caring for sick or disabled friends and relatives to receive a much-needed festive treat. A group of carers for those with substance abuse issues were among those benefiting from the unexpected Christmas treat and summed up what it means: *"It was a wonderful experience to forget our troubles for a while, and great to laugh and meet others in similar situations."*

### Direct giving in Europe

Across Europe, GLS makes direct contributions to local charities that address key issues in the community. GLS Austria donated €5,000 to support the Children's Cancer Aid Association, which provides aftercare camps for children recovering from surgery and chemotherapy. In Spain, GLS supports the efforts of Barcelona-based getVolley! which teaches volleyball to children and adults to encourage exercise and healthy living. In Italy, the annual Pool Golf Trophy, sponsored by GLS, raises money for local causes, with the most recent tournaments buying wheelchairs for a wheelchair basketball team.

**"We know that eight out of 10 carers have felt lonely and socially isolated. Lack of money, exhaustion and stress – combined with their daily caring responsibilities – can make it almost impossible for many carers to take part in social activities with friends and family.**

**With help from Royal Mail, we have been able to help over 1,570 carers to have a break, and, equally importantly, spend some time laughing, talking and relaxing with others who know, first hand, how caring for a loved one can be. Thank you Royal Mail, we simply could not have done this without you."**



**"When someone goes missing and is at risk, every minute after a disappearance is crucial to bringing them home safely. Our partnership with Royal Mail is a truly inspired way to spread an alert quickly and to the very people who are the eyes and ears of their local communities."**

**Jo Youle**, Chief Executive Officer, Missing People

### Connecting through our employees

Empowering our employees is one of the most powerful means by which Royal Mail can make a difference to communities across the UK. Doing so enables us to harness our collective size to address national issues while using our employees' individual strengths and interests to support local community needs. This approach also helps build employee engagement for the Company, as we support the issues that matter to them.

We encourage our people to get involved through our award-winning payroll and matched giving schemes, a range of volunteering opportunities, and grants to support their own fundraising and volunteering activities. In addition, there are times when we are able to leverage our people's experience and understanding of their local communities to help those in need.

### Eyes and ears in the hunt for missing people

In November 2014, we launched a partnership with the charity Missing People that puts postmen and women at the forefront of the search for high-risk vulnerable adults and children in the UK.

We distribute the charity's missing people alerts through our network of handheld scanners, which are usually used to track and sign for deliveries. These reach 124,000 of our people involved in the collection, processing and delivery of letters and parcels.

We target messages to specific geographic areas to ensure we reach postmen and women on the most relevant collection and delivery routes. When the scope of the search for a missing person goes national, we broadcast alerts across our entire network, leveraging our full scale to support efforts to find them. We also publish missing people alerts on our TV screens, which reach all 143,000 of our people in the UK.

Our partnership with the charity is the brainchild of postman and union representative Vincent Micallef. Vincent had the idea of postmen and women receiving descriptions of people declared missing on handheld scanners when a nursery teacher asked him to help find a child in 2013.

Missing People also partners with other organisations, such as the National Crime Agency, Association of Chief Police Officers and Association of Chief Police Officers in Scotland. However, this is the first time that an organisation has made its full range of business communication channels available to support its efforts.

The launch of our partnership was picked up by numerous national and local print and broadcast media outlets, reaching an estimated 18 million people.



### Charity of the Year

2014-15 was a significant and successful year for Royal Mail's Charity of the Year programme. We won the Charity Times' Corporate National Partnership Champion award for our 2012-14 partnership with Prostate Cancer UK. Our partnership ended in August 2014, having raised a total of £2.34 million for the charity. We also raised £209,000 for our other two partners in the programme, Alzheimer's Society and Whizz-Kidz, bringing the total amount raised to £2.55 million.

#### Prostate cancer awareness

We surveyed our employees at the end of our partnership with Prostate Cancer UK to understand its impact on their awareness of prostate cancer. We asked our people some of the same questions Prostate Cancer UK posed the general public in a nationwide YouGov survey a few months earlier. We found that 80 per cent of our people know that prostate cancer is the most common cancer in men, compared with 67 per cent of the public. 77 per cent felt well informed about the disease, compared with 45 per cent of the public. Our people are much more aware of the charity, with 79 per cent saying they know a lot or a bit about them, compared with 41 per cent of the public. We also found that our people know more about prostate cancer than breast, bowel and lung cancer – the other three of the top four most common cancers – as a result of the partnership.

In September 2014 we launched a new partnership with the Stroke Association. We hope to raise £2 million for the charity over two years to fund Life After Stroke grants for up to 10,000 stroke survivors. The Stroke Association was chosen after a poll of Royal Mail employees, in which almost 40,000 voted for it as our new Charity of the Year. Our support for the Stroke Association will enable the charity to provide more grants to fund vital home improvements, such as handrails and specialist kitchen equipment, and activities that help stroke survivors live a more fulfilling life.

Under our Charity of the Year programme, we match the funds raised by colleagues for our charity partner, up to a total of £2,500 per person per year. We also link our Charity of the Year initiative to other areas of community investment and employee engagement programmes in order to maximise the impact of our efforts.

“Stroke is the killer disease that’s been ignored for too long. Through the incredible generosity of individuals and organisations such as Royal Mail, we can do even more to help transform the lives of people living with this devastating condition.”

Jon Barrick, Chief Executive Officer, of the Stroke Association

An important part of our Stroke Association partnership involves identifying opportunities to raise awareness of the condition – and the steps that people can take to reduce the risk of stroke. For instance, under our 'Know your blood pressure' initiative, the Stroke Association aims to visit 500 Royal Mail sites and take blood pressure readings of at least 15,000 of our employees. Doing so will help to identify if those employees need medical support – and will raise awareness of how managing blood pressure can help to prevent a stroke.

Since late September 2014, millions of items of mail have been delivered bearing the Stroke Association postmark that we created to help raise awareness of our partnership – and the Stroke Association's work.

As at year end, we had raised over £145,000 for the charity, including matched giving from Royal Mail. This will fund 725 grants for stroke survivors.



£2.34M  
FOR OUR  
CHARITY  
OF THE YEAR  
PROSTATE CANCER UK

STROKE  
ASSOCIATION  
PARTNERSHIP  
LAUNCHED

CELEBRATED  
25 YEARS  
OF PAYROLL  
GIVING SCHEME

1,770  
PEOPLE  
BENEFITTED FROM  
SPORTS  
FOUNDATION  
GRANTS

7,000  
ROYAL MAIL  
BIKES  
DONATED

#### How our bikes keep moving lives forward

In Malawi, a bike holds the key to a livelihood. Bikes are essential for getting goods to market, cutting down journey times and enabling people to get to work or school. Many form the basis of entrepreneurial bike-taxi businesses.

In 2010, Royal Mail began donating used bicycles from our delivery rounds to the Krizevac Project, a charity that aims to transform thousands of lives in Africa. Since then, 7,000 of our bikes have made their way to the Beebikes social enterprise initiative in Malawi's Chilomoni township. Beebikes' eight employees refurbish the bikes before selling them at an average cost of £80, a significant amount of money in the country. Besides creating employment at the township, all Beebike profits are used to help fund essential orphan care and support for thousands of families living in poverty. During the first half of 2014 alone, Beebikes generated more than £63,000 for these initiatives.

On average, a bike will generate a minimum monthly income of £30 for the person who buys it. After he lost his job at a security company, Tim Pondani put his life savings towards buying one of the Royal Mail bikes so he could use it to build a mobile stall business selling home-made hot sauces, door-to-door. That expanding business now supports both his own three children and the three children of his deceased sister. Tim is just one of many to have built a business on the back of a bike originally donated by Royal Mail. Other bikes making a direct contribution to the community include the 200 used by medical staff at the Holy Family Hospital and those used by the 20 workers at the Mother Teresa Children's Centre, which supports poor and vulnerable families.

### Wider support for matched giving

As with our previous Charity of the Year partnership, the two runners-up in our poll of Royal Mail employees will also receive support from Royal Mail over the next two years. Both Age UK and Diabetes UK received a donation of £50,000 at the start of the programme. Furthermore, once we have reached our target of raising £2 million for the Stroke Association, we will open up our matched giving initiative to all three charities.

We also match funds raised by Royal Mail colleagues for other charities and community organisations, up to £200 per employee per year. We further encourage our people to raise funds for the causes that matter to them through grants of up to £200 per year, to cover the cost of organising fundraising activities. During 2014-15, we supported a total of 354 charities through matched giving and fundraising grants.

#### Payroll giving

Payroll giving provides employees with a tax-efficient way to support the causes that matter most to them, and Royal Mail's payroll giving scheme is one of the UK's largest. Last year we celebrated reaching 25 years and £50 million in charitable donations through the scheme, and we were confirmed as holding the Platinum Payroll Giving Quality Mark Award. In 2014-15 alone, Royal Mail Group employees and pensioners donated £2.5 million through the scheme.

#### Sports Foundation

Royal Mail's Sports Foundation supports local sports clubs through grants for our people to provide equipment, trophies and training. The Foundation also enables us to provide support for Royal Mail employees to pursue their own sporting ambitions. Charlie Flynn, who worked at our Scottish distribution centre in Wishaw, provides a good example of what such support can help our people achieve. Charlie won gold in the lightweight boxing division at the Commonwealth Games in August and was quick to acknowledge the importance of Royal Mail's support.

“Royal Mail have been there helping all the way, giving me time off and paid leave, helping me buy my kit,” he told *The Daily Express*. “They’ve done everything.”

Charlie has since left Royal Mail to take up boxing professionally.

Besides Charlie, an estimated 1,770 people benefited from Sports Foundation grants during 2014-15, with the Foundation supporting 54 community sports clubs and individual sporting events.

### Support for volunteering

Volunteering in communities plays an important role in helping build an engaged and committed workforce. It also allows our employees to forge important relationships in the communities where they work. We offer paid time off for colleagues supporting communities and grants of up to £400 to cover volunteering costs. Last year, we provided over 2,000 days' paid leave for volunteering activities and over 2,500 days of unpaid volunteering leave.

### Business Connectors

Since 2012, we have participated in the Business in the Community 'Business Connectors' programme, which places employees in community-based organisations where they help to connect businesses and local causes.

During 2014-15, two of our employees worked as Business Connectors in Newcastle and Edinburgh, where they have been tackling local issues. Through this programme, our people have been able to improve business literacy among social enterprises and have been working to promote education and employability in local communities. Since March 2012, Royal Mail's Business Connectors are estimated to have leveraged over £434,000 in cash, time and in-kind donations<sup>1</sup>.

### Business Connectors – focus areas

Community cohesion / regeneration **24%**

Employment **14%**

Other **2%**

Enterprise **28%**

Education **32%**

<sup>1</sup> In our 2013-14 Corporate Report we incorrectly reported that our Business Connectors have leveraged £870,000 since we started supporting the scheme in 2012, according to figures provided by BITC. BITC have now rectified the reporting error and the correct figure should have been £178,500, for the period ended March 2014.



**PAID LEAVE  
FOR VOLUNTEERING**



**ONLINE  
EDUCATIONAL  
SUPPORT**

### Fundraising challenges for our Charity of the Year

For the last two years we have organised a graduate fundraising challenge for our Charity of the Year. Under the challenge, small teams competed against one another to design and deploy a fundraising activity.

Building on the success of the initiative, which raised over £103,000 last year, for 2014-15 we ran a company-wide challenge for colleagues working in our Operations function. Our 'Operations Fundraising Challenge' pitted four teams against each other – the North, West and East regions and Logistics and International – in a three month race to raise vital funds for the Stroke Association and be crowned Royal Mail's best fundraisers. As part of this, more than one hundred members of our graduate scheme were aligned to the four challenge teams to support their fundraising. As in previous challenges, they were required to undertake their own fundraising activities and use the opportunity to develop their networks within the business, practice their presentation skills and increase their understanding of the cause being supported. The challenge culminated at the end of May, which was Action on Stroke month.

**The Stroke Association Director of Fundraising Jim Swindells said:** "It's so refreshing to see such an organisation-wide approach to fundraising. From Directors right through to front-line staff, we're thrilled that so many Royal Mail employees are getting involved to raise money for the Stroke Association."

### Carlos and You

Carlos is a young boy who has been diagnosed with blood cancer and is in urgent need of blood donors. He is also the driving force behind Carlos und Du (Carlos and You), a campaign to increase blood donor registration, which was launched by the blood cancer foundation DKMS. GLS Germany volunteers helped to organise an event for the campaign, with GLS making a direct donation of €2,000 and providing promotional flyers free of charge.

### Connecting with tomorrow

Well-educated and enterprising young people are the foundation of business success. With these leaders of tomorrow come fresh ideas and inspiration. As a business that is closely aligned with the vibrancy of the UK economy, it is in Royal Mail's interest to help young people develop. As a letters business, we have a particular interest in encouraging confidence in reading, writing and creativity.

Our long history at the heart of the country's communities makes connecting young people with their heritage an important part of this role. In the centenary year marking the outbreak of the First World War, we have placed particular importance on marking the sacrifices made by Royal Mail workers who served during the war, and also on using the educational channels we have to bring the experience of the war years to life for young people.

### Supporting schools

Our regular online magazine, Teacher's Post, provides the primary channel through which our education unit supports teachers. Published eight times a year, Teacher's Post provides educational resource packs aligned to the National Curriculum, for all Key Stages. During 2014-15, we expanded the role of Teacher's Post in the classroom with an innovative approach that encourages students to interact with our educational content directly. Both pupils and their teachers are now invited to submit articles, drawings, photographs and ideas.



The classroom resource packs now available at [www.teacherspost.co.uk](http://www.teacherspost.co.uk) cover subjects as diverse as Climate Change, Enterprise Education and the First World War, as well as various dance and art projects and the problems of drug abuse. We align resource packs with new stamp issues to maximise their impact, and we produce educational material based around our work with community charities such as the Stroke Association and Prostate Cancer UK. Inviting contributions from students has provided us with features on the National Stone Centre in Derbyshire, World Book Day and Tudor History. The Teacher's Post site received almost 8,000 visitors during the year, with resources downloaded around 2,900 times.

In 2013-14, we launched a pilot programme in Medway Mail Centre, working with local schools and education authorities to better understand how we can support schools' aims. During the reporting period we organised three school visits to Medway and sourced feedback from several schools about our materials and school visits programme. We will use their feedback to ensure our programme is aligned to their agenda and maximises our support for their objectives. During 2014-15, we hosted a total of 212 school visits to our Mail Centres and sorting offices, to teach children about the journey of a letter and the importance of the postal service. We also distributed almost 4,100 hard copy resources for our people to use on school visits and answered around 690 calls from teachers to help provide information for the classroom.

### Dolly Parton's Imagination Library

The Imagination Library founded by Dolly Parton is a global initiative aimed at fostering a love of books and reading in children aged up to five years. Royal Mail partnered with the Library to provide 1,000 children and grandchildren of employees with a book to read for each month of the year. By the time our partnership comes to a close, the initiative will have provided children with approximately 12,000 books. As a result of the success of the programme, during the reporting period the Dollywood Foundation announced the launch of a major initiative to secure participation in the scheme from other large corporations.

We have also worked with the Library and the Royal National Institute of Blind People (RNIB) to include braille books for blind and visually impaired children in the initiative. These books will be distributed, free of charge, using Royal Mail's Articles for the Blind scheme.

### British Postal Museum & Archive

Construction will begin later in 2015 on a new Postal Museum, telling the story of British history through the iconic postal service. With the support of Royal Mail, the British Postal Museum & Archive (BPMA) has secured funding and planning approval for the museum and its innovative Mail Rail exhibit, which opens up a section of the subterranean tunnels once used to transport mail across London. Royal Mail has provided long-term funding for the project, as well as a 999-year lease for the museum site.

Once complete, the new Postal Museum and Mail Rail will constitute an exciting new tourist attraction at the heart of London. The new museum will house the Royal Mail Archive in a state-of-the-art repository, designed to enable easier access to exhibits that have been officially designated as of Outstanding National Importance. It will also provide a dedicated learning space that can accommodate 10,000 school pupils each year.

In addition to supporting the new Postal Museum and Mail Rail, Royal Mail supports the day-to-day running of the BPMA and its educational programmes and exhibitions.

### Remembering the First World War

Royal Mail is believed to be the second largest custodian of war memorials in Britain, after the Church of England. The centenary of the outbreak of war in 1914 was therefore a hugely significant event for our organisation. We marked the occasion with services of remembrance across our operations, and with educational initiatives that brought the experience of war to life for a younger generation.

We provided a wreath and order of service for the 215 Royal Mail sites that have First World War memorials. Many of these sites held a service and two-minute silence on Remembrance Day. We also launched a five-year special stamp series to commemorate all those who served in the conflict, and we completed our project to archive the names of all those honoured in the Royal Mail's memorials online. These can now be found at: [www.royalmailmemorials.com](http://www.royalmailmemorials.com)



  
**212**  
SCHOOL  
VISITS

  
**NEW**  
**POSTAL**  
MUSEUM  
IN 2016

Our educational programme brought to life the different aspects of the Royal Mail's role during wartime, helping to immerse pupils in the many ways in which war challenged and changed the country. Available for download from the BPMA website, our free educational pack 'The Last Post' tells the story of the 12,000 soldiers who served in the Post Office Rifles, reveals how 33,000 women stepped into jobs traditionally held by men during the war years, and explains how the 12.5 million letters sent each week were able to reach the front line in just two days. The pack covers a wide range of National Curriculum subjects and can be differentiated for Key Stages 1 and 2, ensuring relevance for pupils aged from seven to 14. To date 99% of people who view it online go on to download it, making it one of BPMA's most popular educational packs ever produced.

### Dundee postal workers' memorial revealed

A ceremony at the Dundee City Chambers revealed the memories of those who experienced the First World War first-hand, after they were entrusted to the Royal Mail for the best part of a century.

In 1921, Dundee postal workers created a memorial time capsule to record their experiences of the war that had ended just three years earlier, commemorating loved ones and recording how their city had changed over the war years. They inscribed the oak casket with a plaque saying: 'To be opened on the 4 August 2014 by the postmaster in the presence of the Lord Provost'. After more than 90 years in the care of Royal Mail and the Post Office, their wish was fulfilled. The time capsule revealed letters, newspaper cuttings and photographs from soldiers, as well as images of visits to the city by Princess Mary and Winston Churchill in the years immediately following the war.

To continue the tradition, we are compiling a new Dundee time capsule, to be opened in the year 2100. It will contain items such as today's news clippings, photos of our postmen and women in their uniforms and a receipt from a weekly supermarket shop.

### Key priorities for 2015-16

- Launch a new series of community-wide fun runs in Birmingham, Glasgow and London, engaging at least 1,000 people, to raise money for our Charity of the Year
- Plan a multi-faceted, community-orientated campaign to celebrate Royal Mail's 500<sup>th</sup> anniversary in 2016
- Partner with the charity Career Ready, enabling our people to volunteer in schools to help young people reach their potential and prepare for the world of work. Engage 50 employees in our first year
- Continue to identify ways in which we can 'mobilise' our assets – such as our brand, people and logistical network – to benefit the communities we serve
- Launch a new type of payroll-giving scheme, 'Pennies from Pay', to enable employees to have their pay rounded down to the nearest pound and donate the surplus to our Charity of the Year
- Raise £2 million for the Stroke Association, including matched giving, and undertake 15,000 blood pressure tests amongst employees
- Deliver our refreshed Young Letter Writer's competition in Autumn 2015, to encourage letter writing and creativity amongst at least 1,000 young people



# Our suppliers

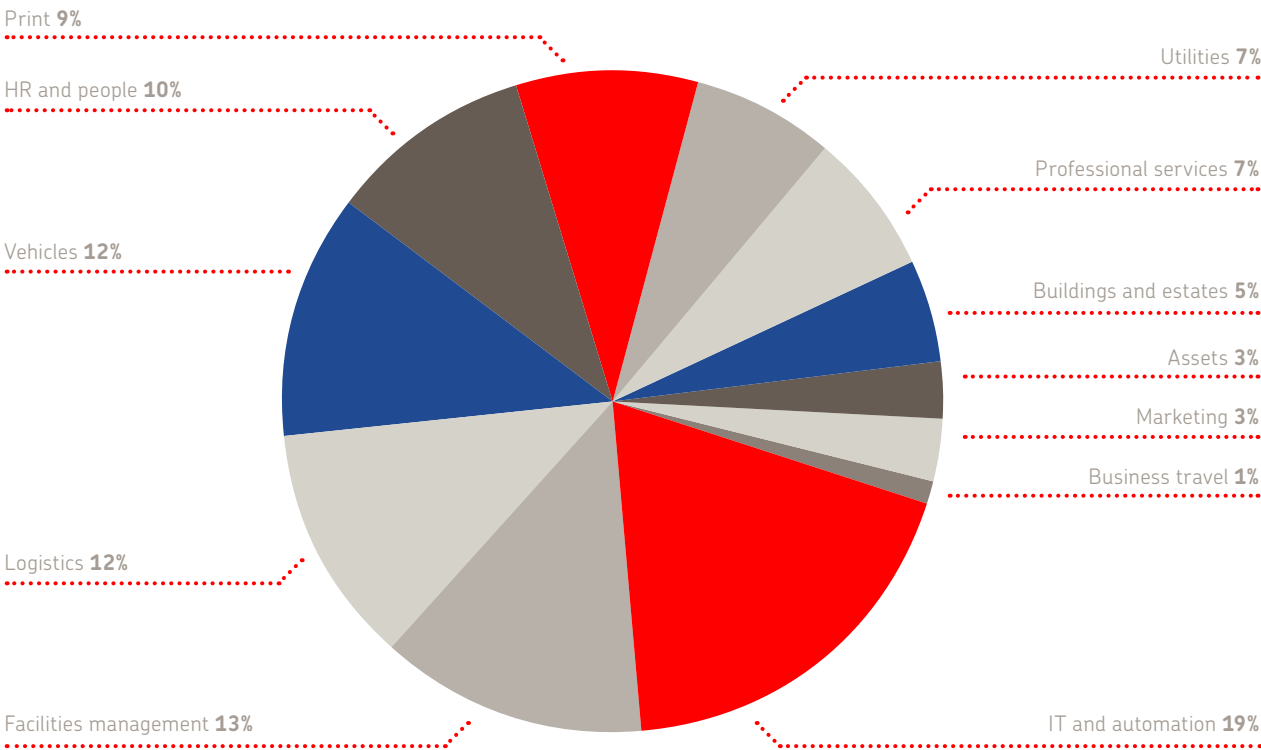
Royal Mail worked with around 5,500 suppliers during 2014-15. The money that we spend with these suppliers, and the way we manage our relationships with them, have a major influence on our contribution to the economy, our relationships with our customers, and our impact on the environment.

### Key facts

- In 2014-15, we spent approximately £2.5 billion procuring goods and services from other companies
- This spend was spread over 12 categories, of which the five largest are IT and automation, Facilities Management, Logistics, Vehicles, and HR and people
- We have a large network of suppliers, of which a significant proportion are small and medium-sized enterprises (SMEs)

### Our supplier categories in 2014-15

Royal Mail used suppliers across 12 procurement categories during 2014-15:



£2.5 BILLION  
SPENT WITH  
SUPPLIERS

  
PARTNERS  
ADHERE  
TO ALL NECESSARY  
REGULATIONS

### Key achievements in 2014-15

- We implemented a system for monitoring the number of SMEs added to our supplier base, with 82 per cent of our new suppliers falling into this category
- We developed a new Health & Safety contract clarifying suppliers' obligations to meet our standards
- We worked closely with Peugeot, one of our major vehicles suppliers, to develop a prototype of a new delivery van with improved performance on safety, security and fuel efficiency
- We developed a new procurement standard to check that suppliers of temporary staff meet our standards on diversity
- We completed our anti-bribery due diligence for suppliers deemed to be at medium or high risk of non-compliance
- We began the process of reaffirming our Chartered Institute of Procurement and Supply Platinum status

### Our supplier strategy

Royal Mail is committed to ensuring that our suppliers maintain high standards of social, ethical and environmental conduct. We seek to achieve this by requiring that all comply with internationally recognised standards, by communicating about the responsible business practices that we expect, and also by embedding standards within our supplier contracts.

Following the flotation of Royal Mail in 2013, the public sector Utilities Contracts Regulations have ceased to apply automatically to our procurement processes. We have used this change to develop our approach to procurement, by removing the typically lengthy and costly qualification and tendering process that was required. This adjustment makes working with Royal Mail significantly more accessible for smaller suppliers, and will help to spread our positive economic impact more broadly. We have balanced this with the need

for our procurement process to remain fair and equal to all suppliers, and to deliver the best value for money for our business.

We require all suppliers to adhere to the United Nations Universal Declaration of Human Rights and act in accordance with the Ten Principles of the United Nations Global Compact, which promotes responsible practices across the areas of human rights, labour, environment and anti-corruption. We protect the integrity of our operations by enforcing compliance with our mail security procedures and our approach to anti-bribery and corruption.

During 2014-15, we enhanced our anti-bribery due diligence by obtaining World-Check reports on suppliers identified as being at medium or high risk of being implicated in bribery, due to the locations where they operate and the size and type of contracts they work on. World-Check reports include any convictions or investigations relating to bribery or sanctions non-compliance. No such convictions or investigations were found for any of our suppliers on which reports were obtained.

Ethical principles are also embedded in the Partner Code used by GLS Germany, particularly with regards to its transport providers. The Code sets out 11 responsible business standards with which its 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 their own upstream partners
- Fulfil GLS's quality standards



- Manage their businesses responsibly, ensuring a positive social and economic impact
- Be transparent about their business conduct
- Offer their employees fair remuneration and act in accordance with both the spirit and the letter of labour regulations

**The Code further sets out that GLS has zero tolerance for:**

- Any usage of child labour or abuse of children of any kind
- Discrimination; particularly on the grounds of protected characteristics<sup>1</sup>
- Bribery and corruption, suspected or committed, by partners or their employees

GLS monitors compliance with its Partner Code. GLS also encourages its contracted partners to report any violations. In the case of any violations, suspected or otherwise, GLS investigates these and ensures that appropriate action is taken.

**Managing risk in our supply chain**

Identifying and understanding the social and environmental risks within our supply chain is essential for managing them effectively. We are a member of Sedex, the non-profit ethical auditing organisation, and use self-assessment questionnaires to evaluate and mitigate social, environmental and ethical risks in our supply chain.

During 2014-15, we undertook an in-depth assessment of risks across the different categories in which we procure goods and services, to produce a Procurement risk register listing critical risks for the function. We have also updated our governance process so that contracts classed as critical due to social and environmental risks are subject to Board approval.

**We take a proactive approach to risk management. This includes our procurement team assessing supplier risks at three stages of the sourcing process:**

- When drawing up a plan for our sourcing requirements
- When determining our approach to the market
- When recommending the award of a contract for Royal Mail

We have updated our scoring of risk to require all suppliers to reach an acceptable standard across every risk category. This includes social, ethical and environmental risk.

**Our risk register identifies our primary supplier risks for different categories as follows:**

**Assets, Operational Equipment and Clothing**

Reputational risk applies to suppliers in this category, particularly manufacturers located in low-cost countries. Minimum age and minimum wage working standards are key issues, together with factory safety.

**IT**

Probity risks relate to the security of information and confidentiality when working with IT suppliers. Employees of suppliers who work on Royal Mail systems or have access to confidential information must be effectively vetted.

**Logistics**

There are probity risks relating to both the safety and security of mail during transportation by rail or air. The drivers and mail handlers employed by our suppliers need to comply with our integrity requirements and code of practice. We require strict identity verification and vetting processes to be in place when our mail is being handled by our suppliers' employees. We also require the international air carriers and freight consolidators to comply with European Union and United Nations sanctions rules.

**Vehicles**

Safety risks apply to the vehicles we buy from our suppliers, and there are also opportunities to improve environmental and fuel economy performance.

**Facilities and Property Management**

Contractors working on Royal Mail premises generate safety risks. In addition, materials provenance risk applies to the sourcing of items such as furniture.

**Professional Services and Flexible Resource**

This category has particular risks relating to the fair and equal treatment of staff in areas such as recruitment, training and promotion opportunities.

<sup>1</sup> Race, colour, ethnic or national origin, nationality, disability, marital or civil partner status, sexual orientation, pregnancy or maternity, age, religion or belief (including political opinion in Northern Ireland), sex and gender reassignment



2

**Measuring supplier performance**

Our Supplier Relationship Management (SRM) programme provides a framework by which we can track and assess whether our critical suppliers are meeting their social, ethical and environmental requirements under our contracts. In December 2014, we completed the process of reviewing and categorising our suppliers according to their potential impact (both positive and negative) on our business. This process identified around 50 suppliers as critical to Royal Mail.

**Supporting SMEs**

Small and medium-sized enterprises (SMEs) play an important role in the UK economy, and also in Royal Mail's supply chain. It benefits our business to ensure that our contracts are as accessible as possible to SMEs, as it encourages fair and healthy competition and increases our opportunity to appoint the best possible supplier. It also enables the positive impact of our business to be spread more widely across the UK economy.

Our initiatives to ensure fair opportunities for SMEs in the procurement process include breaking larger contracts up, where appropriate and beneficial to our business, to enable greater competition for different elements. We have also begun a process of internal training to raise awareness of the benefits of thinking beyond large, established companies.

Since the start of the financial year we have monitored the proportion of SMEs amongst new suppliers added to our vendor database, and found that 82 per cent of the new suppliers that we worked with during 2014-15 were SMEs. We have also added a standard question to our Invitation to Tender process to identify SME suppliers bidding for contracts. This will enable us to monitor the success rate of SMEs when it comes to tenders.

**CIPS Platinum Standard for Excellence**

Royal Mail was the first organisation globally to be certified as Platinum Standard by the Chartered Institute of Procurement and Supply (CIPS) in 2013. The award followed a rigorous 18-month certification process covering all aspects of our approach to contracting and managing suppliers. We are continuing to work with CIPS to provide interim evidence to demonstrate that we are operating at Platinum level. This will also help us identify any areas of improvement needed before we re-certify in 2016.

**Training**

The induction process for our procurement employees includes coverage of the principles and deployment of our Responsible Procurement Code for use with suppliers. New procurement employees are also required to undertake training on probity issues (including anti-bribery, competition law and sanctions compliance), as well as completing a conflict of interest declaration.

Since the start of the financial year we have monitored the proportion of SMEs amongst new suppliers added to our vendor database, and found that 82 per cent of the new suppliers that we worked with during 2014-15 were SMEs.

82%  
OF NEW  
SUPPLIERS ARE  
SMEs



During 2015, we will continue to roll out our programme of supplier workshops for critical suppliers. Our workshops will bring together procurement representatives and other Royal Mail stakeholders with supplier account managers, to focus attention on relevant risks and agree actions to mitigate them. Our critical suppliers will be reviewed quarterly, with our critical suppliers list updated on an annual basis.

In 2014-15, we added a new feature to our SRM system, which enables suppliers to upload accreditations such as environmental certifications, safety standards and ethical audit reports, and prompts them to update accreditations when they expire. This will help to ensure a more comprehensive view of each supplier's social and environmental performance. We have also launched an environmental supply chain programme – see the Environment section on page 93 for more information.



### Promoting diversity throughout our supply chain

We are committed to placing equality, diversity and fairness at the heart of our values, policies and everyday practices. We expect suppliers to support this by promoting fair participation and equality of opportunity for all their employees and job applicants, and by providing an environment in which all individuals are able to make best use of their skills, free from discrimination or harassment. As a recent initiative in this direction, all bidders for Royal Mail contracts will be required to demonstrate their commitment to, and deployment of, appropriate policies and processes promoting equality, diversity and fairness as part of supplier selection and ongoing supplier performance management. This has been included as a standard in our Responsible Procurement Code.

### Setting health and safety standards

The procurement team dealing with vehicles, assets and logistics identified the need for a basic health and safety schedule for use in contracts to check suppliers' activities are not hazardous, but where high standards for health and safety performance are still an important part of the requirement from the supplier. A health and safety schedule was developed with input from our Facilities Management Health & Safety team. This new schedule was deployed in our contracts in December 2014 and supplements the more comprehensive health and safety schedule already in use for contractors performing hazardous activities.

### Key priorities for 2015-16

- Roll out a process for identifying small and medium-sized enterprises success in bidding for and winning contracts, analysing the results from questions introduced in 2014-15
- Implement supplier self-accreditation in terms of safety, environmental and ethical standards, via the SRM system. This will be initiated for critical suppliers and then extended to cover all suppliers
- Following the replacement of a single IT contract with a framework of IT suppliers, we will work with each individual supplier to understand corporate responsibility risks, and work to address these in line with the Royal Mail Responsible Procurement Code



### Setting new standards in vehicle design

Royal Mail's supplier relationship with one of our major vehicle suppliers, Peugeot, has enabled the development of a concept vehicle designed around delivering the mail safely and securely, while reducing our environmental impact.

The new vehicle features auto door locking, to reduce the risk of theft, stop-start technology that turns off the engine while the vehicle is idle, gear change alerts to promote fuel efficiency, and satellite navigation to suggest the most accessible routes and warn of heavy traffic. Key safety features include an advanced traction control system for driving in snow and mud, high-visibility livery and front and rear fog lights. Five of the prototype vehicles are currently being trialled on our delivery routes, after arriving in late 2014.

Our drivers will provide feedback and suggestions for further design enhancements before we move to the next phase of the development process.





# Our environment

2.5

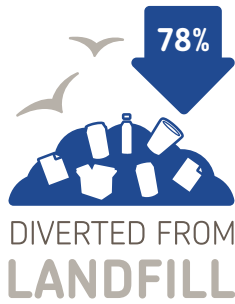
Management of natural resources is a commercial imperative as well as an environmental one. By initiating a strategy for environmental improvement, Royal Mail is able to reduce operating costs, sustain a competitive business, and engage our people more effectively. Efforts to reduce our environmental impact are therefore a key part of our transformation programme.

### Key facts

- Aside from our people, Royal Mail spends more on logistics, vehicles and utilities than anything else. Reducing our use of natural resources therefore has a significant positive impact on our business performance
- We collate data from over 7,000 sources to monitor our energy usage and help direct our efforts to where they will have the greatest impact
- All of the sites in our Parcelforce Worldwide division are certified to ISO14001, as are the sites across 20 subsidiaries in GLS and 14 large Royal Mail sites
- Our European business, GLS, has a network of 26 environmental representatives, who measure the operation’s environmental impacts and exchange best practice on environmental management
- Under our World Class Mail programme Environment Pillar Leads seek to drive continuous improvement in reducing the environmental impacts of our business

### Key achievements in 2014-15

- Royal Mail became the first delivery business to be awarded triple certification to the Carbon Trust Standard for carbon, water and waste
- We deployed a Heavy Goods Vehicle telemetry system to improve the fuel efficiency of our fleet through capturing data more accurately and providing real-time feedback on driver behaviour
- We consumed one per cent less water and sent 1,836 fewer tonnes of waste to landfill
- We installed an additional 956 recycling bins across over 45 sites, bringing the total number of bins deployed across our sites to 8,000
- We continued to strengthen our environmental reporting processes and procedures. For the first time we assured 100 per cent of our reported<sup>1</sup> UK scope 3 data and reported on nitrogen oxides and carbon monoxide emissions
- We deployed LED replacement lighting to cut energy use at 16 of our largest sites and deployed 70 real-time energy monitoring systems



Environment KPIs	2014-15 <sup>1</sup>	2013-14	2012-13	2011-12
UKPIL carbon emissions ('000 tonnes CO <sub>2</sub> e)	732.9 <sup>2</sup>	709.5 <sup>3</sup>	730.3	702.0
UKPIL tonnes of CO <sub>2</sub> e per £1m revenue	94.5	91.1	95.7	97.6
GLS carbon emissions ('000 tonnes CO <sub>2</sub> e) <sup>4</sup>	34.0	32.6		
Waste to landfill ('000 tonnes)	7.2	9.0	10.7	13.9
Waste diverted from landfill ('000 tonnes)	24.8	22.1	20.3	19.3
Water consumed ('000 m <sup>3</sup> )	1,397.4	1,410.1	1,508.3	1,726.4

### Our environment strategy

We are making the careful management of our environmental impacts an integral part of how Royal Mail does business, and are following a strategy of continuous improvement.

We redefined our strategy in 2014-15 to focus on four areas: climate and energy; waste; water; and customers and suppliers. While promoting biodiversity continues to be an important part of our environmental efforts, we believe it is best addressed at a local level, according to the specific profiles of local sites. As a result, it is no longer one of the primary

focus areas of our national programmes. However, we encourage our sites to be mindful of the impacts they have on local biodiversity, and where possible to preserve and enhance the surrounding natural environment.

Our Environment Governance Board (EGB) works to embed environmental leadership at a senior level within Royal Mail and drive forward our activities. Besides developing our environment strategy, the EGB manages our environmental risk profile, sets targets and monitors progress for our environmental focus areas.

<sup>1</sup> Our reported scope 3 emissions comprise of business travel, airmail, and transmission and distribution losses associated with electricity use.

<sup>1</sup> We quantify and report our organisational greenhouse gas emissions according to the Department for Environment, Food & Rural Affairs Environmental Reporting Guidelines 2013 and have utilised the UK Government 2014 Conversion Factors for Company Reporting in order to calculate carbon dioxide equivalent emissions from corresponding activity data. We have reported all material scope 1 and scope 2 emissions for which we consider ourselves responsible and exclude immaterial sources such as fugitive emissions from air conditioning in owned vehicles. Scope 3 emissions are included in UKPIL reporting only.

<sup>2</sup> Natural gas data has been estimated for seven months this year due to billing problems at British Gas.

<sup>3</sup> Scope 3 emissions for 2013-14 have been restated to include electricity losses associated with rail electricity losses. There has also been an update to personal business travel which has increased from 9,233.7 tonnes carbon dioxide equivalent to 12,828.3 tonnes carbon dioxide equivalent.

<sup>4</sup> GLS carbon emissions includes scopes 1 and 2.

Our environment focus areas:



Climate and energy

Reducing our energy use and the associated greenhouse gas emissions



Waste

Minimising the amount of waste we create and increasing the amount diverted from landfill



Water

Reducing our demand for water and driving down losses



Customers and suppliers

Working with our customers and suppliers to address our environmental impacts

Our environment strategy identifies several enablers, which play an important role in helping to fulfil our objectives. These include our World Class Mail performance-improvement framework, and partnerships with data providers that give us the information we need to measure our progress.

To support the delivery of our environment strategy we focus efforts on:

- Gathering sound environmental data, so that we focus our efforts on areas that will deliver the greatest benefits
- Integrating technologies into our business that reduce our environmental impact
- Engaging our people to ensure we are all pulling in the same direction

Environmental risks and opportunities

We maintain an environmental risk register that is updated on an ongoing basis and refreshed annually. Members of the Environment Governance Board feed into

the process, along with other key internal and external stakeholders, who have a good understanding of current and future environmental risks and issues. Information on the Group's overarching risk management framework is set out on page 31 of the Annual Report and Financial Statements.

Identified environmental risks for the business include financial, regulatory and reputational risks. Examples include: price rises due to resource scarcity; increased landfill taxes; increased carbon taxes and compliance and operational costs due to climate change; and reputational risks associated with not effectively addressing and managing our resource use.

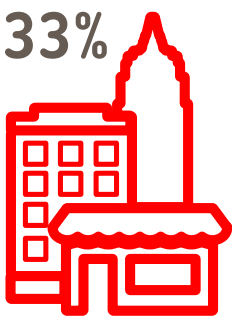
These environmental risks are balanced by opportunities that exist for the business through effective management. These include reduced running costs and increased efficiency; reduced waste disposal costs; opportunities for revenue generation through recycling as well as through new product and service developments; and reputational benefits that engage our customers, employees and other stakeholders in recognising Royal Mail as a responsible business.



OUR CARBON FOOTPRINT



FLEET AND TRANSPORT



BUILDINGS

Updating our approach to environment management

During 2014-15, we took steps to integrate environment management into our Safety, Health & Wellbeing (SHW) function. As part of this, we are embedding environment management within the SHW Management System, to create a single, Group-wide Safety, Health & Environment Management System (SHEMS). The system has already been highly effective at improving Royal Mail's safety performance. Adopting the same frameworks and structure for environment management provides for an optimised approach, which reduces demand on operational managers and, at the same time, enhances engagement in the agenda by aligning its management to established frameworks. Further, once integration has been completed, our new Group-wide SHEMS should enable a direct route to certify our major sites to ISO14001.

In addition, during 2015-16 our full population of more than 70 SHW Field Advisors will be trained in environment management. They will be responsible for coaching and mentoring sites in environment management and monitoring deployment of our initiatives at a local level.

Carbon Trust Triple Standard

Royal Mail's UK Parcels, International & Letters business (UKPIL) became the first delivery company to be awarded triple certification from the Carbon Trust in 2014-15, recognising our efforts to measure, manage and reduce our environmental impact through carbon, water and waste. The Carbon Trust Standards are independent certifications recognising organisations that demonstrate industry leadership and make real year-on-year progress in these three areas.

World Class Mail (WCM)

WCM is the continuous improvement system that drives our modernisation programme. Introduced in late 2008, it aims to grow the knowledge of our people, and engage them in improving efficiency, safety and quality in the workplace.

WCM is structured into 10 technical areas, or pillars, and 10 management criteria, which are applicable across all areas of our operations. These include Safety, Quality Control/ Customer Satisfaction, People Development and Environment.

The Environment Pillar has provided a framework for identifying improvements and driving progress towards ISO14001 accreditation. Fourteen Royal Mail sites are accredited to ISO14001, with the WCM framework supporting this accreditation.

WCM offers a seven-step approach to improvement for each pillar, with milestone audits governing the award of Bronze, Silver, Gold and World Class status. At its heart is the embedding of common values across all areas of our operations, treating high performance as standard, enhancing education and training, and generating a sense of pride and opportunity.

Royal Mail is a member of the World Class Manufacturing Association, which provides an opportunity for benchmarking and external audit of WCM activity. We rigorously audit the implementation of WCM programmes across our business and celebrate the success of all those involved.

During 2014-15, we continued our training of internal auditors to help meet the demand created by our stretching WCM roll out plan. As a result, we now have over 141 internal auditors.

2014-15 CO <sub>2</sub> e Emissions by Scope ('000 tonnes) <sup>1</sup>	Total	UKPIL	GLS
Scope 1 <sup>2</sup>	500.5	487.5	13.0
Scope 2	166.4	145.4	21.0
Scope 3 <sup>3</sup>	100.0	100.0	

<sup>1</sup> We quantify and report our organisational greenhouse gas emissions according to the Defra Environmental Reporting Guidelines 2013 and have utilised the UK Government 2014 Conversion Factors for Company Reporting in order to calculate carbon dioxide equivalent emissions from corresponding activity data. We have reported all material scope 1 and scope 2 emissions for which we consider ourselves responsible and exclude immaterial sources such as fugitive emissions from air conditioning in owned vehicles. Scope 3 emissions are included in UKPIL reporting only.

<sup>2</sup> Natural gas data has been estimated for seven months this year due to billing problems at British Gas.

<sup>3</sup> Our reported scope 3 emissions comprise of business travel, airmail, and transmission and distribution losses associated with electricity use.



Climate and energy

Royal Mail Group’s operations emit greenhouse gases (GHGs) through fuel used to transport and deliver our mail, and the energy used to power and heat our buildings. Our UKPIL operations use around 1,170 gigajoules of energy for every £1 million revenue generated. The table on page 91 details the types of energy we use. As a business with a large supply chain, we are also responsible for significant indirect emissions, for example, through our use of air transport to ensure mail arrives on time. Our strategy is to reduce our release of GHGs by focusing principally on reducing our use of gas, electricity and diesel fuel.

In the UK, our buildings contribute around 33 per cent of our carbon footprint, while fleet and transport make up around 65 per cent. The remainder comprises emissions from business travel. In 2014–15, our UKPIL carbon footprint increased by 3.3 per cent compared to the previous year. On a normalised basis, UKPIL emissions increased by 3.6 per cent per £1 million revenue, compared with 2013–14. The increase in our UK carbon footprint is as a result of 1) an increase in the number of miles we travelled by road to deliver letters and parcels; 2) an increase in the size of our fleet to accommodate the increasing size and number of parcels we are delivering; and 3) an increase in emissions arising from our electricity use. While our electricity usage decreased by one per cent compared with the previous year, associated CO<sub>2</sub>e emissions increased by 10 per cent due to changes to Department for Environment, Food & Rural Affairs emission conversion factors in 2014. This accounts for around half of the overall increase in UKPIL’s carbon footprint. Our long-term target is to achieve a 20 per cent reduction in UKPIL emissions by 2020–21. Compared to our baseline, emissions are down by 16 per cent.

Developments to our reporting regime

We are committed to continuous improvement in our environmental reporting, and during 2014–15, we took several steps to enhance the accuracy, transparency, consistency and completeness of the information we share. This has been delivered through working with our external data services provider, striving to improve the way we collate and analyse our data year-on-year.

We continued to embed the data management platform that we started rolling out across Royal Mail businesses in 2013. This provides the basis for our annual reporting of GHG emissions, and provides better understanding of environmental impacts. In 2014–15, we further increased the breadth of our environmental data reporting by disclosing our emissions of carbon monoxide, nitrogen oxides, sulphur dioxide and other particulate matter for the first time (see the table below). In high concentrations, air pollutants such as these have harmful environmental and health impacts. This first, important step to measuring our air emissions is key to understanding, and effectively addressing, our potential impacts.

We also improved our data capture and verification procedures for scope 1 and scope 2 GHG emissions, using software tools to analyse our GHG data sources. Improving our insight and reporting in this way makes it easier to take decisions that will reduce our environmental impacts and deliver cost savings to our business.

In addition, for the first time we have provided full assurance over our UKPIL scope 3<sup>1</sup> emissions, as reported in the emission table on page 85.

LED LIGHTING  
IN GLS  
TO SAVE  
3,400MWh

2014–15 air emission sources for UKPIL (tonnes) <sup>1</sup>	Road	Air (mail)	Buildings	UKPIL TOTAL
Carbon monoxide	608.0	162.3	17.7	788.0
Nitrogen oxides	1716.4	139.0	90.5	1,946.0
PM10 (Particulate matter < 10 micrometres)	60.1	3.8	1.5	65.4
PM2.5 (Particulate matter < 2.5 micrometres)	57.1	3.8	1.4	62.3
Sulphur dioxide	1.8	24.9	0.3	27.1

<sup>1</sup> Air emissions have been calculated based on the UK National Atmospheric Emissions Inventory, 2012 emission factors. Reported emissions exclude immaterial sources such as personal business travel and mail delivered in private vehicles.

Managing our building estate

The size of Royal Mail’s estate makes reducing energy use in buildings a priority for our environment strategy. Rising energy prices and climate change legislation also make it a commercial imperative for our business. In early 2015, we renewed our energy strategy to introduce new approaches to reducing energy consumption. Our updated strategy focuses on driving behavioural change within our organisation and investing in technology to reduce our energy consumption, monitor our energy use, and engage our people behind the efficiency drive.

Under this initiative we have deployed LED replacement lighting at 16 Royal Mail sites, and rolled out real-time energy consumption monitoring at 70 sites. We use monthly performance monitoring and regional and national league tables to keep track of our energy consumption. We expect these initiatives to deliver a reduction in total energy consumption in our buildings by around four per cent by the end of 2015–16.

In June 2014, GLS Germany launched an LED replacement programme that is scheduled to upgrade lighting at all 60 of its sites by November 2015 with annual electricity savings of 3,400 MWh. As of March 2015, LED lights had been installed at 20 of GLS Germany’s depots. At the Braunschweig depot, the site of an initial pilot programme, LED lights reduced annual electricity consumption by about 60 per cent.

Transporting our mail

We are increasingly a parcels delivery company. As the size of the mail that we deliver grows, the size of our fleet is under constant review. With more demand for vehicles, it is essential to keep our transport networks and the fuel consumption of our fleet as efficient as possible. We achieve this through a mix of technological innovation and driver training, which includes coaching in more fuel-efficient and safer driving techniques.

As letter volumes fall, many postboxes only receive a handful of mail each day. During 2014–15, we introduced a more efficient approach to collecting mail that will avoid the need to decommission these loss-making postboxes. As detailed on page 46 of this report, low volume postboxes will be emptied on a ‘collection on delivery’ basis, with the postman or woman emptying them on their delivery round, rather than providing a dedicated collection by van. Once our new ‘collection on delivery’ approach is fully rolled out, we expect it to reduce our mileage by 14.2 million miles per year, with an associated saving of over 2.1 million litres of diesel.

Adjusting our fleet composition

In September 2014, we completed work with the Centre of Excellence for Low Carbon and Fuel Cell Technology (CENEX) to identify how changes to our fleet will impact on our overall carbon emissions. We are incorporating the findings in our strategic fleet planning, including recommendations to adjust the composition of our fleet for greater fuel efficiency.

As a result of this and following a successful trial, we purchased 110 vehicles with auto-adjust roof deflectors that help to make our vehicles more aerodynamic. These have the potential to reduce fuel consumption by three to five per cent. This technology has now been added to the standard specification for all new Royal Mail Heavy Goods Vehicles (HGVs).

Our fleet now includes 224 vehicles that comply with the Euro 6 standard on commercial vehicle emissions, the most comprehensive EU standard to date on this issue. All new HGVs that we purchase comply with the Euro 6 standard. In addition, GLS Italy’s van fleet now includes 50 natural gas-powered vehicles. In the UK we continue to explore the commercial feasibility of low and zero emission vehicles, with one vehicle converted to use biomethane in a dual fuel capacity, and two other vehicles scheduled to follow during 2015.

Driver training and telemetry

In 2014–15, we introduced a new behaviour-change programme for drivers of our largest HGVs. The programme uses real-time tracking, satellite navigation system and two-way driver communication technology to enable more fuel-efficient driving techniques. For our people it also offers personal development and reduced risk of accidents. Roll-out of the training commenced in January 2015. Our aim is to train more than 2,000 colleagues who drive HGVs in this vehicle category during 2015.

The technology used by this programme helps drivers understand how different driving styles can reduce their use of fuel, wear and tear of their vehicles and the risk of accidents and road traffic collisions. The in-cab technology enables drivers to respond to its prompts and change their behaviours in real-time. By encouraging more fuel-efficient driving techniques, we can expect to cut our total fuel consumption by five per cent in this vehicle category over the next year.

In phase two of this project, during 2015–16 we will roll out telemetry technology to a further 2,000 vehicles in another HGV category – our 7.5 tonne fleet. We are aiming to complete the deployment of the technology by summer 2015. We expect it to cut the fuel consumption of this vehicle category by six per cent. We also plan to roll out the technology to 13,000 of our small vans by the end of 2015–16, which should cut fuel use in this category by an estimated 10 per cent.

As a result of these initiatives, on a combined basis around 34 per cent of our fleet will be fitted with telemetry technology.

Reducing our use of air transport

Reducing Royal Mail’s use of air transport is a key focus of our annual network reviews. The reviews aim to optimise transport for maximum fuel efficiency across road, rail and air, while meeting our Universal Service requirements. Royal Mail now uses airmail only to meet First Class, Special Delivery and priority traffic obligations. During the year, we replaced air transport with road on routes between South East and South West England. The vehicles we used for these routes typically emit a third of the carbon dioxide emitted by the aircraft they replaced.

Recycling vehicle parts and re-treading tyres

We have doubled the value of our Green Parts Project, which extracts body, engine and gearbox parts from our accident-damaged vans for use as spares. The project delivered approximately £510,000 in cost savings during 2014–15. This is double the cost savings delivered by the initiative during the previous year and reflects

success in further reducing the number of vehicle parts sent to the scrap yard.

We have experienced similar success with our programme to re-tread worn tyres, and extend the life of tyre casings. During 2014–15, we re-treaded over 1,000 tyres. Reducing the requirement to manufacture this number of new tyres is estimated to have saved over 28 tonnes of rubber, 44,000 litres of oil and 118 tonnes of carbon dioxide.

General Logistics Systems (GLS) eco depots: a ThinkGreen Initiative

The GLS ThinkGreen programme provides a management framework for reducing emissions, saving resources and optimising waste management. It also embeds a network of environmental representatives across GLS, who can promote best practice.

GLS opened two new eco depots under the ThinkGreen programme during 2014–15, at Deinze in Belgium and Weilheim in Germany, bringing the total number of eco depots in the group to 17. Eco depots are constructed using certain recyclable materials and make use of technologies, such as heat pumps, rainwater harvesting and photovoltaic cells, to reduce a broad range of environmental impacts.

There are now around 8,000 waste recycling stations in operation at Royal Mail sites in the UK, using clearer signposting to help our people separate recyclable material from landfill waste.

1 Volume and energy conversions are based on the CDP’s guidance document ‘Technical Note: Conversion of Fuel Data to MWh’. Mileage-based information, such as personal business travel, has been excluded and is estimated to amount to less than five per cent of our total energy use. GLS data only includes energy associated with scopes 1 and 2. 2013–14 data has been restated to include rail electricity, aviation fuel and Parcelforce Worldwide diesel.  
2 Natural gas data has been estimated for seven months this year due to billing problems at British Gas.



Waste

Royal Mail Group’s approach to waste management follows the waste hierarchy to avoid landfill: reduce, re-use, recycle, recover (through energy from waste). Decreasing the amount that we send to landfill reduces our outgoings, while some waste streams present opportunities for revenue generation. For example, we collect cardboard packaging we receive from customers and suppliers, and bale and recycle this through our waste contractor. We also arrange for collection of hazardous waste materials and used tyres from our vehicle workshops. During 2014–15, we received rebates totalling £291,000 in return for waste oil, used batteries, large tyres and cardboard. Approximately one per cent of our waste (420 tonnes) is deemed hazardous. All hazardous waste is diverted away from landfill.

We diverted 78 per cent of waste from landfill last year, surpassing our 70 per cent target for the year. The money which has been saved from recycling materials which would have previously gone to landfill is over £100,000.

We deployed a further 956 recycling stations across our sites during 2014–15. There are now around 8,000 waste recycling stations in operation at Royal Mail sites in the UK, using clearer signposting to help our people separate recyclable material from landfill waste. We also use posters and other communications to increase awareness around waste.

Water

Water is a precious natural resource, and reducing our use of water also represents a cost-saving opportunity for Royal Mail Group. We are committed to understanding and managing our water consumption. This includes exploring reductions in our domestic water use, in washrooms and catering facilities, and our use of water for washing vehicles and cleaning and maintaining buildings.

The water footprint assessments generated for our top 50 water-consuming sites in 2013–14 identified around £300,000 per year of potential water savings. Each site received recommendations for reducing water consumption and is responsible for implementing these at a local level. Where practicable, we have now included water saving technologies in our refurbishment standards. In 2014–15, our total water consumption was around 1,397 megalitres, a one per cent reduction compared to last year.

We encourage all Royal Mail sites to complete regular Environmental Management Audits, to identify potential improvements in energy, waste and water management. This includes checking for leaks and ensuring that taps and toilets are in working order.

2014–15 energy consumption by primary source <sup>1</sup> (footnotes on page 90)		UKPIL		GLS		Total	
		2013-14	2014-15	2013-14	2014-15	2013-14	2014-15
Direct energy (terajoules)	Natural gas <sup>2</sup>	1,905.8	1,757.4	129.7	86.2	2,035.5	1,843.6
	Liquefied petroleum gas	12.5	7.5	0.7	0.7	13.3	8.2
	Kerosene	1.0	0.8			1.0	0.8
	Gas oil	33.2	19.0	16.6	12.8	49.8	31.8
	Diesel	4,941.5	5,473.9	84.1	91.2	5,025.5	5,565.1
	Motor gasoline	0.3	1.1	4.8	5.3	5.1	6.5
	Coal			2.1	2.6	2.1	2.6
Indirect energy (terajoules)	Core electricity	1,004.9	991.8	173.1	137.8	1,178.0	1,129.6
	Rail electricity	54.4	62.2			54.4	62.2
	Aviation fuel (mail)	993.3	869.3			993.3	869.3
	Diesel	130.4	139.8			130.4	139.8
	Photo voltaics	0.3	0.3			0.3	0.3
	District heating			7.5	5.8	7.5	5.8
TOTAL		9,077.5	9,323.3	418.7	342.5	9,496.2	9,665.7





### Reducing water consumption at Gatwick

A simple but effective solution for water management came from the staff at one of our Mail Centres. Introducing a water flow restrictor at our Gatwick Mail Centre reduced levels from 15–25 litres per minute to just eight litres per minute, saving around £3,500 and 1,700 cubic litres of water per year. In addition, Save a Flush bags, which expand to reduce the cistern capacity, decreased water consumption in toilets by one litre for every flush. This delivered annual savings of over 760 cubic litres of water and over £1,500 per year.

### Biodiversity Action Plans for Leeds and Medway

Our Leeds and Medway Mail Centres have drawn up Biodiversity Action Plans under our World Class Mail improvement programme. Planned activities at Leeds include developing a meadow site within the Mail Centre boundaries, improving the working environment while promoting biodiversity. Medway Mail Centre has partnered with the University of Greenwich on its Action Plan, which includes recommendations for annual site biodiversity surveys.

### Biodiversity

Royal Mail sites have potential value as habitats for flora and fauna, with some acting as wildlife corridors that can impact positively on the health of local nature reserves. We have begun our journey towards preserving and protecting the natural environment at our sites.

Our World Class Mail (WCM) programme includes a stepped approach to biodiversity management that is designed to move sites from preventing damage to proactively improving the local environment. A key milestone for sites is the generation of a Biodiversity Action Plan to protect the surrounding natural environment. During 2014–15, our Mail Centres at Leeds and Medway both drew up detailed action plans under the WCM framework.

We have previously recognised the littering of rubber bands as a potential threat to wildlife on and around our sites, as well as a needless expense to our business. We continue to conduct campaigns to raise awareness of this issue and encourage re-use of rubber bands. Since last year, we have reduced the number of rubber bands we use by six per cent.

**In 2014–15, 100 of our mailing houses held a valid ISO14001 or equivalent environmental accreditation certificate.**

### Customers and suppliers

Royal Mail Group works with more than 1.7 million business customers and around 5,500 suppliers across the UK. This extends our environmental impact beyond our own operations. We have the opportunity to work with our customers to help meet their own sustainability objectives through products and services that minimise environmental impacts. We also have a responsibility to ensure that our own suppliers act responsibly across a range of social and environmental criteria to manage our exposure to potential reputational and financial risks.

Royal Mail continues to offer environmentally focussed variants of addressed and unaddressed products for marketing mail purposes. We aim to ensure our products reflect current standards in the use of recyclable materials, and use of data suppression files for responsible customer targeting and recycling logos.

In March 2015, we took the decision to close our Partners in Quality Environmental Accreditation incentive, which we had used to encourage partners to improve their environmental standards. We have now decided to focus on other ways of encouraging environmental responsibility, including our Sustainable Advertising Mail and Sustainable Door-to-Door initiatives. In 2014–15, 100 of our mailing houses held a valid ISO14001 or equivalent environmental accreditation certificate.

**6%**  
**REDUCTION OF  
RUBBER  
BANDS**

**AROUND  
5,500  
SUPPLIERS**

**ISO  
14001  
ACCREDITATION**

### Environmental supply chain programme

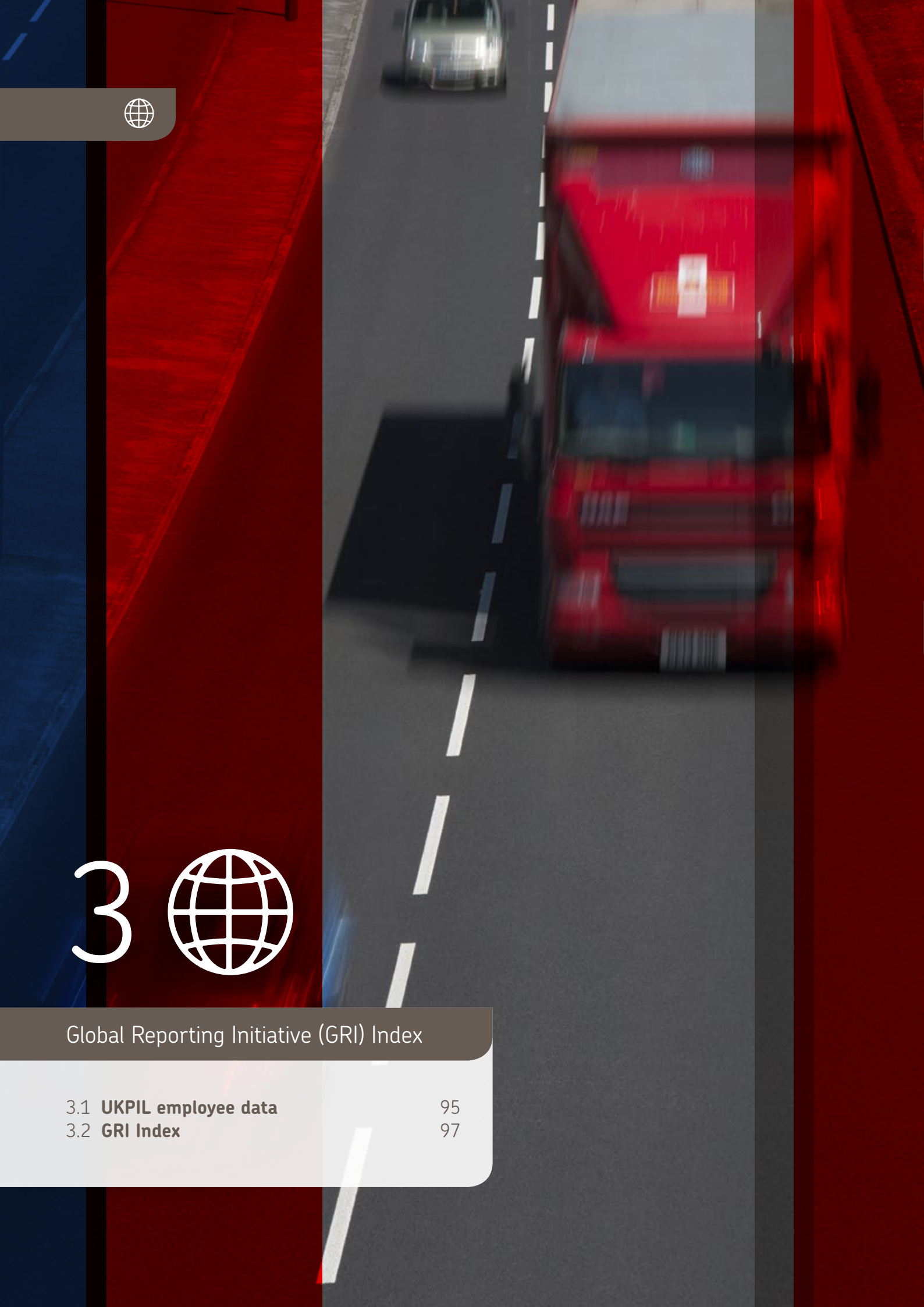
During 2014–15, we launched an environmental supply chain programme, to identify opportunities for including additional environmental requirements in our tenders. Our procurement and environment specialists hold review meetings to identify opportunities and reduce risk around contracts with a medium to high environmental impact.

We are reviewing our Supplier Relationship Management system to incorporate environmental considerations into how we manage our supply chain impacts. See page 81 for more information.

### Our priorities for 2015–16

- Review and update our environment strategy
- Complete LED lighting replacement programmes at all 60 General Logistics Systems Germany depots
- Develop an Environmental Action Plan and progress implementation to include revised targets
- Continue to integrate Environment into the SHE Management System. This will enable the expansion of ISO14001 more readily in the future
- Retain ISO14001 at our existing sites while targeting expansion to our major hubs
- Up-skill the SHE manager and advisor community in environmental management
- Complete the roll-out of a real-time telemetry system to 2,000 of our 7.5 tonne vehicles (part of our HGV fleet), to cut fuel use in this vehicle category by an estimated six per cent; and 13,000 of our small vans, to cut fuel use in this category by an estimated 10 per cent.





# 3

Global Reporting Initiative (GRI) Index

3.1 UKPIL employee data  
3.2 GRI Index

95  
97

## 3.1

# UKPIL employee data

### Overall total

	Headcount	Total %
Employees	142,910	
Joiners <sup>1</sup>	5,677	4.0%
Leavers <sup>1</sup>	11,146	7.8%

### By region

	Headcount	Total %
East	48,026	33.6%
North	38,057	26.6%
West	35,712	25.0%
Logistics	6,625	4.6%
Non-region specific	14,490	10.1%

### By type

	Headcount	Total %
Full time	105,196	73.6%
Part time	37,714	26.4%

### By contract

	Headcount	Total %
Permanent	138,742	97.1%
Contract	4,168	2.9%

<sup>1</sup> Joiners: this is the known number of joiners during the year as at 30 March 2015.  
Leavers: this is the known number of leavers during the year as at 30 March 2015.  
N.B. It is not possible to calculate the headcount reduction from 2013-14 to 2014-15 by subtracting joiners from leavers. Nor is it possible to calculate this year's closing headcount by adding joiners to and subtracting leavers from last year's closing headcount due to timing differences in reporting.





# GRI Index

## Joiners<sup>1</sup> by region

	Headcount	% Change
East	1,617	3.4%
North	1,274	3.3%
West	1,368	3.8%
Logistics	183	2.8%
Non-region specific	1,235	8.5%

## Leavers<sup>1</sup> by region

	Headcount	% Change
East	3,444	7.2%
North	2,789	7.3%
West	2,804	7.9%
Logistics	445	6.7%
Non-region specific	1,664	11.5%

## Joiners<sup>1</sup> by age

	Headcount	% Change
< = 30	2,156	15.5%
31 – 49	2,491	3.5%
> = 50	1,030	1.8%

## Leavers<sup>1</sup> by age

	Headcount	% Change
< = 30	1,820	13.1%
31 – 49	3,751	5.2%
> = 50	5,575	9.8%

## Joiners<sup>1</sup> by gender

	Headcount	% Change
Female	1,428	6.3%
Male	4,249	3.5%

## Leavers<sup>1</sup> by gender

	Headcount	% Change
Female	1,973	8.7%
Male	9,173	7.6%

<sup>1</sup> Joiners: this is the known number of joiners during the year as at 30 March 2015.  
Leavers: this is the known number of leavers during the year as at 30 March 2015.  
N.B. It is not possible to calculate the headcount reduction from 2013-14 to 2014-15 by subtracting joiners from leavers. Nor is it possible to calculate this year's closing headcount by adding joiners to and subtracting leavers from last year's closing headcount due to timing differences in reporting.

## General standard disclosures

We report in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Framework, G4, at the Comprehensive level. The G4 framework sets out the principles and standard disclosures that organisations can use to report their economic, environmental, and social performance and impacts. Our GRI Index has been checked by Corporate Citizenship.

Corporate Citizenship confirms that in their view the Index meets the requirement of 'In accordance – Comprehensive', as set out in the GRI G4 Guidelines.

Ernst & Young carry out assurance on our Corporate Responsibility Report as a whole, which includes GRI content. The Independent Assurance Statement is located on pages 109-110.

This table includes some references to our 2014-15 Annual Report and Financial Statements. These references are marked 'ARA'.

Strategy and analysis			
Indicator	Description	Page number	Identified omissions
G4-1	Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	4-5	
G4-2	Description of key impacts, risks and opportunities	4-5, 12-17, ARA 14-15, 31-35	
Organisational profile			
G4-3	Name of the organisation	9	
G4-4	Primary brands, products and services	9-11	
G4-5	Location of the organisation's headquarters	111, ARA 151	
G4-6	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	ARA 2-3	
G4-7	Nature of ownership and legal form	ARA 2	
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	ARA 2-3, 7-11	
G4-9	Scale of the organisation	9-11, ARA 4	
G4-10	Employment profile	63, 95-96	
G4-11	Percentage of total employees covered by collective bargaining agreements	55	
G4-12	Describe the organisation's supply chain	78-80	
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership or its supply chain	9-11	
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation	Royal Mail does not formally follow the precautionary approach. However, in the most pertinent areas, e.g. environmental risks associated with fuel use, we are aware of, and work to reduce, potential impacts. See also ARA 31-35.	



G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	16
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organisations	34-35, 47, 60-61, 81

Identified material aspects and boundaries

Indicator	Description	Page number	Identified omissions
G4-17	Entities included in the organisation's consolidated financial statements or equivalent documents, and exclusions from this report	9, ARA 2, 73-142	
G4-18	Process for defining the report content and the aspect boundaries. implementation of the reporting principles for defining report content	24-26	
G4-19	Material aspects identified in the process for defining report content	25-26	
G4-20	Material aspects and boundaries within the organisation	9, 25-26	
G4-21	Material aspects and boundaries outside the organisation	25-26, 78-81, 90	
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	20, 85	
G4-23	Significant changes from previous reporting periods in the scope and Aspect Boundaries	None	

Stakeholder engagement

G4-24	Stakeholder groups engaged by the organisation	24-35
G4-25	Basis for identification and selection of stakeholders with whom to engage	24-35
G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	24-35
G4-27	Key topics and concerns that have been raised through stakeholder engagement	24-35

Report profile

G4-28	Reporting period (such as fiscal or calendar year) for information provided	111
G4-29	Date of most recent previous report, if any	111
G4-30	Reporting cycle, such as annual, biennial, etc	111
G4-31	Contact point for questions regarding the report or its contents	111
G4-32	The 'in accordance' option the organisation has chosen and reference to the External Assurance Report	97
G4-33	Organisation's policy and current practice with regard to seeking external assurance for the report	111

Governance

Indicator	Description	Page number	Identified omissions
G4-34	Governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	15, ARA 43-62	
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	14-15	
G4-36	Report whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	14	
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	24-35, 54, ARA 62	
G4-38	Composition of the highest governance body and its committees	ARA 43-59	
G4-39	Report whether the Chair of the highest governance body is also an executive officer – and, if so, his or her function within the organisation's management and the reasons for this arrangement	ARA 43	
G4-40	Nomination and selection processes for the highest governance body and its committees	ARA 55	
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	ARA 62	
G4-42	Report the highest governance body's and senior executives' roles in the development, approval and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	14-15, <a href="http://www.royalmailgroup.com/board_TOR">www.royalmailgroup.com/board_TOR</a> <a href="http://www.royalmailgroup.com/matters_reserved_to_the_board">www.royalmailgroup.com/matters_reserved_to_the_board</a>	
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	60, 80, ARA 48-49, 62, <a href="http://www.royalmailgroup.com/matters_reserved_to_the_board">www.royalmailgroup.com/matters_reserved_to_the_board</a>	
G4-44	Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics	ARA 62-63	
G4-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	ARA 62-63	
G4-46	Highest governance body's role in reviewing the effectiveness of the organisation's risk-management processes for economic, environmental and social topics	ARA 62-63	
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	ARA 62-63	
G4-48	Highest committee or position that formally reviews and approves the organisation's sustainability report, and ensures that all material aspects are covered	111, ARA 62-63	
G4-49	Process for communicating critical concerns to the highest governance body	ARA 47-48	
G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	ARA 47	
G4-51	Remuneration policies for the highest governance body and senior executives	ARA 62-75	





G4-52	Process for determining remuneration	ARA 62-75
G4-53	Report how stakeholders’ views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	ARA 62-75
G4-54	Ratio of the annual total compensation for the organisation's highest paid individual in each country of significant operations, compared to the median annual total compensation for all employees (excluding the highest paid individual) in the same country	ARA 74
G4-55	Ratio of percentage increase in annual total compensation for the organisation's highest paid individual in each country of significant operations, compared to the median percentage increase in annual total compensation for all employees (excluding the highest paid individual) in the same country	ARA 65

Ethics and integrity			
Indicator	Description	Page number	Identified omissions
G4-56	Describe the organisation's values, principles, standards and norms of behaviour, such as codes of conduct and ethics	53, 65	
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines	<a href="http://www.myroyalmail.com/code_of_business_standards">www.myroyalmail.com/ code_of_business_standards</a>	
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	<a href="http://www.myroyalmail.com/code_of_business_standards">www.myroyalmail.com/ code_of_business_standards</a> <a href="http://www.royalmail.com/personal/help-and-support/what-can-i-do-about-scam-mail">www.royalmail.com/personal/help- and-support/what-can-i-do-about- scam-mail</a>	

Specific standard disclosures

Economic		
Economic performance		
G4-DMA	Management approach	ARA 2, 14, 16, 41-46
G4-EC1	Direct economic value generated and distributed	107, ARA 2
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	86
G4-EC3	Coverage of the organisation's defined benefit plan obligations	ARA 93-98
G4-EC4	Financial assistance received from Government	107, ARA 89, 94
Indirect economic impacts		
G4-DMA	Management approach	67-68, 78-81, 107-110
G4-EC7	Development and impact of infrastructure investments and services supported	Not applicable – no relevant infrastructure investments
G4-EC8	Significant indirect economic impacts, including the extent of impacts	67-68, 78-81, 107-110



Environmental			
Energy			
Indicator	Description	Page number	Identified omissions
G4-DMA	Management approach	24-26, 84-91	
G4-EN3	Energy consumption within the organisation	91	
G4-EN4	Energy consumption outside the organisation	91	
G4-EN5	Energy intensity	91	
G4-EN6	Reduction of energy consumption	89-91	
G4-EN7	Reductions in energy requirements of products and services		Not applicable – no product

Emissions			
G4-DMA	Management approach	24-26, 84-90	
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	87	
G4-EN16	Energy indirect GHG emissions (scope 2)	87	
G4-EN17	Other indirect GHG emissions (scope 3)	87	
G4-EN18	GHG emissions intensity	85	
G4-EN19	Reduction of GHG emissions	85, 88	
G4-EN20	Emissions of ozone-depleting substances (ODS)		Indicator did not meet materiality threshold
G4-EN21	NOx, SOx, and other significant air emissions	88	

Effluents and waste		
G4-EN23	Total weight of waste by type and disposal method	91

Compliance		
G4-DMA	Management approach	24-26, 86
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	None

Transport		
G4-DMA	Management approach	86, 89-90
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	86, 89-90



Supplier environmental assessment			
Indicator	Description	Page number	Identified omissions
G4-DMA	Management approach	24-26, 78-82	
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	16	
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	80-82, 93	

Social

Labour practices and decent work

Employment

G4-DMA	Management approach	24-26, 52-65	
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	95-96	
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	52-53	
G4-LA3	Return to work and retention rates after parental leave, by gender		Indicator did not meet materiality threshold

Labour / management relations			
G4-DMA	Management approach	52-56	
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Minimum notice periods vary depending on the type of operational change proposed. Major types of operational change – such as office closures and relocations – are subject to at least three months’ notice, as documented in collective agreements with our unions. Notice periods for minor changes are not specified in collective agreements but, other than in an emergency, are subject to 28 days’ notice.	

Occupational health and safety			
G4-DMA	Management approach	24-26, 56-58	
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	100 per cent	
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, absenteeism and total number of work-related fatalities, by region and by gender	56-58	
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	58	
G4-LA8	Health and safety topics covered in formal agreements with trade unions	57	



Training and education			
Indicator	Description	Page number	Identified omissions
G4-DMA	Management approach	24-26, 59	
G4-LA9	Average hours of training per year per employee by gender and by employee, category	59	
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	59, 61, 64	
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	59	

Diversity and equal opportunity			
G4-DMA	Management approach	60-64	
G4-LA12	Composition of governance bodies and breakdown of employees per employee category, according to gender, age group, minority group and other indicators of diversity	63	

Equal remuneration for women and men			
G4-DMA	Management approach	53	
G4-LA13	Ratio of basic salary and remuneration of women to men, by employee category and by significant locations of operation	53	

Human rights			
Freedom of association and collective bargaining			
G4-DMA	Management approach	24-26, 55-56	
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated, or at significant risk, and measures taken to support these rights	55-56, 80, 82	

Assessment			
G4-DMA	Management approach	ARA 40	
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	ARA 40	

Society			
Local communities			
G4-DMA	Management approach	24-26, 66-77	
G4-S01	Percentage of operations with implemented local community engagement, impact assessments and development programmes	66-77	
G4-S02	Operations with significant actual and potential negative impacts on local communities	66-77	

Anti-corruption			
G4-S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	All units have been assessed for anti-bribery risks as part of annual compliance risk assessment process.	
G4-S04	Communication and training on anti-corruption policies and procedures	As at year end, over 90 per cent of managers across the business had completed customised anti-bribery e-learning. Refresher training will be rolled out for all managers in 2015-16.	
G4-S05	Confirmed incidents of corruption and actions taken	65	





Public policy			
Indicator	Description	Page number	Identified omissions
G4-DMA	Management approach	ARA 60	
G4-S06	Total value of political contributions by country and recipient/beneficiary	ARA 60	
Anti-competitive behaviour			
G4-DMA	Management approach	ARA 50-54	
G4-S07	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	In October 2014 Royal Mail entered into a settlement agreement with the French Competition Authority in respect of the alleged breaches of anti-trust laws by one of its subsidiaries, GLS France, during the period before the end of 2010. For more information see pages 25 and 51 of the Annual Report and Accounts.	
Compliance			
G4-DMA	Management approach	ARA 51	
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	ARA 51	
Supplier assessment for impacts on society			
G4-DMA	Management approach	24-26, 79-82	
G4-S09	Percentage of new suppliers that were screened using criteria for impacts on society	16	
G4-S010	Significant, actual and potential negative impacts on society in the supply chain and actions taken	79-82	
Product responsibility			
Product and service labelling			
G4-DMA	Management approach	12, 24-26, 38-39	
G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labelling		Indicator did not meet materiality threshold
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes, concerning product and service information and labelling, by type of outcomes		Indicator did not meet materiality threshold
G4-PR5	Results of surveys measuring customer satisfaction	38	
Compliance			
G4-DMA	Management approach	44	
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	None	







# 4

## About this report

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## 4.1

# Cebr study details



The Contribution of Royal Mail to the UK Economy: A study on the economic contribution of Royal Mail’s UK Parcels, International & Letters business unit to the UK (May, 2015).

### Headline findings

The Centre for Economics and Business Research Ltd (Cebr), commissioned by Royal Mail, has carried out a complete economic impact assessment of its UK Parcels, International & Letters (UKPIL) business unit and discovered its significant contribution to national employment, value added and taxation.

We found:

- A direct £5.65 billion contribution to total UK Gross Value Added by Royal Mail’s UKPIL business unit, equating to a 0.35 per cent contribution to UK Gross Domestic Product (GDP)
- A further £5.4 billion of Gross Value Added (GVA) generated in the wider economy through indirect and induced impacts, bringing the aggregate GVA contribution to £11.1 billion, which equates to about 0.69 per cent of UK GDP
- A £1.69 billion Exchequer contribution through employer and employee national insurance contributions (NICs), income taxes, business rates and a range of indirect taxes paid directly and through UKPIL’s suppliers
- A £2.5 billion spend on goods and services provided through UKPIL’s supply chain. This includes inter-business intermediate spend (that is, when UKPIL purchases the services of other parts of the Royal Mail business)
- A further 120,000 full-time equivalent (FTE) jobs indirectly supported by Royal Mail UKPIL in the wider economy
- For every £1 of income from employment paid by UKPIL, an additional £0.62 of income from employment is generated in the wider economy through indirect and induced impacts

From a position of 19<sup>th</sup> in the 2009 Department for Business, Innovation and Skills (BIS) GVA Scoreboard (which is based on the global operations of the top 50 UK based companies), Royal Mail’s UKPIL has jumped to 6<sup>th</sup> place on Cebr’s adapted GVA Scoreboard (based on the UK operations of the top 10 companies in the UK for 2014-15). In an economic context, the benefits deriving from Royal Mail’s UKPIL business unit are demonstrable, as our report shows.

### Methodology and assumptions

For the study, we used a combination of national statistic sources and data supplied by Royal Mail, relating specifically to the UKPIL business unit. Royal Mail provided the following information from the financial year 2014-15, for input into the study:

1. Taxes, less subsidies on products (on a gross and net basis)
2. Taxes, less subsidies on production: this consists of business rates and employers’ NICs
3. Compensation of employees, taking in basic salaries, bonuses and overtime
4. Profit before tax and depreciation
5. Intermediate consumption (supply chain)
6. Employment: headcount and number of full-time equivalent employees

To establish the size and economic impacts of Royal Mail’s UKPIL business unit, we adopted the framework provided by the Office for National Statistics’ supply-use tables, the most detailed official record of how the industries of the economy interact with other industries, with consumers and with international markets in producing the nation’s GDP and national income. Making use of the supply-use framework to analyse a company like Royal Mail – which is only a subset of an industry at the level of disaggregation provided by this framework – is one of the best means of ensuring consistency with the national accounting framework. The process of embedding a specific company, such as Royal Mail, within this framework involves assigning that company a role within the supply-use tables.

Having assigned a role for Royal Mail UKPIL within the supply-use framework, we had the foundation for establishing:

- The direct economic impact of Royal Mail’s UKPIL business unit, using standard measures of Gross Value Added (GVA) – and, from this, the percentage contribution to Gross Domestic Product (GDP) – Exchequer contributions and employment



- The wider economic impact of Royal Mail’s UKPIL business unit on the UK economy, using Leontief input-output modelling to estimate a full set of (matrix) multipliers capturing direct, indirect and induced impacts of UKPIL on output, GVA and employment

We use the multipliers in association with the direct impacts data to produce estimates of the total impacts of the industry, through the supply chain response (indirect impacts) and the boost to household incomes and expenditure in the wider economy (induced impacts).

For eight years running, up until 2009, the Department for Business, Innovation & Skills (BIS) produced a scoreboard of the top 800 UK and 750 European companies by value added. This is the difference between a company’s sales (turnover or output) and the cost of bought-in goods and services (intermediate consumption).

The original UK scoreboard included the global operations of UK-owned/listed companies and foreign-owned companies that report in the UK. Royal Mail requested that Cebr establish an adapted version of this scoreboard that takes account of UK operations only. As Royal Mail UKPIL’s operations are UK-based, the adapted scoreboard would provide a more appropriate basis for ranking its economic contribution to the UK, relative to other major companies. The process of isolating the share of the value added from the global operations of these major companies, that could be attributed to UK operations, involved an individual review of each of their annual reports and consolidated accounts. This produced reasonable approximations of the shares of their globally generated value added that could be attributed to their UK operations.

Cebr has produced an adapted GVA scoreboard, showing the top 10 companies by value added from UK operations. In this, Royal Mail UKPIL ranks 6<sup>th</sup> in the UK.

#### National and regional impacts

Having completed the UK-level analysis, Cebr produced equivalent sets of multipliers for each of the UK nations and English Government Office regions.

The UK-level results from the input-output modelling exercise provided the starting point for assessing national and regional impacts. We used location quotients to take account of the relative size of industries in regional economies and their ability to satisfy the demands placed on them by all other industries (through supply chain relationships) and by final demands within those same regions.

Where all of those demands cannot be satisfied from within the region, location quotients are designed to capture the fact that some of those demands have to be met from outside the

region. In other words, at the regional level, the propensity (or need) to import tends to be higher because imports at this level include those from abroad as well as those from other parts of the UK.

We currently apply ‘Cross-Industry Location Quotients’ (CILQs), which can be conceptualised in the following way:

- $CILQ < 1$  þ the supplying sector is relatively small compared to the purchasing sector at the regional level, so some of the required inputs need to be imported from elsewhere in the UK.
- $CILQ > 1$  þ the supplying sector is relatively large compared to the purchasing sector at the regional level, so all the needs for the input can be met from within the region.

The result is a distinct Leontief inverse matrix for each of the regions under consideration, from which the regional-level multipliers can be derived. Again, these regional-level multipliers can be estimated for GVA and employment. The results represent what we call ‘in-region’ impacts, that is, the extent to which the indirect and induced impacts of UKPIL’s operations in a particular region stay within that region or ‘leak’ into other regions (as occurs when inputs have to be sourced from those other regions).

Such leakages positively impact other regions and are approximately equal to any differences that exist between the UK-level and the national/regional multiplier estimates. These leakages or ‘spillover’ impacts are not included in the regional multiplier estimates because the data that would allow us to identify exactly where benefits are not yet available. These impacts are, however, captured within Royal Mail UKPIL’s UK multipliers.

#### Disclaimer

While every effort has been made to ensure the accuracy of the material in this document, neither Cebr nor the report’s authors will be liable for any loss or damages incurred through the use of the report.

#### Authorship and acknowledgements

This report has been produced by Cebr, an independent economics and business research consultancy established in 1992. The study was led by Oliver Hogan, Cebr Director and Head of Microeconomics, with research support from Shruti Uppala and Rajini Jayasuriya. The views expressed herein are those of the authors only and are based upon independent research by them.

This study has been commissioned by Royal Mail plc and has utilised a combination of data provided by Royal Mail Group Ltd and those available in the public domain through Office for National Statistics, Nomis etc.

The report does not necessarily reflect the views of Royal Mail plc.



## 4.2

# Assurance statement

### To the management of Royal Mail plc

Royal Mail plc’s (RM) Corporate Responsibility Report 2014-15 (the Report) has been prepared by the management of RM, who are responsible for the collection and presentation of information within it. Our responsibility, in accordance with RM management’s instructions, is to carry out a limited assurance engagement on the Report. We do not accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

### What we did to form our conclusions

Our assurance engagement has been planned and performed in accordance with ISAE3000<sup>1</sup> and to meet the requirements of a Type 2 assurance engagement, as defined by AA1000AS (2008).<sup>2</sup> The AA1000AS (2008) assurance principles of inclusivity, materiality and responsiveness have been used as criteria against which to evaluate the Report.

In order to form our conclusions we undertook the steps outlined below:

- 1. Interviewed a selection of RM management** and reviewed company-level documents to understand the progress made in the area of corporate responsibility (CR) during the reporting period and test the coverage of topics within the Report
- 2. Conducted site visits to a Customer Contact Centre, a Mail Centre and Parcelforce site** to understand how CR is being managed at site level
- 3. Reviewed the Royal Mail Group approach to stakeholder engagement** through interviews with employees responsible for managing engagement activities at Group and site levels, and reviewed selected associated documentation
- 4. Reviewed the coverage of key issues within the Report** against the key issues raised in external media reports and the CR reports of RM’s peers, as well as the topics discussed on our site visits and by the RM Board and Chief Executive Committee
- 5. Interviewed staff responsible for data reporting and carried out the following activities to review selected customer, people, community and environment data (listed below):**
  - i. Reviewed the guidance on data reporting, key processes and quality assurance performed
  - ii. Selected a sample of data points from across the business and sought documentary evidence to support the data
  - iii. Conducted a walk-through of data reported from a sample of sites to test consolidation
  - iv. Reviewed any explanations provided for significant variances
  - v. Reviewed the Report for the appropriate presentation of the data including limitations and assumptions
- 6. Reviewed information or explanation about selected data, statements and assertions** regarding the CR performance of RM

Our review of data processes was limited to the following selected data sets:

Topic	Selected Data
Customer	<ul style="list-style-type: none"><li>• Mean customer satisfaction score</li><li>• Number of customer complaints</li></ul>
People	<ul style="list-style-type: none"><li>• Total number of fatalities</li><li>• Lost time accident frequency rate</li><li>• Employee engagement score</li><li>• Customer focus score</li><li>• Breaches to the code of conduct</li><li>• Gender, age, and ethnicity distribution</li></ul>
Community	<ul style="list-style-type: none"><li>• Total amount contributed by Royal Mail (£)</li><li>• Total amount raised by employees (£)</li></ul>
Environment	<ul style="list-style-type: none"><li>• Scope 1 and 2 carbon emissions (tonnes of carbon dioxide equivalent)</li><li>• Scope 3 carbon emissions from: i) Transmission and distribution losses associated with electricity use; ii) Air freight; and iii) business travel and mail in private vehicles (tonnes of carbon dioxide equivalent)</li><li>• Energy consumption by primary source (GJ)</li><li>• Total waste and diverted from landfill (tonnes)</li><li>• Total water consumption (m3)</li></ul>

<sup>1</sup> International Federation of the Accountants’ International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE3000).  
<sup>2</sup> The 2008 edition of AccountAbility’s AA1000 assurance standard.

### Level of assurance

Our evidence gathering procedures were designed to obtain a limited level of assurance, as defined in ISAE3000. The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement, such as a financial audit, and therefore a lower level of assurance is provided.

### The limitations of our review

We have only sought evidence to support the 2014/15 performance data. We do not provide conclusions on any other data.

With the exception of the carbon data for General Logistics Systems BV (GLS), our review was of UK data only.

### Our conclusions

Based on the scope of our review, our conclusions are outlined below:

#### Inclusivity

Has RM been engaging with stakeholders across the business to develop its response to CR issues?

- We are not aware of any key stakeholder groups that have been excluded from dialogue
- We are not aware of any matters that would lead us to conclude that RM has not applied the inclusivity principle in developing its response to CR issues

#### Materiality

Has RM provided a balanced representation of key topics concerning the CR performance of RM?

- We are not aware of any key topics concerning the CR performance of RM that have been excluded from the Report
- Nothing has come to our attention that causes us to believe that RM management has not applied its processes for determining material issues to be included in the Report

#### Responsiveness

Has RM responded to stakeholder concerns?

- We are not aware of any matters that would lead us to conclude that RM has not applied the responsiveness principle in considering the matters to be reported

Completeness and accuracy of performance information

- We are not aware of any material reporting units that have been omitted from the stated scope of the company-level CR data
- Nothing has come to our attention that causes us to believe that the data relating to the above topics has not been collated properly from company-level systems
- We are not aware of any errors that would materially affect the data as presented in the Report

How plausible are the statements and claims within the Report?

- We have reviewed information or explanation on selected statements regarding RM's CR activities presented in the Report and we are not aware of any misstatements in the assertions made

### Observations and areas for improvement

Our observations and areas for improvement will be raised in a report to RM management. Selected observations are provided below. These observations do not affect our conclusions on the Report set out above.

- This Report includes more detail on RM's supplier categories and the activities being undertaken to address the associated CR risks. We encourage RM to continue developing a coordinated approach to managing CR risks in its supply chain. In future years, it should consider developing metrics to monitor the performance of its suppliers in relation to CR risks
- RM continues to improve its data management tools and underlying processes for gathering, analysing and reporting environmental data across its UK operations. This year, it has extended its environmental reporting to include other air emissions for the first time. The reporting of environmental impacts from its GLS operations in Europe continues to be dependent on self-assessments with limited internal review. We would encourage RM to further develop the reporting and review processes for GLS environmental data

### Our independence

As auditors to RM, we are required to comply with the requirements set out in the Auditing Practices Board's Ethical Standards for Auditors. Our independence policies apply to the firm, partners and professional staff. These policies prohibit any financial interests in our clients that would or might be seen to impair independence. Each year, partners and staff are required to confirm their compliance with the firm's policies.

We confirm annually to RM whether there have been any events, including the provision of prohibited services that could impair our independence or objectivity. There were no such events or services in 2014-15.

### Our assurance team

Our assurance team has been drawn from our global Climate Change and Sustainability Services Practice, which undertakes engagements similar to this with a number of significant UK and international businesses.

**Ernst & Young LLP, London**  
May 2015



# About this report

### Scope of the report

This is our 13<sup>th</sup> annual Corporate Responsibility Report. It details our environmental, social and governance performance for the year 2014-15. Our last report was published in October 2014 and covered the financial year 2013-14.

We continue to use the Global Reporting Initiative (GRI) to guide our reporting. This year, we report against the new GRI G4 guidelines for the first time. This report mainly covers our UK operations (UK Parcels, International & Letters – UKPIL – operating under our Royal Mail and Parcelforce Worldwide brands). UKPIL contributes 82 per cent of the Group's revenue. As in previous reports, it also includes data from associate companies where we have a controlling interest. Carbon emissions data, for example, includes Romec, in which we have a 51 per cent stake. Our UK operations account for 91 per cent of the Group's full-time equivalent employees.

Royal Mail Group and Post Office Limited became separate companies on 1 April 2012. All data disclosed in this report, including historical data, therefore excludes Post Office Limited. We continue to work to integrate data from our European business, General Logistics Systems (GLS), this year. Where GLS narrative and data is incorporated, this is made clear. GLS represents nine per cent of our employee headcount and 18 per cent of our revenue.

The annual Corporate Responsibility Report is reviewed and approved by the Royal Mail plc Board.

### Independent Assurance

This report has been assured by Ernst & Young (EY). We appreciate this independent verification of, and opinion on, our reported activity. EY's independent assurance statement is set out on pages 109-110 of this report.

We are a signatory to the United Nations Global Compact and are working to meet its principles. This report meets our United Nations Global Compact Communication on Progress requirements.

We have printed only a limited number of hard copies of this report, in order to minimise our use of resources.

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