

Royal Mail plc

Corporate Responsibility Report

ENTER

2016–17

CELEBRATING
500
YEARS OF ROYAL MAIL



About this report

Scope of the report

This is our fifteenth Corporate Responsibility Report. It details our non-financial (social, environmental and ethical) performance for the financial year 2016–17. Our last report was published in June 2016 and covered the financial year 2015–16. The report is produced to meet the disclosure requirements of the Global Reporting Initiative (GRI) Index Sustainability Reporting Framework (G4). We report to a 'Comprehensive' level.

This report mainly covers our UK Parcels, International & Letters business – UKPIL – operating under the 'Royal Mail' and 'Parcelforce Worldwide' brands. UKPIL employs 92 per cent of Royal Mail Group's full time equivalent employees across the UK. It contributes 78 per cent of the Group's revenue.¹ Where stated, we also have included data and narrative from our pan-European parcels delivery business, General Logistics Systems (GLS). GLS represents eight per cent² of our full time equivalent employees and 22 per cent of our revenue.

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

Independent assurance

This report has been assured by Ernst & Young. We appreciate this independent verification of, and opinion on, our reported activity. Ernst & Young's independent assurance statement is available on page 74 of this report, and as a standalone document on our website at www.royalmailgroup.com/responsibility/cr-reports

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

We have printed a limited number of hard copies of this report, in order to minimise waste. This report is available on our website at www.royalmailgroup.com/responsibility/cr-reports

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This is our fifteenth annual Corporate Responsibility Report

- ¹ For the financial year 2016–17
- ² During the reporting year, GLS acquired Golden State Overnight Delivery Service Inc. (GSO), a provider of regional next day parcel delivery services principally in California, and Agencia Servicios Mensajería S.A.U. (ASM), a Spanish express parcels delivery company. The data in this report excludes both acquisitions, unless stated

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Global Reporting Initiative Index

➤ www.royalmailgroup.com/responsibility/cr-reports

**Cebr economic impact
assessment methodology**

➤ www.royalmailgroup.com/responsibility/cr-reports

Chief Executive Officer's foreword



Our vision is to be recognised as the best delivery company in the UK and across Europe. Against a backdrop of significant change, innovation and diversification, we have continued to put the principles of corporate responsibility at the heart of our business strategy. We believe that this holds the key to building sustainable value for our shareholders.

Our strategic approach

The objective at the heart of our business and corporate responsibility strategies is the same – to generate sustainable shareholder value. Our corporate responsibility strategy is an integral part of realising our core strategic objectives.

As the UK's Universal Service Provider, we have a unique place in society. We are an integral part of the UK's social fabric. We are hugely proud of that and take our role very seriously. Our cherished brand is built on a long history of making a difference.

Our progress last year

There are many highlights of our corporate responsibility agenda in 2016–17. We stepped up our attack on scam mail to help protect vulnerable customers. We launched groundbreaking partnerships for mental health, to champion change and support more people with mental health problems. We lobbied for the introduction of better labour standards in the delivery industry, and consumer protections too.

Royal Mail itself already adheres to an extensive set of consumer protections. We also concluded our successful partnership with the Stroke Association, for which we raised £2 million, to provide grants for up to 10,000 stroke survivors.

We continue to be recognised as a leader in corporate responsibility. We are ranked second of all Transport and Transportation Infrastructure businesses in the 2016 Dow Jones Sustainability Index. We were previously ranked number one among around 100 companies globally, two years in a row. We are one of the highest scoring companies in the FTSE4Good Index. We rank in the top 15 per cent of companies, on account of our social, environmental and governance performance. We have been named as one of the top 20 companies for gender equality at senior levels in the Government-backed Hampton-Alexander Review Report. At the same time, we were listed as a *Times* Top 50 Employer for Women for the fourth consecutive year,¹ in recognition of our efforts to improve the gender balance in the organisation.

A responsible employer

According to the Centre for Economics and Business Research, our Company makes the fifth biggest contribution to the UK economy of any UK company.² One in every 185 jobs in the UK is provided by Royal Mail.³ Our employment is disproportionately weighted towards areas with high levels of deprivation and where job opportunities are fewer. This means that Royal Mail jobs tend to cluster where they are most needed.⁴

Royal Mail is proud to be a responsible employer. We offer the best pay and terms and conditions in our industry. The vast majority of our employees are on permanent contracts. Our permanent employees are paid above the Living Wage, which, in turn, is more than the legal minimum set by the Government. They also receive the additional benefits associated with permanent employment, such as paid holidays and a good pension.

We welcome the Government's focus on employment models: in particular, the Taylor review, which is looking at employment conditions across the UK, including the delivery sector. Better labour standards across the industry should lead to better service standards for consumers.

We are committed to continuing to provide the best pay and terms and conditions in our industry. In return, however, we continually work with our unions to agree changes to our working practices and labour model. This process of change is about sustaining our business now and in the future.

Putting people at the heart of our business

Our people deliver to around 30 million addresses, six days a week, connecting businesses, households and communities across the country.

It is our people who are enabling us to transform as we handle fewer letters and more parcels. Thanks to their hard work, commitment and

- 1 During 2016–17, we were listed as a *Times* Top 50 Employer for Women for the third time. Shortly after the reporting period ended, we were included in the list for the fourth time
- 2 Finding of Cebr economic impact assessment of UKPIL, commissioned by Royal Mail in May 2017. Comprising direct and indirect contributions
- 3 Finding of Cebr economic impact assessment of UKPIL, commissioned by Royal Mail in 2017
- 4 Finding of Cebr economic impact assessment of UKPIL, commissioned by Royal Mail in September 2013

dedication, we are continuing to improve our efficiency while delivering a higher quality service for our customers. We are changing our operations to accommodate the increasing demands of e-retailers and online shoppers. This is helping us to win new contracts and grow existing relationships.

Engaged employees, who feel valued by our business, are vital to the customer-focused culture that we are building at Royal Mail. Last year, more than 70,000 of our people took part in the Big Conversation. They told us why Royal Mail matters, what good looks like and how we can work together to be the best.

It is also through our people that many of our positive impacts on communities flow. It was one of our postmen, Vincent Micalleff, who first suggested that we work with the charity Missing People – a partnership that goes from strength to strength. It was recognised by two high profile awards during the year.

We want to use our unique brand, reach and presence across the UK to help tackle the stigma of mental health

Our campaign on mental health

As one of the leading causes of illness among our people, mental health is an area of real importance for us. We are a signatory of the Time to Change pledge, which aims to end the stigma of mental ill-health. We became an official supporter of the 'Heads Together' campaign, led by Their Royal Highnesses, The Duke and Duchess of Cambridge, and Prince Harry last year. We launched a groundbreaking partnership with The Prince's Trust, providing funding for the charity to develop a mental health strategy. This will ensure that every young person accessing a Prince's Trust programme has the mental health support they need.

Just after year end, we significantly expanded our support for the issue by launching a major partnership for mental health. We invited our colleagues to vote for their preferred charity partner in our Employee Survey, from a shortlist of three. Action for Children received the most votes and will now be the main beneficiary of our fundraising programme. We hope to raise at least £2 million for Action for Children to employ specialist youth workers to deliver face-to-face support sessions for 8,000 young people aged 15–18 years. As part of our 'everyone's a winner' approach, Mind and Mental Health UK will also receive a donation of £50,000 each to fund their mental health programmes. And, while Action for Children will benefit from the funds we raise, we will work with all three charities to deliver a multi-faceted programme covering training, awareness-raising, pro bono support and work placements for people with mental health problems. We want to use our unique brand, reach and presence across the UK to help tackle the stigma of mental health amongst colleagues, customers and communities.

Tackling the scourge of scam mail

We understand the upset and distress that scam mail causes. This year, we worked with our employees, industry partners and law enforcement agencies to tackle this issue even more vigorously. A range of new measures were implemented to strengthen our ability to stem the flow of scam mail. We launched an industry-wide Code of Practice on scam mail and secured all major UK mail operators' commitment to it. We changed the terms and conditions for retail customers. We can now check items we suspect to be scam mail and refuse to process or deliver them. Since launching this new scheme, we have stopped more than 700,000 suspect mail items from reaching customers.

Following year end, we launched a major new initiative for consumers who – we believe – are receiving high

volumes of scam mail. We are now blocking and impounding scam mail at our major distribution centres before it reaches the consumer's letterbox. Legitimate business and personal mail will continue to be delivered in the usual way. This latest anti-scam initiative will initially focus on the most impacted customers, with plans for it to be extended in the future.

Our 500th anniversary

2016 was a very special year for the Company. It marked our 500th anniversary. Our people have been a crucial link between individuals, companies and communities for centuries. At a special 500 years event we hosted, the Chairman and I were delighted to welcome Their Royal Highnesses, The Prince of Wales and The Duchess of Cornwall. In his speech, the Prince praised our contribution to the British economy. He offered his heartfelt thanks and congratulations. It was a privilege to introduce the Royal couple to so many inspirational people from across our business.

Continued progress

As we continue to deliver innovation and growth, and become a more efficient business, we remain committed to our corporate responsibility objectives. This is the way we will secure a sustainable future and the continued provision of good quality jobs.

Benchmarking and reporting on our progress helps to ensure that corporate responsibility remains embedded within our business strategy. As you will read in this report, we have made important progress during 2016–17. But, there is always more that we can do. Good corporate responsibility performance is key to our delivering sustainable shareholder value.



Moya Greene

About Royal Mail Group

Royal Mail is the UK's sole designated Universal Service Provider, connecting customers, businesses and communities across the country.

Who we are

Royal Mail is the UK's pre-eminent delivery company. We deliver more letters and parcels, to more addresses in the UK, than all of our competitors combined. We are proud to deliver a 'one-price-goes-anywhere' service on a range of letters and parcels to around 30 million addresses, across the UK, six days a week, in our role as the UK's sole designated Universal Service Provider.¹ Royal Mail has helped shape the history of the UK and the way the world communicates for 500 years.

We make a very significant contribution to the UK economy. Through UK Parcels, International & Letters (UKPIL), our impact, including via employment and procurement, totalled £10.8 billion in terms of value added. We made the fifth largest contribution to the UK economy of all UK corporations.² General Logistics Systems (GLS), our pan-European parcels business, operates one of the largest, ground-based deferred parcel delivery networks in Europe.

Our people

We employ around 159,000 people across the Group. One in every 185 jobs in the UK is provided by Royal Mail.³ Our employment is disproportionately weighted towards areas with high levels of deprivation and where job opportunities are fewer. This means that we provide jobs where they are most needed.

We are committed to preserving the trust that members of the public place in Royal Mail and our hardworking employees. Royal Mail ranks as the UK's most trusted and most preferred delivery company.³ Our strong brand position means we are proud to offer the best pay and terms and conditions in our industry. The vast majority of our employees are on permanent contracts, except where there is a short-term need. Our permanent employees are paid above the Living Wage which, in turn, is above the legal minimum set by the UK Government. They also receive the additional benefits associated with permanent employment, such as paid holiday and a good pension.

We are committed to continuing to provide the best pay and terms and conditions in our industry. In return, however, we continually work with our unions to agree changes to our working practices and labour model. This process of change is about sustaining our business now and in the future, particularly given the decline in letter revenues.

We deliver more letters and parcels, to more UK addresses, than all of our competitors combined

Our operations and networks

Our core UK and international parcels and letter delivery business operates 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. This includes the services we provide as the UK's designated Universal Service Provider. Parcelforce Worldwide is a leading provider of express parcel services.

GLS is our European parcels business. It operates one of the largest ground-based deferred parcel delivery networks in Europe. The GLS network covers 41 European countries and nation states through a combination of wholly-owned and partner companies. The GLS footprint was expanded this year. In Europe, GLS acquired Agencia Servicios Mensajería S.A.U. (ASM) in Spain. As part of its careful and focused expansion outside Europe, GLS acquired Golden State Overnight Delivery Service Inc. (GSO) and Postal Express.⁴ GSO is a leading provider of regional next day delivery services principally in California.⁵ Postal Express is a regional overnight carrier operating in the states of Washington, Oregon, and Idaho.



5th

WE MADE THE FIFTH LARGEST CONTRIBUTION TO THE UK ECONOMY OF ALL UK CORPORATIONS²



c.159,000

WE EMPLOY AROUND 159,000 PEOPLE ACROSS OUR GROUP

¹ Under the Postal Services Act 2011 ('the Act'), Ofcom is the regulator for postal services in the UK. Ofcom has designated Royal Mail as the Universal Service Provider

² Finding of Cebr economic impact assessment of UKPIL, commissioned by Royal Mail in May 2017

³ 2016-17 Business Brand Tracker survey

⁴ Postal Express was acquired after the financial year end

⁵ GSO also operates in Arizona, Nevada and New Mexico

The scale of our operations⁶

ROYAL MAIL & PARCELFORCE (UK)



1.2bn

1.2 BILLION PARCELS
HANDLED BY ROYAL MAIL⁷



14.9bn

NEARLY 14.9 BILLION
LETTERS HANDLED
BY ROYAL MAIL



1.3m

BUSINESS ADDRESSES
SERVED BY ROYAL MAIL



c.30m

ADDRESSES ROYAL
MAIL DELIVERS TO
SIX DAYS A WEEK



c.48,000

VEHICLES IN UKPIL⁸

GLS (EUROPE)



41

EUROPEAN COUNTRIES
AND NATION STATES



508m

PARCELS HANDLED BY GLS

EMPLOYEES

c.142,000

UKPIL EMPLOYEES⁹

c.17,000

GLS EMPLOYEES¹⁰



KEY

■ UKPIL

■ GLS

■ GLS
Network
Partners

⁶ Figures relate to 2016–17 annual statistics unless otherwise noted

⁷ Includes parcels handled by Royal Mail and Parcelforce Worldwide

⁸ UKPIL includes the Royal Mail and Parcelforce brands. The figure includes c.2,300 trailers

⁹ This comprises UKPIL, Pension Trustees, Acquisitions, Romec and NDC

¹⁰ GLS headcount includes Golden State Overnight Delivery Service Inc. (GSO) and Agencia Servicios Mensajería S.A.U. (ASM)

Our strategy

Our vision is to be recognised as the best delivery company in the UK and across Europe. Our strategy to achieve this leverages our strengths while aiming to deliver sustainable shareholder value and our Universal Service commitment.

Our vision

We have a clear vision to be recognised as the best delivery company in the UK and across Europe. Our business model leverages our strengths – our people, brands and networks – to deliver high quality, value for money services for sending and receiving customers.

Our corporate strategy

We are focused on winning in parcels, defending letters and growing in new areas. These three priorities are enabled by a strategic approach to costs, technology and innovation, and an engaged and motivated workforce. They are underpinned by putting the customer at the heart of everything we do. More information about our business model and corporate strategy is available on pages 14–17 of the 2016–17 Annual Report and Financial Statements.

Our corporate responsibility strategy

Our corporate responsibility (CR) strategy and business strategy share the same ultimate goal: to generate sustainable shareholder value. Our CR strategy is an integral part of our business model and realising our strategic priorities. It supports our business in delivering economic and social benefit to our communities, sustaining the active support of our employees, managing our use of resources sustainably and operating with integrity.

➤ Our business model and corporate strategy is set out on pages 14–17 of our 2016–17 Annual Report and Financial Statements.

Our CR strategy and business strategy share the same ultimate goal: to generate sustainable shareholder value

STRATEGIC PRIORITIES

No. 1



Winning in parcels

We have maintained our pre-eminent position in the UK by pursuing faster growing parts of the parcels market while making it easier for consumers, SMEs and marketplace sellers to use Royal Mail services. Our investments in tracking and automation have been key to maintaining our position. Through our significantly enhanced IT, we have the ability to offer any account customer a tracked service.

No. 2



Defending letters

Letters are very important to our business. They account for almost 60 per cent of our UK revenue. We continually seek to add value to mail and increase the efficiency and effectiveness of our operation.

No. 3



Growing in new areas

We are making the most of our existing assets and increasing our capability through carefully selected investments. We want to develop a broader revenue base and grow in the UK and overseas. GLS is well positioned to grow in new markets and to support the Group's careful and focused geographic expansion. We are also increasing our digital capabilities across the Group, particularly in e-commerce.

Our purpose

Our purpose is to deliver value for business and society

We have set three **strategic priorities** that will help us to drive profitable growth and secure a sustainable future for our Company:

1 Winning in parcels

2 Defending letters

3 Growing in new areas

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



DELIVERING ECONOMIC AND SOCIAL BENEFIT TO THE COMMUNITIES WE SERVE



DRIVING COLLEAGUE ADVOCACY OF THE GROUP AND ITS COMMUNITY ROLE



MANAGING THE ENVIRONMENTAL IMPACTS OF OUR BUSINESS OPERATIONS



DELIVERING OUR TRANSFORMATION RESPONSIBLY

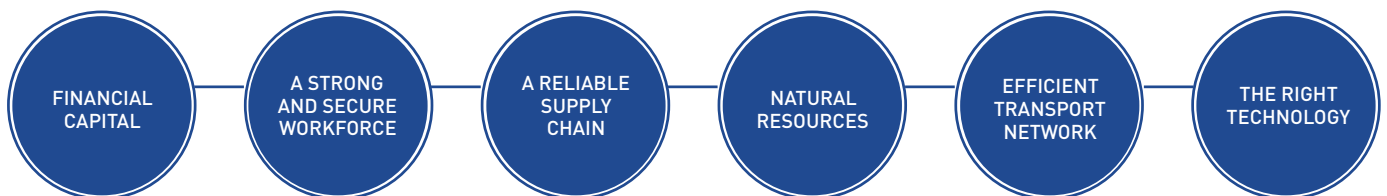


OPERATING WITH INTEGRITY



COMMUNICATING OUR MANAGEMENT OF CORPORATE RESPONSIBILITY OPENLY AND TRANSPARENTLY

To achieve this, we rely on a number of **key relationships and resources**:



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



CUSTOMERS

- HIGH QUALITY OF SERVICE
- NEW AND IMPROVED PRODUCTS AND SERVICES
- VALUE FOR MONEY



SOCIETY

- GOOD QUALITY JOBS
- STRONGER, CONNECTED COMMUNITIES
- SOCIAL INCLUSION



ECONOMY

- VALUE ADDED TO UK ECONOMY
- GOODS AND SERVICES FACILITATING COMMERCE
- TAX REVENUE



ROYAL MAIL GROUP

- INCREASED REVENUE
- MORE EFFICIENT AND LOWER OPERATING COSTS
- ENGAGED EMPLOYEES
- LOYAL CUSTOMERS
- LONG-TERM INVESTORS

Integrated responsibility

This table shows the links between our core strategic priorities and our corporate responsibility (CR) aims. It demonstrates how our CR strategy supports the delivery of our corporate strategy. It also summarises some achievements against each corporate responsibility objective for the financial year 2016–17.



Delivering economic and social benefit to the communities we serve

See

Our customers
page 27

Our communities
page 47

- As a major employer and purchaser of goods and services, our economic impact is significant. The Centre for Economics and Business Research Ltd (Cebr) carried out a complete economic impact assessment of Royal Mail.¹¹ Cebr found that in 2016–17, Royal Mail added £10.8 billion to the UK economy, the fifth largest contribution of any UK corporation. One in every 185 jobs in the UK is provided by Royal Mail. Our share of employment is even higher in areas with high unemployment rates.
- As the Universal Service Provider, Royal Mail facilitates e-commerce growth for UK businesses, especially small and medium-sized enterprises. The Universal Service provides depth of coverage, value for money and convenience for businesses wherever they are based in the UK.¹²
- We seek to build on the core economic and social contribution of our business operations through strategic community investments. We met our target to raise £2 million for the Stroke Association, including Company matched giving, to fund Life After Stroke Grants for up to 10,000 people. GLS Germany partners with universities and attends school careers events, to promote career opportunities in logistics and attract a more diverse workforce.



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

See

Our people
page 38

Our communities
page 47

- Employee engagement is one of the key drivers of our business success. During 2016–17, we engaged more than 70,000 colleagues in the Big Conversation, which invites suggestions about how we can make Royal Mail a better place to work.
- Against a backdrop of significant change in our business, we have achieved an above average employee engagement score for two years in a row.¹³
- As part of our community investment programme, we engaged around 10,000 employees in the 2016 Operations Fundraising Challenge.
- GLS Netherlands launched a partnership with Heppie, a charity that provides outings and activities for disadvantaged children. GLS Denmark was named as one of the top five large Danish companies to work for in that country.



Managing the environmental impacts of our business operations

See

Our environment
page 65

- Management of natural resources is a commercial imperative as well as an environmental one.
- In 2016–17, Royal Mail reduced its carbon emissions by 4.7 per cent compared with 2015–16 (a 25.7 per cent reduction against our 2004–05 baseline).
- We diverted 91 per cent of waste from landfill, up from 86 per cent in 2015–16 and consumed four per cent less water than during the previous year.
- During 2016–17, we developed and deployed standards for our UK operations that meet the updated ISO standard – ISO2015. We plan to transition our environment management system to the updated ISO standard for all UK sites in 2017–18. Currently, 14 of our largest Royal Mail sites are individually accredited to ISO14001, as are all of our Parcelforce Worldwide sites and all GLS sites.

¹¹ Cebr adapted the original gross value added (GVA) scoreboard developed by the Department for Business, Energy & Industrial Strategy (BEIS, BIS at the time) to take account of companies' UK operations only. The original GVA scoreboard included companies' overseas impacts. In this adapted scoreboard, for 2016–17, UKPIL ranks in fifth place. Cebr inputted financial, supply chain and employee data for the financial year 2016–17 into the national accounting framework provided by the Office for National Statistics' supply-use and input-output tables to establish UKPIL's direct and indirect contribution to the UK and enable UKPIL to be ranked in this way. The full study methodology is published online at www.royalmailgroup.com/responsibility/cr-reports

¹² Triangle Management Insights, 2015

¹³ Our engagement score compares favourably with the Ipsos MORI norm for large organisations. Our score is 1 point higher than the norm, which is 56. Currently the trend is downwards for employee engagement in large organisations

Integrated responsibility (continued)



Delivering our transformation responsibly

See

Our customers
page 27

Our people
page 38

- We are focused on delivering improved efficiency, innovation and flexibility as we deliver more parcels and fewer letters. We are now working with our unions to agree and implement our vision for the future.
- We are committed to delivering a high Quality of Service while, at the same time, transforming our business to grasp growth opportunities in the parcels market and meet customers' rapidly changing expectations. We exceeded our full year regulatory First Class target of 93 per cent, with 93.1 per cent of mail delivered the next working day.
- The safety and wellbeing of our workforce is a key priority for us and an integral part of our ongoing transformation. In 2016–17, we increased our focus on road safety by adding the Road Traffic Collision Frequency Rate (RTCFR) to our Corporate Balanced Scorecard (CBS).¹⁴ We reduced our RTCFR by 12.3 per cent compared with 2015–16. We have continued to reduce time lost due to accidents. This year, we maintained our Lost Time Accident Frequency Rate (LTAFR) of 0.49. In 2016, GLS undertook a European road safety campaign aimed at transport partners to encourage safer driving behaviours and reduce road traffic incidents.



Operating with integrity

See

Business integrity
page 24

- Operating with integrity is essential for safeguarding our reputation and protecting our valued place in society. In 2016–17, we trained 99.8 per cent of managers across Royal Mail through customised anti-bribery and corruption e-learning courses.
- We work closely with the relevant authorities to eliminate criminal activity that uses the postal system. A range of measures were introduced to strengthen our ability to stem the flow of scam mail. Following year end, we launched a major new initiative to block and impound scam mail before it reaches customers.
- We are committed to upholding and respecting human rights. We welcomed the UK Government's Modern Slavery Act (MSA) passed in 2015. We put new measures in place in 2016–17 to strengthen our protection of human rights across our supply chain and operations. For example, we introduced a new clause to the standard Royal Mail contract terms requiring UK suppliers to comply with the MSA and notify Royal Mail of any breaches.



Communicating our management of CR openly and transparently

- We discuss our CR strategy and activities with a wide range of stakeholders, including our investors. Every two years, we engage around 50 stakeholders from groups representing customers, consumers, employees, our unions, shareholders, suppliers and environmental representatives. Through this, we obtain greater understanding about the key issues that they expect us to report on, and gain valuable insight to support our broader decision making.
- We continue to use the Global Reporting Initiative to guide our reporting. Our Corporate Responsibility Report is assured against the dual standards of AA1000AS and ISAE3000. These standards ensure the content is material, relevant to stakeholders and provides confidence in the robustness of the data.
- In 2016–17, Royal Mail was named a global leader in the Dow Jones Sustainability Indices for a third year running. We were ranked second among around 100 companies in the Transportation and Transportation Infrastructure Industry. We were again included in the FTSE4Good Global Index in 2016, ranking in the top 15 per cent of companies.

¹⁴ Road traffic collisions per 1,000 vehicles

Governance and management

Our Chief Executive Officer (CEO), Moya Greene, has overall responsibility for CR, with members of her senior leadership team, the Chief Executive's Committee (CEC), taking responsibility for each of the major strands of our CR agenda as follows:

- **Shane O'Riordain**, Managing Director, Corporate Affairs, Customer Experience and Regulation, is responsible for shaping and implementing our CR strategy, including our community investment programme.
- **Jon Millidge**, Group Human Resources Director, is responsible for all people strands of our CR strategy.
- **Mike Newnham**, Managing Director, New Markets and Digital, is responsible for a number of the customer strands of our CR strategy.
- **Matthew Lester**,¹⁵ Chief Finance 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.

Our CR governance structure underpins the delivery of our CR strategy through the following key elements:

Royal Mail plc Board

The Board receives regular updates on CR activities, such as monthly health and safety briefings. It also reviews and approves our annual Corporate Responsibility Report.

Chief Executive's Committee

Chair: CEO

Individual members of the CEC take responsibility for each of the different strands of CR activity, as set out above.

Diversity Council

Chair: Chief of Staff

The Diversity Council is responsible for progressing and monitoring our diversity performance. Members include the Chief Operations Officer, Director of Group Human Resources, frontline employees and representatives from the Communication Workers Union and Unite Communication Managers' Association (Unite/CMA). The Diversity Council has established additional committees to support its work on the various strands of our diversity strategy, as follows:

- Gender Steering Group;
- Black, Asian and Minority Ethnic (BAME) Steering Group;
- Lesbian, Gay, Bisexual and Transgender (LGBT) Steering Group;
- Disability Steering Group;
- Parents and Carers Steering Group; and
- Youth Steering Group.

Environment Governance Board

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

The Environment Governance Board drives the environment strategy, proposing targets for approval by the CEC and taking responsibility for improving performance.

The Environment Governance Board is made up of senior managers accountable for functions with material environmental issues, including fleet, facilities management and customers.

Group CR team

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

¹⁵ In December 2016, Matthew Lester informed the Board of his intention to step down as Chief Finance Officer (CFO) and leave the Board following the Company's AGM in July 2017. On 15 May 2017, we announced that Stuart Simpson, Director of Group Finance, will be appointed CFO and join the Royal Mail Board at the conclusion of the AGM

CR framework

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

Corporate Balanced Scorecard

Our Corporate Balanced Scorecard (CBS) links all managers' remuneration, including Board members, to Royal Mail's performance against people, customer, efficiency, and financial targets. They include employee engagement, safety, First Class Quality of Service, customer satisfaction and complaints. In all, 50 per cent of our scorecard key performance indicators are CR related.

World Class Mail

World Class Mail (WCM) is our framework for driving continuous improvement at the frontline, engaging and involving our people in the transformation of Royal Mail. Through WCM, we empower teams to improve safety and productivity performance, and embed the management of environmental impacts at all levels of our organisation.

Responsible Procurement Code of Conduct

The Responsible Procurement Code of Conduct requires all suppliers to adhere to the United Nations Universal Declaration of Human Rights, the Ten Principles of the United Nations Global Compact and Royal Mail Group's own social, ethical and environmental standards. It includes 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

Our Environment Policy establishes our commitment to environmental management and specifies responsibilities for all Royal Mail employees in this area.

Corporate Responsibility Policy

Our CR Policy sets out our strategy, governance and commitments, including our support of the United Nations Global Compact and the Universal Declaration of Human Rights.

Other policies

We have policies that relate to a range of CR issues, including our Business Standards, Equality & Fairness, Bullying & Harassment and Anti-Bribery policies.

Measuring our progress

We are independently rated as a leading responsible business. We were named a global leader in 2016 in the Dow Jones Sustainability Indices for a third year. We were ranked second among around 100 companies in the Transportation and Infrastructure Industry. Royal Mail is included in both the Dow Jones Sustainability World Index and the Dow Jones Sustainability Europe Index.

We were again included in the FTSE4Good Global Index in 2016, scoring 3.5 out of 5 in its assessment of our environmental, social and governance performance, ranking us in the top 15 per cent of companies. The Index only includes companies that can demonstrate strong environmental, social and governance practices.

We also respond to the CDP climate change questionnaire every year. Royal Mail achieved a B score, ahead of the Air Freight transportation and Logistics industry average score of C. We also participate in CDP's supply chain questionnaire. This questionnaire is not scored; however, it allows us to engage with our customers on our carbon performance through a structured framework.

Driving improvements

We use the results of the annual Dow Jones Sustainability Index assessment to identify areas for improvement in both our management and our reporting of CR issues. For this year's report, we have increased our disclosure about our commitment to protecting human rights in our business and supply chain. This is to better meet investors' and other stakeholders' expectations on transparency about this issue (see page 25). We updated our stakeholder engagement policy to describe how we help build capacity among stakeholders to enable them to engage with us effectively. In addition, we have undertaken an exercise to map our higher risk suppliers and put extended controls in place to help manage environmental, social and governance risks in our supply chain (see page 62), and set a water reduction target for the business for the first time (see page 71).

The FTSE4Good assessment also helps identify information that investors, and other stakeholders, may be interested to see in our CR report. Following last year's assessment, we have increased our disclosure on our approach to compliance and anti-bribery (see page 24); labour standards, including information about wages, training and personal development (see pages 40 and 45); and health and safety, including information about our approach to risk assessments and health and safety training (see page 42).

We have been named a global leader in the Dow Jones Sustainability Indices for a third year

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

TOP 15%

WE WERE AGAIN INCLUDED IN THE FTSE4GOOD GLOBAL INDEX IN 2016, AND RANKED IN THE TOP 15 PER CENT OF COMPANIES



FTSE4Good

Our CR key performance indicators

This section sets out performance against the corporate responsibility-related key performance indicators (KPIs) in our Corporate Balanced Scorecard (CBS).¹⁶ 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 accident rates; diversity and inclusion; and community investment.

Focus area	KPI	Aims for 2016–17	Performance in 2016–17	Performance in 2015–16	Status
Customers	Retail First Class Quality of Service (%) ^{17, 18}	93.0%	93.2%	92.6%	Achieved See page 33
	Mean business customer satisfaction (score) ¹⁷	76.5	78	76	Achieved See page 30
	Customer complaints (number) ¹⁷	499,000	516,841	476,040	Achieved ¹⁹ See page 34
People	Employee engagement (score) ¹⁷	57	57	57	Achieved See page 39
	Reduction in road traffic collisions (%) ^{17, 20}	Reduce rate of vehicle collisions by 7% compared to prior year	12.3%	N/A	Achieved See page 42
	Gender split (female/male) (%)	Improve gender balance across the business	17%/83%	16%/84%	Achieved See page 44
	Lost Time Accident Frequency Rate (per 100,000 hours worked)	Reduce amount of time lost to accidents	0.49	0.49	On track See page 42
	Sick absence (%)	Reduce the sickness absence among our workforce	4.63%	4.51%	Not achieved See page 43
Community	Charity partnership fundraising (£)	Raise £2 million, including matched giving, for the Stroke Association over the partnership	£945,409	£1.1m	Achieved See page 52
	Charity partnership awareness raising (number)	Undertake 15,000 employee blood pressure readings by the end of the Stroke Association partnership	4,823	9,818	Achieved See page 52
	Colleague community engagement (£)	Increase support for charities through payroll giving, matched giving and fundraising, compared to prior year	£3.1m	£3.1m	On track See page 47
Integrity	Managers trained on anti-corruption policies and procedures (%)	Ensure that managers are appropriately trained on anti-bribery and corruption risks	99.8%	98%	On track See page 24
Environment	UKPIL total carbon emissions (kt CO ₂ e)	20% reduction in carbon emissions by 2020–21 compared to 2004–05 baseline	648.9	681.2	Achieved See page 68
	Waste diverted from landfill (%)	Divert 87% of waste from landfill	91%	86%	Achieved See page 72
	Water consumption ('000 m ³)	3% reduction compared to prior year in water consumption	1,413.1	1,474.4	Achieved See page 71
Suppliers	New UK suppliers that are bound by the Responsible Procurement Code (%)	100%	100%	100%	Achieved See page 59
	New UK Procurement employees that have undertaken CR induction training (%)	100%	100%	100%	Achieved See page 59
	Regular monitoring of all UK suppliers against UK Treasury sanctions list (%)	100%	100%	N/A	Achieved See page 59

¹⁶ A full list of our CBS KPIs is available on page 18 of the 2016–17 Annual Report and Financial Statements

¹⁷ Key performance indicator that is on our CBS

¹⁸ First Class Quality of Service for retail products. An independent, audited measure of Quality of Service for First Class retail products delivered by the next working day, which may be adjusted for force majeure. This accounts for the impact of factors which are beyond Royal Mail's control, such as weather

¹⁹ The customer complaints target for 2016–17 was 499,000, however the upper performance threshold for the year was 520,000

²⁰ Road traffic collisions per 1,000 vehicles

Sustainability risks and opportunities

The CR objectives and strategy outlined in this report are fundamental to the sustained business success of Royal Mail Group. Not meeting those objectives could 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 expectations, deliver a high Quality of Service and fix problems proactively. Our people are fundamental to our ability to deliver great customer service. We need to 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; the loss of our social licence to operate, and the goodwill of customers and stakeholders on which we depend. Failing to manage our use of resources, such as fuel, would result in increased costs to the business, as would failure to manage our talent effectively.

Conversely, effective sustainability management can bring benefits in the form of improved customer retention and advocacy, 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, on pages 48–87 of the 2016–17 Annual Report and Financial Statements, describes in detail how the Group manages its risks at the Board level through its respective sub-Committees and throughout the organisation.



30m

WE HAVE THE ABILITY TO DELIVER TO AROUND 30 MILLION ADDRESSES, SIX DAYS A WEEK

Stakeholder engagement

Royal Mail is a stakeholder focused business. As provider of the Universal Service, we have the ability to deliver to around 30 million addresses, six days a week. We are part of the UK's social fabric.

The support of external stakeholders, such as our unions, shareholders, customers, communities and suppliers, is integral to our success and the ongoing sustainability of our business.

Open communication

We are committed to being as open and transparent as possible about our business. We communicate proactively with stakeholders and offer a range of channels for them to engage with us. We seek to understand their perspectives about our business, including our products and services. We also seek their views about our role and responsibilities as a key part of the UK's economic and social infrastructure. At the same time, we aim to help stakeholders gain a better understanding of our business, as well as our need to change. Our stakeholder engagement policy is published on the Royal Mail Group website at www.royalmailgroup.com/responsibility/our-approach-stakeholder-engagement

The CR objectives and strategy outlined in this report are fundamental to the sustained business success of Royal Mail Group

Determining materiality

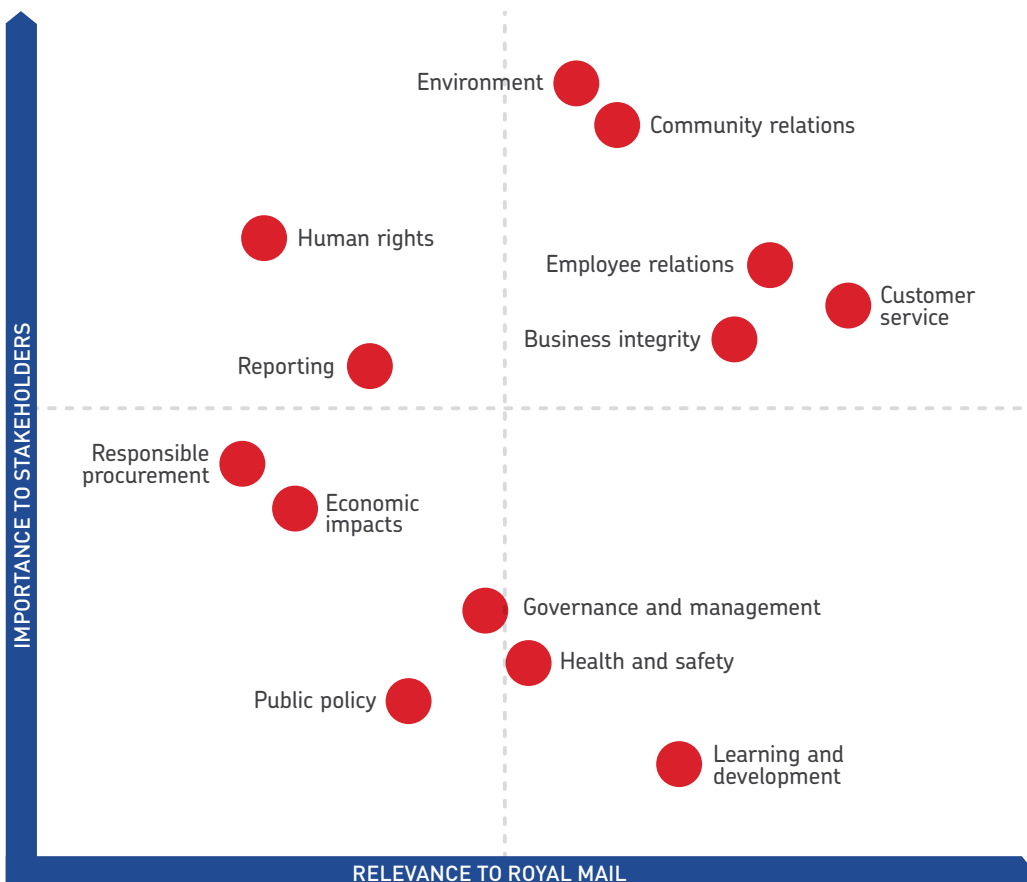
Our different stakeholder groups provide important feedback on our approach to CR. Every two years, we talk to around 50 stakeholders from groups representing customers, consumers, employees, our unions, shareholders, suppliers and environmental representatives. We undertake interviews, surveys and a stakeholder panel to generate a list of material issues. Stakeholders then rank these according to priority. Through this, we gain greater understanding about the key issues they expect us to report on, and valuable insight to inform our business decision making. One of the key outputs of our engagement with stakeholders is our materiality matrix. It maps stakeholders' priorities against business priorities. The matrix is shown below. We use this to help structure our report and ensure that we cover key issues in a transparent way.

Our most recent materiality assessment involving external stakeholders took place in November 2015. The full results of the assessment are described in our 2015–16 Corporate Responsibility Report, which is available at www.royalmailgroup.com/responsibility/cr-reports

The assessment identified five top issues for Royal Mail: customer service and relations; employee relations and engagement; environmental management; business integrity; and community relations. These issues are prioritised within our CR programme and activities. We have updated our approach to reporting this year, introducing a new section on business integrity and additional detail about our community impact to provide stakeholders with more information about these two key issues. See pages 24 and 51 respectively.

As part of our annual, internal review of material issues, we added human rights to our materiality matrix for 2016–17, in recognition of increased focus on this area. More information on our commitment to upholding human rights is available on pages 25–26. No further changes were made to the matrix. Our next full materiality assessment involving external stakeholders is due to take place in autumn 2017.

We added human rights to our materiality matrix for 2016–17



Key stakeholders

Stakeholder	What is expected	How we engage	Progress in 2016–17	What is next
Customers	<ul style="list-style-type: none"> Fulfilment of the Universal Service, delivery of post six days a week at competitive prices High Quality of Service Responsiveness to their expectations 	<ul style="list-style-type: none"> Our customer services engage in approximately 7.5 million customer conversations a year by phone, email and Twitter Our www.royalmail.com website Our postmen and women interact with customers daily Our sales team of account managers – field, desk, new business and specialists – interact with business customers on a daily basis 	<ul style="list-style-type: none"> Opened over 250 of our busiest Customer Service Points on Sundays, covering over one-third of UK addresses Completed the roll-out of delivery confirmation for the majority of barcoded parcels GLS Germany launched SameDay, which offers same day evening deliveries in 11 cities, providing convenience for online shoppers In 2016–17, our mean business satisfaction score improved from 76 to 78. The mean score of business customers rating Royal Mail as 'Easy to Do Business With' increased two points to 80 	<ul style="list-style-type: none"> Increase the number of parcels we are able to track Focus on reducing Denial of Receipt complaints, which relate primarily to parcels Make greater use of digital technology to improve the customer posting experience
Colleagues	<ul style="list-style-type: none"> Safe working environment Fair pay, terms and conditions Equality and fairness in the workplace Learning and development support Engagement on important issues for the Company 	<ul style="list-style-type: none"> Weekly Work Time Listening and Learning sessions for frontline employees Just Say It (an email link to our CEO) Royal Mail TV Intranet and extranet (www.myroyalmail.com) Town Hall forums and engagement with senior managers Our monthly magazine, Courier 	<ul style="list-style-type: none"> Maintained our Lost Time Frequency Rate of 0.49 Reduced our Road Traffic Collision Frequency Rate by 12.3 per cent compared with 2015–16 Named a <i>Times</i> Top 50 Employer for Women for the fourth consecutive year Distributed final one per cent of shares gifted to employees following disposal of HM Government's holding in Royal Mail plc A total of 12 per cent of Royal Mail shares have now been given to eligible employees for free 	<ul style="list-style-type: none"> Continue to grow the People Panel and develop an online forum for more regular engagement Work with operational teams on key action plans to prevent road traffic collisions Deliver more Mental Health First Aid training to line managers Deploy our new diversity awareness campaign across the business Design an Induction School for all newly appointed managers to support our drive for continuous improvement and to further embed our values
Unions	<ul style="list-style-type: none"> Fair and respectful treatment of members Consultation and engagement on important issues for the Company Negotiations on terms and conditions 	<ul style="list-style-type: none"> Weekly meetings between CWU representatives and frontline operational managers Ad hoc meetings to support individuals Operations directors, project managers and the Industrial Relations team engage with unions on all business-wide issues Ongoing collaborative meetings to involve our unions in efficiency improvements and growth opportunities 	<ul style="list-style-type: none"> Completed a range of Agenda for Growth initiatives to improve industrial relations and deliver our transformation programme across our operations Developed local and national initiatives with our unions to adapt our core network to accommodate an increasing number of parcels, and agree changes to our working practices Signed a new five-year agreement with the CWU Humanitarian Aid division to provide Royal Mail vehicles and employees to work on humanitarian aid convoys 	<ul style="list-style-type: none"> Work with the CWU on four key areas: pensions, the working week, agreements and the future shape of Royal Mail. We want to agree a vision including changes to the business Work with Unite/CMA on embedding the Workplace Management Programme

Key stakeholders

Stakeholder	What is expected	How we engage	Progress in 2016–17	What is next
Investors	<ul style="list-style-type: none"> Sustainable shareholder value 	<ul style="list-style-type: none"> A comprehensive investor relations programme Full year and half year results presentations and first and fourth quarter trading updates Our Annual General Meeting Publication of our Annual Report and Financial Statements The investors section of our website Internal communication channels for our employee shareholders 	<ul style="list-style-type: none"> During the year, Management met with a broad range of existing and prospective institutional investors The Chairman also held meetings with some of our larger investors Over 31,000 employees are part of the Save As You Earn scheme, giving employees the option to buy Royal Mail shares 	<ul style="list-style-type: none"> Aim to deliver sustainable shareholder value Maintain our market leading positions and target new segments and channels where we can grow Continue to comply with financial disclosure obligations
Regulator – Ofcom	<ul style="list-style-type: none"> Continuous improvements in our efficiency, while meeting USO Quality of Service standards Updates on our performance Responding to public consultations 	<ul style="list-style-type: none"> Our Regulation and Competition Policy team regularly engages through face-to-face meetings, reporting and consultation responses 	<ul style="list-style-type: none"> We responded to Ofcom's Fundamental Review of the Regulation of Royal Mail consultation. We welcomed Ofcom's decision not to re-introduce efficiency targets or price controls. However, we stressed the need for a proactive framework that can secure the sustainability of the Universal Service We have adhered to our regulatory reporting requirements We exceeded both our regulatory First and Second Class Quality of Service targets 	<ul style="list-style-type: none"> Implement changes from Ofcom's Fundamental Review of the Regulation of Royal Mail Continue to stress the need for a proactive framework to ensure sustainability of the Universal Service Engage with Ofcom on changes to regulatory reporting Continue to engage with our regulators and meet our regulatory requirements Meet USO Quality of Service standards
Elected representatives and officials	<ul style="list-style-type: none"> Provide the USO without Government subsidy Comply with applicable laws Ensure regulatory certainty Engage with Government and contribute to policy development Pay our fair share in taxes 	<ul style="list-style-type: none"> Royal Mail's Public Affairs and EU Policy teams engage regularly with elected representatives and Government officials through responses to formal consultations, briefings and our outreach programme. This includes 'Walking in your postie's shoes' and other operational visits 	<ul style="list-style-type: none"> Worked closely with UK and EU elected representatives and Government officials, to feed into policy developments that impact our business Hosted around 1,000 visits to our postal operations for MPs, MEPs and other elected and Government officials Engaged with Government officials on policy development 	<ul style="list-style-type: none"> Continue to engage with Government stakeholders, input into policy discussions, respond to queries and raise awareness of our operations

Key stakeholders

Stakeholder	What is expected	How we engage	Progress in 2016–17	What is next
Local communities	<ul style="list-style-type: none"> Operate in a responsible manner Maintain Royal Mail's presence in local communities 	<ul style="list-style-type: none"> Our CR and Community Investment team engages with charity partners and organisations to drive positive social impacts Colleagues interact with communities daily 	<ul style="list-style-type: none"> Contributed £10.8 billion to the UK economy Royal Mail contributed £7.9 million directly to good causes and schemes for disadvantaged groups. In addition, our people donated £3.1 million to hundreds of charities and good causes Completed our Charity of the Year partnership with the Stroke Association, raising £2 million over two years Funded a Mental Health Advisor role at The Prince's Trust for three years, to support the young people who access The Trust's services Distributed our 100th missing person alert during the year and sponsored 10,000 freepost 'Message Home' cards for missing people 	<ul style="list-style-type: none"> Launch our partnership with Action for Children to deliver a multi-faceted programme for mental health, covering training, awareness raising, research, pro bono support and work placements for people with mental health problems Drive employee engagement in our fundraising, volunteering and payroll giving schemes Identify opportunities to leverage our assets to tackle social issues in collaboration with our charity partners
Suppliers	<ul style="list-style-type: none"> Fair contracting and ordering Payment to agreed terms Information about Royal Mail policies 	<ul style="list-style-type: none"> Group Procurement liaises with our suppliers before sourcing, and monitors compliance with our Responsible Procurement Code, which sets out the high standards of ethical, social and environmental conduct we expect from our suppliers Contract managers monitor suppliers' contractual obligations and KPIs GLS engages with transport providers in Germany to embed ethical principles through its Partner Code 	<ul style="list-style-type: none"> Amended the contract with our main flexible resource provider in the UK to stipulate greater diversity of candidates put forward for temporary roles in our operation Added an anti-slavery and human trafficking clause to our standard contract terms and conditions in the UK Trained all of our Procurement colleagues in our UK operations on anti-bribery and corruption GLS undertook a European road safety campaign aimed at transport partners to encourage safer driving behaviours 	<ul style="list-style-type: none"> Target 50 higher sustainability risk suppliers to enrol with Sedex²¹ by 2019 Complete actions and KPIs on the Supplier Management Portal system for all suppliers considered higher risk for CR, probity or sanctions Develop sector specific environmental questions for use in tendering, relevant to the particular risks in each sector

²¹ Sedex is an online database through which we can closely monitor our suppliers' CR performance

Our heritage

In 1516, King Henry VIII knighted Brian Tuke, the first Master of the Posts and the designer of what would become the world's first national postal service. Since then, the evolution of the Royal Mail has helped to shape the history of the UK and the way the world communicates. Celebrating our 500th anniversary in 2016 enabled us to bring this unique heritage to life.

We worked with our heritage partner, The Postal Museum, to create an online gallery of 500 objects, people and events at www.royalmailgroup.com/500years – telling the story not only of the postal service but also of our contribution to social and political development over the last 500 years. In compiling the gallery, we focused on some key themes – stamps; people; moments in history; iconography; and the beginnings of Royal Mail – to draw out the most interesting stories and facts about our long and rich history. The Special Stamp set we released to celebrate the occasion covered six significant aspects of Royal Mail's history: heritage, historic modes of transport, icons, people, connectivity and technology.

World firsts

The postal service has delivered a number of world firsts that are now part of the way we live today. These include the first postmark, the world-famous Penny Black stamp, the first scheduled airmail service, and, importantly, the beginnings of the Universal Service, through which we can still send a letter or a parcel anywhere in the UK for a uniform price.

Stamps

The introduction of the Penny Black – which celebrated its 175th anniversary in 2015 – signalled the start of a communications revolution. About 67 million letters were posted in 1839, rising to 242 million by 1844 after the introduction of the Penny Post. By 1875, the number had risen to over a billion. More recently, stamps have become a marker of important cultural events, important people and anniversaries.

People

Our gallery features a wealth of stories that celebrate the dedication, innovation and drive of the individuals who have made the postal service what it is today. Among others, it features Charles Garland, who campaigned for more sanitary working conditions during the tuberculosis crisis, the five brave souls (American postal workers Oscar Scott Woody, John Starr March and William Logan Gwinn, and British postal workers James Bertram Williamson and John Richard Jago Smith) who perished on the *RMS Titanic* after refusing to desert their posts, and Jean Cameron, the 19 year old who made it possible for postwomen to wear trousers at work.

To celebrate, we worked with our heritage partner, The Postal Museum, to create an online gallery of 500 objects, people and events



Moments in history

Royal Mail has played a key role in many of the country's defining moments, including the First and Second World Wars. Our gallery features a letter from General Dwight D Eisenhower to the Postmaster General, thanking staff for keeping the network of communications open across the country in the run up to D-Day. It also describes the tremendous effort on the home front to keep the postal service working throughout the conflicts; and how the postal service played an important role in improving literacy and transforming the way in which we communicate.

Iconography

Royal Mail red – which features on our vans, uniforms and especially our postboxes – is part of the fabric of UK life. In this section of our gallery, we display the designs that have defined a national institution: nationwide campaigns using some of the finest international illustrators; the definitive stamp design that has become the world's most reproduced artwork; and iconic vehicles – from mail coach to motorbike.

Celebratory events

We held several events throughout the year, involving many of our colleagues, to celebrate our role at the heart of UK communities. One of the highlights was a visit by Her Majesty The Queen and His Royal Highness The Duke of Edinburgh to our Windsor Delivery Office. The Royal couple were greeted by a crowd of well-wishers made up of long-serving employees; postmen and women who have fundraised for charity or helped people in their communities; Royal Mail graduates and apprentices; and representatives of some of the charities with whom we work.

Royal occasions



04 In April 2016, Her Majesty The Queen and His Royal Highness The Duke of Edinburgh visited our Windsor Delivery Office, which we renamed Queen Elizabeth Delivery Office on the eve of Her Majesty's 90th birthday. The Royal party were accompanied by our CEO Moya Greene, Chairman Peter Long and Delivery Office Manager Andrew Roeton. The visit included an opportunity for the Queen to see, for the first time, the printed editions of our Special Stamps celebrating her landmark birthday, and an exhibition highlighting key events in our 500 year history.

09 In September 2016, The Prince of Wales and The Duchess of Cornwall attended our 500 years reception in the City of London. During the reception, Their Royal Highnesses unveiled a new replica Penfold postbox, painted green and gold – the original colours of these hexagonal-shaped boxes when they were first introduced 150 years ago. It has been installed on St Martin's Le Grand in the City of London, outside the site of the General Post Office's former headquarters. A letter from Prince Charles addressed to Royal Mail employees was one of the first letters to be posted in the new box.



11 In November 2016, we held a joint celebration for The Duke of Edinburgh's Award (DofE) Diamond Anniversary, and Royal Mail's 500 years, with an event attended by His Royal Highness The Earl of Wessex at our Mount Pleasant Mail Centre. Colleagues, including apprentices from across the business, met the Earl and shared their own DofE experiences. We became a DofE Diamond partner as part of our 500 years celebrations.

Our people

04 In April 2016, we launched our 'Letters of our Lives' campaign, to encourage people to look in their attics, rummage around their garages and search their sheds for any letters or postcards that relate to key moments in their family history. Over 1,600 letters and images were received, throwing new light on events such as the civil rights movement in the US, life during the two World Wars and international travel. We worked with historian Lucy Worsley to curate a special online gallery of letters that catalogues over 315 years of history. The gallery is available at www.500years.royalmailgroup.com/gallery



06 In June 2016, we held commemorative processions in Cardiff, Edinburgh, Belfast and London, re-enacting historic mail routes in our UK capital cities. Postmen and women wore postal uniforms from throughout our history and walked alongside our 18th-century Royal Mail horse-drawn coach. Postman Mark Penfold joined the procession in London, having completed an epic 500 mile walk – to mark 500 years – along one of the earliest postal routes from Edinburgh to London. He was joined for the final mile by our historic mail coach and hundreds of colleagues, family and friends. The walk ended with an event at the Guildhall in the City, where there was a selection of old Royal Mail vehicles and a 500 years display. Mark raised over £60,000 for the Lily Foundation, which supports families affected by mitochondrial disease, which Mark's grandson Frankie suffers from.



04 In April 2016, our historic 18th-century mail coach drew the crowds when Royal Mail went to the races. Colleagues from across the business enjoyed a day at Ascot Racecourse where Royal Mail sponsored the Conditional Jockeys Handicap Hurdle as part of our 500th anniversary celebrations.



09 In September 2016, we flew a vintage Tiger Moth from Headcorn Airfield in Kent to Le Touquet in France, recreating a proving flight that was made by the Aircraft Transport and Travel airline in 1919. The flight helped to establish a regular airmail service between England and France. The Royal Mail branded Tiger Moth biplane carried a special mail bag of letters from UK school children as well as a personal letter from Royal Mail CEO Moya Greene to La Poste CEO Philippe Wahl. The flight paid tribute to the early pioneers of aviation who braved often difficult conditions to get mail overseas and establish it as a key communications channel.

over
£60,000

POSTMAN
MARK PENFOLD
COMPLETED AN
EPIC 500 MILE WALK,
RAISING OVER
£60,000 FOR THE
LILY FOUNDATION

11 In November 2016, we joined the Lord Mayor's Show in London. Royal Mail has been headquartered in the City of London since 1635 following the opening of the first Letter Office at Sherborne Lane, signalling the start of a deep association with the City. Our employees and other supporters accompanied an 18th-century Royal Mail horse-drawn coach along the three mile parade, carrying giant copies of some of our iconic Special Stamps, including designs commemorating Sir Winston Churchill, the Routemaster bus and the Penny Black. Horse-drawn coaches featuring the Royal Mail livery were used for the first time in 1784 to transport the mail between Bristol and London.



First World War Remembrance

This was also a very significant year in our ongoing remembrance of the role played by General Post Office (GPO) employees in the First World War. During 1916, the Post Office Rifles, a regiment made up of GPO employees, suffered tremendous losses at the Battle of the Somme. Postwoman and Army Reservist Sonia Dodderell represented Royal Mail and the Post Offices Rifles at a special remembrance service on the 100th anniversary of the Battle in Martinpuich, France. Royal Mail also released three letters that give a glimpse into life on the front line and at home. The letters were unearthed as part of our Letters of Our Lives project and paint an intimate picture of life during one of the bloodiest of the First World War's battles. The letters describe the feats of bravery that soldiers undertook on a daily basis, the unfaltering cheerful attitude of those on the front line and the endless struggles that families faced at home under extreme conditions.

We also dedicated postboxes to two members of the Post Office Rifles who were awarded the Victoria Cross for heroism during 1916: Sergeant Albert Gill from Birmingham and Major Henry Kelly from Manchester. Sergeant Albert Gill was killed in action in 1916 when he faced down the enemy, despite knowing it meant certain death, to hold up an advance. Major Henry Kelly was awarded the Victoria Cross for conspicuous bravery during an attack in Le Sars, France. Under heavy fire, he led three men into an enemy trench, and then, when forced to retreat when enemy reinforcements arrived, carried his wounded Company Sergeant Major to safety. Major Kelly continued to work for the GPO after the war.

More than 75,000 GPO employees served during the war. We are now one of the country's most significant custodians of war memorials – a duty that we take very seriously. We invite colleagues to remember former employees who served in this war, and others, by providing a wreath and suggested order of service for Remembrance Day every year.

We have worked closely with The Postal Museum to curate a database of all known memorials in our care. The database can be seen at www.royalmailmemorials.com. The website provides searchable information about each individual memorial.

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75,000

MORE THAN 75,000 GPO
EMPLOYEES SERVED
DURING THE FIRST
WORLD WAR



Business integrity

Trust is fundamental to Royal Mail's business, to our role as the provider of the Universal Service in the UK, and to our position at the heart of communities. Operating with integrity is essential for safeguarding our reputation and protecting our valued place in society.

Our Business Standards

Royal Mail's Business Standards are designed to equip our people with a framework for ethical behaviour that protects our trusted brand and reputation. The standards encourage all employees to do the right thing, follow the law, act honourably and treat others with respect. They cover managing potential conflicts of interest, our commitment to non-discrimination and our anti-bribery and corruption policies. All new employees receive a copy of the standards within six months of joining Royal Mail. We communicate them to all employees every three years.

Where standards are not maintained, appropriate actions are taken. In 2016–17, 2,963 breaches to the Business Standards were recorded. These included issues like failure to follow workplace practices, bullying and harassment, and theft of mail. In around 25 per cent of cases, we either dismissed the employee concerned or issued a suspended dismissal.

GLS also has a Code of Business Standards. It outlines the values and standards of behaviour that are expected of all GLS employees and its subsidiary companies. It aims to provide employees with adequate information and guidance to help them to remain compliant with the standards of behaviour expected by the GLS Group. Any breach is treated as a disciplinary matter. It can result in disciplinary action in accordance with the applicable local law, up to and including termination of employment, and reporting to the appropriate authorities.

Anti-bribery and corruption

Royal Mail Group has a strict zero-tolerance policy on bribery and corruption. We have embedded the principles of the UK Bribery Act in our Anti-bribery and Corruption Policy and supporting guidance ➤ www.royalmailgroup.com/responsibility/policies

Our Audit and Risk Committee reviews the controls we have in place to prevent bribery and corruption on a regular basis. All our business units complete a risk assessment on a quarterly basis. We use this to ensure actions are taken to help mitigate bribery and corruption risks. Senior business leaders are required to give an attestation to our CEO twice a year, confirming that risks are being adequately managed within their respective units.

Business units that may be at greater risk of bribery and corruption due to their interaction with third parties, such as our Procurement department, receive additional anti-bribery and corruption training and guidance to support them in their work. In 2016–17, our UK Procurement department introduced anti-bribery and corruption performance indicators to monitor higher risk suppliers' performance against compliance standards. Anti-bribery and corruption clauses are also included in all relevant contracts.

Why business integrity is important

Our stakeholders rank business integrity as a material issue for our business. They are particularly interested in our approach to business ethics, anti-competitive behaviour and bribery and corruption. For details of our materiality assessment see page 16.

OUR APPROACH TO LOBBYING AND POLITICAL ENGAGEMENT

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

A TRUSTED DELIVERY COMPANY

Trust is a vital asset for our business.
Consumers rate Royal Mail as the most trusted delivery company.¹

We assess the adequacy of new subsidiaries' and joint ventures' compliance programmes, including for anti-bribery and corruption, as part of our due diligence process, before they become part of Royal Mail Group. If required, we take steps to ensure that their anti-bribery and corruption policies and procedures are brought up to our standard. If the subsidiary or joint venture does not have appropriate anti-bribery and corruption policies and procedures, we require them to adopt the Royal Mail Group anti-bribery and corruption framework. Once integrated, these new entities regularly report on compliance risks and provide attestations to Royal Mail Group's CEO, as per the risk assessment process outlined on page 24.

Royal Mail provides online and face-to-face training to embed our zero-tolerance approach to bribery and corruption within our business. Members of the Audit and Risk Committee and Executive Team receive bespoke face-to-face training. New managers undertake mandatory anti-bribery and corruption e-learning courses as part of their induction. In addition, all managers undertake annual refresher training. By the end of 2016–17, 99.8 per cent of Royal Mail managers had completed the training. Non-managerial colleagues receive anti-bribery and corruption briefings as part of their Work Time Listening and Learning sessions.

Our Anti-bribery and Corruption Policy is published on our intranet. We also issue regular compliance updates across our internal communications channels.

Data protection and privacy

We know that privacy is important to the public, our customers and our people. Royal Mail Group is committed to handling personal information in accordance with the data protection and privacy laws of every country where we operate. Our privacy policy, which explains how we collect, use, share and protect personal information, is available at www.royalmail.com/privacy-policy

Human rights

We are committed to upholding and respecting human rights. In addition to obeying the laws, rules and regulations of every country in which we operate, we support the United Nations Universal Declaration of Human Rights and the International Labour Organization Fundamental Conventions, covering freedom of association, the abolition of forced labour, equality and the elimination of child labour.

Royal Mail has been a signatory of the United Nations Global Compact since 2005. Membership of the Compact means we prohibit labour abuses, such as forced labour and child labour.

We set out our commitment to human rights in our Company-wide Corporate Responsibility Policy, our Responsible Procurement Code of Conduct and our Business Standards. Our policies are available on our website at www.royalmailgroup.com/responsibility/policies.

GLS' Code of Business Standards has been updated to include GLS' prohibition against usage of forced labour, child labour or human trafficking in any part of its business operations.

We welcome the UK Government's Modern Slavery Act, passed in 2015. We are committed to preventing any practices in our business and supply chain that impinge human freedom through servitude, forced and compulsory labour, and human trafficking. We will publish our formal Modern Slavery Act statement on our website within the recommended timeframes. It will cover both UKPIL and GLS.

We put new measures in place in 2016–17 to strengthen our protection of human rights across our operations. This followed a review of our business against the UN Guiding Principles on Business and Human Rights in the prior year. We undertook the assessment as a best practice measure, on a voluntary basis, supported by an expert, independent third party. It found that our risk of human rights violations is relatively low. However, we recognise that human rights violations, including forced labour and trafficking, can occur in all sectors and countries. As a responsible business, we are committed to playing our part to help eliminate them.



Royal Mail has been a signatory of the United Nations Global Compact since 2005

¹ Ipsos MORI Consumer CSI Survey 2016–17

As a result, we decided to take some additional steps to further tighten the controls we have in place for higher risk parts of our supply chain and operations:

- Royal Mail's on-boarding process for UK suppliers now includes a specific question on modern slavery and human trafficking. This requires potential suppliers to confirm their compliance with all applicable labour and employment laws, including all anti-slavery and anti-trafficking legislation, the Modern Slavery Act, or equivalent national legislation.
- In October 2016, we introduced a new clause to the standard Royal Mail contract terms. It requires suppliers to comply with the Modern Slavery Act and notify Royal Mail of any breaches. This has been deployed for all new contracts and as part of contract extensions and amendments with current suppliers.
- In March 2017, we created a risk map to identify higher risk supplier categories. We will use the results of this risk mapping exercise to develop and strengthen our supply chain controls in the forthcoming financial year.
- We are developing a human rights risk assessment, which higher risk business units will be required to complete each year.

Should any instances of modern slavery or human trafficking come to light, contracts with the relevant supplier may be terminated. We have not had any such incidences, that we are aware of, in our supply chain to date. But, we take the necessary action when our Responsible Procurement Code is not complied with. In 2016–17, we terminated dealings with a supplier that failed an unannounced, independent factory audit that raised serious concerns about its approach to worker safety.

GLS is bound by strict standards of business practice. Every GLS employee involved in the selection of business partners, who act on behalf of GLS, is responsible for ensuring that partner selection complies with the appropriate process. Under the GLS Business Partner Approval Process, which has been rolled out to all GLS entities, standard contracts with transport partners contain a clause specifically requiring that transport partners adhere to all applicable local laws.

SCAM MAIL

We work closely with the relevant authorities, our employees and industry partners to eliminate criminal activity that uses the postal system. Our progress in tackling scam mail, and identifying and reporting illegal substances sent through the mail, is available on pages 35–37.

Training

In 2016–17, our UK Procurement team received training on the Modern Slavery Act and the new legal requirements. Further training is planned for 2017–18. This will be designed to ensure that relevant employees are aware of our procedures to identify, manage and mitigate any risk of modern slavery and human trafficking taking place in our business and supply chain; and how to escalate any concerns that may arise. We have also developed an e-learning course on modern slavery and human trafficking. It will be made available to a wider group of employees.

Raising concerns

Royal Mail's whistleblowing helpline, 'Speak Up', allows employees (including contractors and temporary workers) to raise concerns about serious wrongdoing anonymously. This includes any concerns about violations of human rights. GLS also operates a whistleblowing system to enable employees, business partners and third parties to report in confidence any concerns that they have about criminal acts or other serious offences.



At a glance

OUR CUSTOMERS



Getting customer service right is essential if we are to compete effectively and achieve our vision of being recognised as the best delivery company in the UK and Europe. As the UK's sole designated Universal Service Provider,¹ Royal Mail delivers a 'one-price-goes-anywhere' service on letters and parcels to around 30 million addresses, across the UK, six days a week.² We deliver nearly 15 billion letters and over one billion parcels every year.

KEY FACTS

30m

AS THE UNIVERSAL SERVICE PROVIDER, WE HAVE THE CAPABILITY TO DELIVER TO AROUND 30 MILLION ADDRESSES, SIX DAYS A WEEK



No.1

ROYAL MAIL IS THE UK'S PRE-EMINENT PARCELS DELIVERY COMPANY

1.2bn

ROYAL MAIL HANDLED AROUND 1.2 BILLION PARCELS AND 14.9 BILLION LETTERS IN 2016-17. GLS DELIVERED 508 MILLION PARCELS³

WE CONNECT BUSINESSES, HOUSEHOLDS AND COMMUNITIES UP AND DOWN THE COUNTRY. WE ENABLE E-COMMERCE GROWTH FOR UK BUSINESSES, ESPECIALLY SMES

ONLY ROYAL MAIL DELIVERS TO ALL PARTS OF THE COUNTRY WITH A GEOGRAPHICALLY UNIFORM TARIFF

KEY HIGHLIGHTS

- We completed the roll-out of delivery confirmation for the majority of barcoded parcels. This informs the sender whether a parcel has been delivered or returned to the Delivery Office.
- We expanded our capability to offer tracked cross-border outbound and international returns services to our larger customers.
- We expanded our service to allow customers to drop off pre-paid items at Customer Service Points for delivery within the UK. We now offer this at around 1,200 Customer Service Points in Delivery Offices across the UK.
- We opened over 250 of our busiest Customer Service Points on Sundays, covering over one-third of UK addresses.
- GLS launched its GLS SameDay service in 11 cities in Germany; and rolled-out its ParcelLockers in four countries. This offers consumers an easy and secure way of receiving their parcels.

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▶ Fixing problems	34
▶ Providing value for money	34
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PERFORMANCE (KPIs)

RETAIL FIRST CLASS QUALITY OF SERVICE (%)*

2016-17	93.2%
2015-16	92.6%
2014-15	93.1%

MEAN BUSINESS CUSTOMER SATISFACTION (SCORE)*

2016-17	78
2015-16	76
2014-15	76

CUSTOMER COMPLAINTS (NUMBER)*

2016-17	516,841
2015-16	476,040
2014-15	452,538

*Target achieved, see page 14 for details

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

² As per the Postal Services Act 2011, we are required to deliver the Universal Service Obligation for parcels five days a week

³ Includes parcels handled by Royal Mail and Parcelforce Worldwide

Our customers

Royal Mail is the UK's most trusted delivery company.⁴ We deliver more letters and parcels, to more addresses in the UK, than all of our competitors combined. We connect companies, customers and communities across the UK through Royal Mail and overseas through GLS, our pan-European parcels business.

Royal Mail is the pre-eminent parcel delivery operator in the UK. We deliver more parcels each year than all of our UK competitors combined. Our UK operation is organised to deliver to every household and business in the UK, Monday to Saturday. More than 90 per cent of the parcels we handle in the UK pass through the Royal Mail core network, which delivers the Universal Service.

E-substitution continues to drive structural decline in UK addressed letter volumes. We forecast a 4–6 per cent annual decline (excluding the impact of political parties' election mailings) in the medium-term. Despite this, letters are an important part of our business. We believe they will be for years to come. They account for around 45 per cent of our revenue as a Group; and almost 60 per cent of our revenue in the UK.

From the Residential Postal Tracker 2016, Ofcom found that a large majority of residential customers said that they were satisfied with postal services overall in 2016. 82 per cent of respondents stated they were either 'very satisfied' or 'fairly satisfied' with Royal Mail services.⁵ In a previous report, the regulator also found postal services/delivery to be the only sector where customers' perceptions of value for money had increased from 2005 to 2015.⁶

Our role in enabling commerce and growth

The Universal Service Obligation (USO) is vital for economic growth. It is a key part of the digital economy, which is crucial to the UK's economic future. The digital economy is currently 31 per cent of UK GDP. It is forecast to grow to 33 per cent by 2020.⁸ The UK is a global leader in this field. It has the highest per capita spend on e-commerce per person; over 50 per cent more than the next highest country.⁹

E-commerce relies on two Universal Services: post and broadband. The postal USO is the physical fulfilment arm of the digital economy. The highly specified postal USO is also key to the successful delivery of the Government's broadband vision. Royal Mail delivers a considerable proportion of physical e-commerce in the UK.

Key delivery partner for SMEs

Royal Mail is a key delivery partner for SMEs. The USO provides depth of coverage, value for money and convenience for SMEs wherever they are based in the UK.¹⁰ Without the USO, there would be very significant gaps in market provision. The USO helps SMEs to compete with large businesses, facilitating competition and choice for consumers. This is significant, given that there were 5.4 million SMEs in the UK in 2015, generating 47 per cent of total UK turnover.¹¹

- 4 Ipsos MORI Consumer CSI Survey 2016–17
- 5 Ofcom, Review of the Regulation of Royal Mail, 1 March 2017, Paragraph 3.17
- 6 Ofcom, Consultation on Review of the Regulation of Royal Mail, 25 May 2016, Paragraph 4.12
- 7 Ipsos MORI Corporate Image Survey Winter 2016
- 8 Digital disruption: The growth multiplier – Accenture
- 9 Ofcom 2015 "International Communications Market Report"
- 10 Triangle Management Insights, 2015
- 11 Department for Business, Innovation and Skills, Business Population Estimates for the UK and Regions 2015

A TRUSTED BRAND

A survey by Ipsos MORI found that 78 per cent of our customers say they have a favourable view of us, while 88 per cent are satisfied with the service we provide, putting us ahead of companies surveyed.⁷ Royal Mail also ranks as the most trusted and most preferred delivery company in the 2016–17 Business Brand Tracker survey.

Key delivery partner for SMEs¹²

Value for money:

- Royal Mail offers a very competitive service across lighter parcels.
- Other than Royal Mail, only one alternative provider offers Saturday delivery at no extra charge.

Depth of coverage:

- Royal Mail provides universal coverage. Only two other companies offer all their products everywhere, including rural areas.
- 80 per cent of UK addresses are within one kilometre of a Royal Mail parcel access point.

Research we commissioned from Triangle Management compared Royal Mail's USO parcel services with the SME offerings of 12 competitive providers. It showed that the USO offers the strongest combination of service benefits – for example compensation, confirmation, and transit times – at competitive prices.

Royal Mail adheres to a stringent set of regulatory standards for the delivery of parcels and letters. Consumer protections are key. Royal Mail has the greatest number of protections for parcels customers. Some major new parcel carriers are not required to provide any consumer protections, beyond standard UK and EU consumer protections. See page 31 for more information.

Working with the Post Office

Alongside the key role we play in enabling e-commerce, the availability of Royal Mail's products in Post Offices make a vital contribution to the sustainability of the Post Office. Selling Royal Mail's products is the Post Office's most consistent and important source of income, at 34 per cent of total turnover.¹³

Our customer strategy

Our customer strategy has four priorities:

- Understand our customers' expectations;
- Be easy to do business with;
- Maintain a high Quality of Service; and
- Provide value for money to all customers.

We measure customer service performance through three KPIs on our Corporate Balanced Scorecard (CBS). All of them are equally weighted. They are: First Class Quality of Service; business customer satisfaction; and customer complaints. All managers' remuneration is linked to CBS performance. We publish our full CBS in our Annual Report and Financial Statements, which is available at www.royalmailgroup.com/investor-centre/report-download-centre

Understanding our customers' expectations

Understanding and responding to our customers' expectations is an integral part of how Royal Mail does business. We survey around 600 business customers and 3,000 consumers every month as part of ongoing customer satisfaction research. We also carry out post-call surveys with business and consumer customers who contact us by phone. This enables us to provide real-time feedback for managers, tackle any issues proactively and reduce the need to escalate complaints.

We conduct a separate Online Satisfaction Survey to measure customer experience of our website and mobile applications. In 2016–17, we saw a 60 per cent increase in consumers visiting our website using smartphones. Consumers using tablets has also increased by seven per cent.



Understanding and responding to our customers' expectations is an integral part of how Royal Mail does business

Why customer service is important

Our stakeholders rank customer service as a material issue for our business. For stakeholders, customer service is one of the determining factors in choosing Royal Mail as a provider. It is the bedrock that will ensure Royal Mail's continued success in an increasingly competitive environment. For details of our materiality assessment see page 16.

¹² Triangle Management Insights, 2015

¹³ 2015–16 total turnover in the Post Office – www.corporate.postoffice.co.uk/sites/default/files/AnnualReport1516.pdf

Customer metrics	2016–17	2015–16
Mean business customer satisfaction (score)	78	76
Consumer satisfaction (score)	72	72
Business customer satisfaction following a call to Royal Mail (%)	91.7	90.4
Consumer satisfaction following a call to Royal Mail (%)	83.1	83.4
Business customer satisfaction with online experience (score)	52.0	49.8 ¹⁴
Consumer satisfaction with online experience (score)	60.4	59.6 ¹⁴
Mobile satisfaction with online experience (score)	68.2	N/A
Ease to Do Business With Royal Mail (score)	80	78

In 2016–17, our research confirmed that customers have a number of priorities:

Business customers' priorities:

1. Providing a consistently high-quality service;
2. Providing value for money; and
3. Providing good customer support with a focus on being easy to contact, and resolving queries and complaints quickly and effectively.

Consumers' priorities:

1. Increased control over deliveries, for example, a specified day and time of delivery; and
2. Providing value for money.

We are making progress in improving customer experience. In 2016–17, our mean business satisfaction score improved from 76 to 78. The mean score of business customers rating Royal Mail as 'Easy to Do Business With' increased two points to 80. Our consumer satisfaction score remained stable at 72.

Our people can also tell us how customer focused our products and services are. We use our annual Employee Survey to ask them what they think about the customer experience. In 2016–17, we achieved a customer focus score of 69 out of 100, an increase of two points from the previous year.

We are making progress in improving customer experience. In 2016–17, our mean business satisfaction score improved from 76 to 78

The importance of Royal Mail to key customer groups

Small businesses

Royal Mail's parcel shipping options help SMEs keep costs low through affordable delivery prices. In addition, Royal Mail's compensation policy and relatively fast transit times help ensure value for money and a high quality service for SMEs' customers. We offer flexibility for SMEs through our Click & Drop service (see page 32) and discounted prices to consumers and SMEs purchasing postage online.

Consumers without internet access

While 90 per cent of the UK adult population is online, only 73 per cent of individuals over 55 have access to the internet.¹⁵ These customers typically rely on in-store services to send parcels. They benefit from Royal Mail's services via the Post Office network of approximately 11,500 access points. The Post Office network is the largest single network of outlets providing postage sales, drop off points and Click & Collect points across the country.

Households in remote areas

For households in remote areas, Royal Mail's network coverage is vital. Post Office branches and Customer Service Points are, on average, far closer to customers in remote areas than other providers. They have more limited coverage, and often require customers to travel large distances to send or retrieve items. When households in remote locations are receiving parcels, our service typically gets them there faster, at no additional cost.¹⁶

69

IN 2016–17, WE ACHIEVED A CUSTOMER FOCUS SCORE OF 69

11,500

CUSTOMERS CAN USE APPROXIMATELY 11,500 POST OFFICE BRANCHES

¹⁴ The calculation methodology changed in 2016–17. The 2015–16 figure has been restated so that the data is comparable

¹⁵ Enders, Consumer behaviours driving market trends, 13 December 2016

¹⁶ Triangle Management Insights, 2015



1,200

1,200 CUSTOMER
SERVICE POINTS



OUR LONG-TERM RELATIONSHIP WITH THE POST OFFICE

Through our long-term relationship with the Post Office, we have the UK's largest retail network for parcels and letters. We work closely with the Post Office to make our products and services as accessible as possible, with increasing numbers of customers choosing to access our services at Post Office branches outside of traditional office hours. Over 7,000 branches have been modernised and there are now more than 4,400 branches open seven days a week.



LIFTING CONSUMER STANDARDS

The development of the parcels sector has outpaced consumer protection regulations. Royal Mail adheres to 32 consumer protection requirements relating to parcels. By contrast, other major parcel operators either have little or no regulated consumer protections standards applied to them. Unlike Royal Mail, other large and established operators are only required to provide a basic complaints process. Some major new parcels carriers are not required to provide any consumer protections, beyond standard UK and EU consumer protections. We believe other operators should be held to the same high standards as Royal Mail and that 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. We called on Ofcom to take action in the recent Fundamental Review of the Regulation of Royal Mail. However, in March 2017, Ofcom decided that Royal Mail should remain the only major parcel operator with a minimum set of protections, in particular for mail integrity. We do not believe this is the right approach. The protections should apply equally to the key aspects of the postal process – collection, sortation and delivery. We are disappointed Ofcom has not taken this opportunity to raise consumer protections for the whole industry.

POSTAL SERVICES FOR BLIND AND PARTIALLY-SIGHTED PEOPLE

Our Articles for the Blind scheme is a free postage service for blind and partially sighted people. We have provided this service for over 50 years. During 2016–17, we delivered around 3.9 million items free of charge. This represents an investment by Royal Mail of £3.8 million.

In May 2016, we provided a grant to the Royal National Institute of Blind People to fund a transcription service for MPs who receive or wish to send braille or audio letters to blind or partially sighted constituents. The service is confidential, free of charge and enables the 1.9 million people living with sight loss in the UK to communicate more effectively with their MPs. Royal Mail already offers this same service to its own customers.

KEEP ME POSTED

Royal Mail founded the Keep Me Posted campaign in 2013. It aims to give every consumer the right to choose, without disadvantage, how they receive bills and statements from service providers. To date, we have encouraged 29 service providers – from the financial, utility, local government and retail sectors – and almost 100 charitable organisations to sign up.

Being easy to do business with

We have a clear vision to be recognised as the best delivery company in the UK and across Europe. Our customers, both businesses and individual consumers, want convenience as well as value for money. We are strengthening our technology backbone, to help provide a better experience for them.

Our business and consumer customers have different needs. In 2016–17, we delivered a number of initiatives to improve our products and services for both.

For business customers

- We have rolled out delivery confirmation for the majority of barcoded parcels. This informs the sender whether a parcel has been delivered, or returned to the Delivery Office.
- We introduced new functionality as part of our Click & Drop service. This makes it quicker and easier to buy postage and print address labels online by integrating data from online shopping platforms.
- We are becoming more flexible to accommodate the needs of e-retailers and online shoppers. This includes being more flexible about the dimensions of the parcels we handle, increasing the number of pick-up and drop-off points in our network and extending acceptance times at Mail Centres and Regional Distribution Centres.
- We are continuing to make it easier for customers to access our international services. We expanded our capability to offer tracked cross-border outbound and international returns services to our larger customers.

For consumers

- We rolled out delivery confirmation for consumers posting parcels via our online platforms or at Post Office branches. This informs the sender whether a parcel has been delivered, or returned to the Delivery Office.
- The total number of Customer Service Points now open on a Sunday is over 250, covering over one-third of UK addresses. Customers can now print off delivery and returns labels from their mobile phones at the majority of our Customer Service Points. Consumers can also use approximately 11,500 Post Office branches to post items.
- GLS launched its SameDay service in Germany in April 2016, providing same-day evening deliveries in 11 cities, providing an attractive offering for online shoppers. GLS Germany also expanded its GLS-ONE portal, which enables customers to create their own parcel labels and choose delivery to either a specific address, parcel box or GLS ParcelShop.



c.11,600

THE NUMBER OF CLICK & COLLECT SITES ACROSS THE UK THAT CUSTOMERS CAN COLLECT THEIR PARCELS FROM

We have a clear vision to be recognised as the best delivery company in the UK and across Europe



GLS GERMANY AND FRANCE ARE NOW GOOD DISTRIBUTION PRACTICE CERTIFIED

In 2016, GLS operations in Germany and France received Good Distribution Practice certification for meeting stringent requirements on the transport of medicinal products. It is the first nationwide parcel service in Germany to receive this certification.

Maintaining a high Quality of Service

The UK has one of the highest Quality of Service specifications for its Universal Service of any major European country.¹⁷

We are pleased to report that we exceeded our full year regulatory First Class target of 93.0 per cent, with 93.1 per cent of mail delivered the next day. We again exceeded our Second Class target, with a performance of 98.9 per cent.

Access to postboxes

The UK has one of the most comprehensive networks of postboxes.¹⁸ We have a network of over 115,000 postboxes in Scotland, England, Wales and Northern Ireland, including postboxes in rural areas. We are continuing to roll out 'Collections on Delivery' as an alternative to decommissioning less used postboxes. This involves our postmen and women collecting letters while out on delivery, instead of making dedicated visits for collections.

Expanding and automating our network

Parcels

Around two-thirds of Royal Mail parcels now carry a barcode. We have completed the roll-out of delivery confirmation for the majority of barcoded parcels. Doorstep scanning of barcodes with our new PDAs makes this possible, enabling greater visibility of delivery status and improved customer service for marketplace sellers. In Swindon Mail Centre, our first parcel-sorting machine is now in operation. It is capable of sorting and scanning thousands of parcels an hour.

We are working to become more flexible about the parcel dimensions and packaging materials that we carry. During 2016–17, we extended Parcelforce's 48-hour service for carrying heavy and bulky parcels into over 3,400 Post Office branches and introduced next day and by-noon versions of the service. The move is in response to customer feedback. There is increasing demand for carriers who are able to handle larger parcels.

GLS acquired Agencia Servicios Mensajería S.A.U. (ASM) in Spain this year. ASM has strengthened GLS' network and services in Spain, particularly in the national express parcels segment. As part of its careful and focused expansion outside Europe, GLS acquired Golden State Overnight Delivery Service Inc. (GSO) in California, and, after the financial year end, Postal Express, a regional US parcel delivery company.

Letters

We are transforming our network with the automation of letter sorting and the reorganisation of delivery routes. We plan to install more letter sorting machines and automation equipment for large letters. This is further increasing our efficiency. These improvements focused on two key areas:

- Software upgrades to improve sortation efficiency and enable future automated sortation of large letters; and
- Feeder upgrades to enable a wider range of mail to be processed.

Around 80 per cent of suitable letters now carry a Mailmark® barcode. It enables sending customers to track the delivery of mail more closely and ensures that we bill accurately for the services we provide.



115,000

THE UK HAS ONE OF THE MOST COMPREHENSIVE NETWORKS OF POSTBOXES



TWO-THIRDS

AROUND TWO-THIRDS OF ROYAL MAIL PARCELS NOW CARRY A BARCODE

Retail Quality of Service (%)

	2016–17 target	2016–17	2015–16
First Class mail	93.0%	93.2%	92.6%
Second Class mail	98.5%	98.9%	98.8%

¹⁷ According to research conducted by Royal Mail in 2014. European countries sampled were Germany, Netherlands, France, Sweden, Spain, Italy and Austria

¹⁸ Royal Mail's response to Ofcom's Regulation of the provision of post boxes consultation, 2013



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

Fixing problems

Recognising and fixing problems is an important element of being easy to do business with. It helps reduce the number of complaints that Royal Mail receives.

We take complaints seriously. We have a 'root cause' approach to fixing them. This helps us to resolve customer issues quickly, while identifying hotspots and underlying issues. We focus on First Time Delivery, and aim to constantly improve our performance.

There was an overall increase in complaints this year, from 476,040 in 2015–16 to 516,841 in 2016–17, driven largely by the growth in tracked parcels. As a result of a range of initiatives, we reduced the number of complaints in key categories like misdeliveries and redirections. On the other hand, Denial of Receipt complaints – which primarily relate to parcels – increased. This is an area of real focus for us. We are concentrating on improving the scanning of items and ensuring that if an item is left with a neighbour, the appropriate details are written on the 'Something for You' card.

Providing value for money

Royal Mail stamp prices continue to represent some of the best value in Europe. The cost of sending letters up to 100g is significantly below the European average for First Class.

We understand how hard it is for many companies and households in the current economic environment. For that reason, we consider any pricing changes very carefully and have sought to minimise any impact on our customers. We announced our stamp prices earlier in the year. From 27 March 2017, the price of a First Class stamp increased by one penny to 65 pence. The price of a Second Class stamp increased by one penny to 56 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.

Priorities for 2017–18

- Increase the number of parcels we are able to track;
- Focus on reducing Denial of Receipt complaints, which relate primarily to parcels; and
- Make greater use of digital technology to improve the customer posting experience.

Dealing fairly and openly

Transparency strengthens Royal Mail's brand. It increases understanding of the challenges and opportunities we face. We are committed to fair and open dialogue with all our stakeholders.

We work closely with the relevant authorities, our employees and industry partners to eliminate criminal activity that uses the postal system. Our 2016–17 progress in tackling scam mail, and identifying and reporting illegal substances sent through the mail, is available on pages 35–37.

Returned mail

The overwhelming majority of mail items we handle are delivered safely to the correct address. However, unfortunately, a small proportion of items are 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 2016–17, our National Returns Centre, which aims to return all undeliverable mail to the sender, processed around 10 million items, out of a total of 11.8 billion pieces of addressed mail delivered successfully. We aim to return undeliverable mail to the sender. When this is not possible, we securely dispose of it.

Delivery exceptions

There are a very small number of addresses in the UK that we are unable to deliver to. This is usually as a result of difficulties in accessing postboxes or dangerous dogs. We term these cases 'Universal Service exceptions' and we report on them in detail to our regulator, Ofcom. We publish these reports on our website at www.royalmailgroup.com/about-us/regulation/regulation-framework

Our 2016 Exceptions Report showed there were 3,484 addresses where it was not possible to deliver mail six days a week for more than 12 months. This represents 0.01 per cent of around 30 million addresses to which we deliver. In addition, there were 1,907 long-term Universal Service collection exceptions. This represents less than one per cent of approximately 202,000 collection points across the UK.

Scam mail

Royal Mail prohibits or restricts certain items from the postal network. This is in order to protect the health, safety and wellbeing of customers and employees. We comply with all relevant legislation to ensure that mail in transit does not present a danger to the general public.

Royal Mail prohibits or restricts certain items from the postal network. Prohibited items may include dangerous goods, such as flammable, explosive or poisonous items, which are capable of posing a risk to health, safety, property or the environment. Restricted items are those that can be sent through the post, but only under certain conditions. These include some alcoholic drinks and certain batteries. We may dispose of prohibited goods or restricted goods that do not comply with relevant terms and conditions. We encourage customers to contact us if they are in any doubt. We also work closely with law enforcement agencies to prevent illegal items such as illegal weapons, controlled drugs and obscene materials from passing through our network.

Tackling the scourge of fraudulent mail

Royal Mail never knowingly delivers scam mail. We understand the upset and distress that it can cause. During the year, we worked with our employees, industry partners and law enforcement agencies to tackle this issue even more vigorously. Since November 2016, we have stopped over 700,000 items of scam mail from reaching our customers.

KEY INITIATIVES

- **We launched an industry-wide Code of Practice on scam mail, and have secured all major UK mail operators' commitment to it.**
- **We introduced anti-scam clauses into bulk mail contracts with our customers. This allows us to open items we suspect to be scam mail, and refuse to process or deliver it.**
- **We strengthened our process for dealing with scam mail, to reduce the likelihood of it entering our system from abroad.**
- **We stepped up our internal communications on scam mail. We are regularly reminding our people about our process for dealing with scam mail. We delivered more training in partnership with National Trading Standards.**
- **We are funding research by the University of Bournemouth to better understand the scale of scam mail in the UK and the emotional and financial impact on victims.**
- **In April 2017, beyond our year end, we launched a major new initiative for customers who – we believe – are receiving high volumes of scam mail. We will block and impound scam mail at our major distribution centres before it reaches the customer's letterbox.**

Industry-wide Code of Practice on scam mail

In November 2016, we launched an industry-wide Code of Practice in the UK to stop scam mailings from reaching our customers. We secured all major UK mail operators' commitment to the Code. The Code is published on our website. It sets out the following commitments:

- We will actively work together, and with law enforcement agencies, to tackle the scourge of scam mail.
- We will move quickly to proactively share intelligence on scam mailings with each other as well as the details of any suspect mailings.
- We will terminate any mailing identified by law enforcement agencies as being used to attempt to scam the recipients.
- We will ensure that each company's standard terms and conditions contain an appropriate clause, consistent across the industry, to enable us to clamp down even harder on scam mailings.
- We will work with the broader communications community and law enforcement agencies to endeavour to prevent scams perpetrated against the public, whether it is through letters, electronic communications, telephone calls or other means.

We are funding research by the University of Bournemouth to better understand the scale of scam mail in the UK

New anti-scam clauses in bulk mail contracts

We introduced anti-scam clauses into bulk mail contracts with our customers. We can now open items we suspect to be scam mail, refuse to process or deliver the items and terminate a customer's contract – in certain circumstances.

We can also pass information about suspicious mail to relevant authorities or other Royal Mail customers to strengthen our ability to stem the flow of scam mail in the postal system.

Stronger process for dealing with scam mail

In November, we introduced an enhanced process to identify and stop scam mail entering the postal system from abroad. This process has enabled us to identify and block scam mail that would have previously entered the UK postal system.

Since launching this new scheme, we have stopped over 700,000 scam mail items from reaching customers.

Internal communications and training

We stepped up our internal communications during the year to highlight the issue to colleagues. We used our full range of internal communications channels, including our staff magazine, Courier, and our weekly TV programme, RMTv.

We actively encourage our people to report any concerns they have about households they suspect are vulnerable to postal scams to their line manager. We also encourage communities to report scam mail by operating a freepost service for potential victims, or concerned carers or relatives, to bring it to our attention.

We work closely with the National Trading Standards Scams Team (NTSST) to keep our people aware of the threat to our customers and the potential impact on the postal industry's reputation. During the year, operational delivery staff received training in conjunction with the NTSST at Delivery Offices across the UK. Hundreds of suspected victims have been identified as a result of these sessions, many of whom are then able to get help from their local Trading Standards office.

Scam mail research

We have engaged Bournemouth University to undertake an extensive piece of research to explore the issue of scam mail in the UK and the emotional and financial impact on victims. We will use the outcomes of this research to evaluate the effectiveness of the scam mail training we offer our people and to inform how we work with other agencies to prevent scams and support victims.

Following year end, we launched a new initiative to contact customers we believe to be receiving high volumes of scam mail. We will block and impound scam mail at our major distribution centres before it reaches the customer's letterbox. Legitimate business and personal mail will continue to be delivered to the customer in the usual way. This latest anti-scam initiative will initially focus on the most impacted customers, with plans for it to be extended in the future.



WHAT IS SCAM MAIL?

Fraudsters manipulate their victims to defraud them out of their money. One of the ways fraudsters contact potential victims is through the mail. The most common mail scams include fake lotteries and prize draws, investment scams and bogus health cures. As the techniques that the scammers use become more sophisticated, it can sometimes be difficult to tell the difference between scam mail and legitimate mail.

Tackling drugs in the post

Royal Mail understands the tremendous harm that illegal drugs cause in communities. Dealing with drug addiction costs the economy £15.4 billion a year¹⁹ and it can cause significant harm to individuals, families and communities.

Encouraging colleagues to report suspicious items

We encourage our postmen and women to report to their managers any suspicious items, which we then refer to the authorities. Since December 2015, we have made more than 800 reports to law enforcement agencies about suspected drugs in the post. However, detecting drugs in our system remains a challenge. In the UK, the most common types of drugs sold on the dark web are odourless and are sold in small quantities.

New guidance and internal communications

In 2016–17, our guidance for employees was revised, to encourage them to be increasingly vigilant because of the growing prevalence of illegal drugs being sent through the post. We also delivered a range of internal communications during the year, including a dedicated RMTv programme, to highlight the issue to colleagues and remind them of their responsibility to be vigilant and speak up if mail appears suspicious.

Our prohibited and restricted goods guidelines are available on our website at www.royalmail.com

CASE STUDY

WORKING CLOSELY WITH LAW ENFORCEMENT AGENCIES

In February 2017, a 59-year-old man was convicted of cannabis possession with intent to supply and produce a controlled drug, after Royal Mail colleagues alerted police to a suspicious package. Subsequent police investigations resulted in the discovery of a cannabis farm, with drugs worth £15,000 seized during the raid.

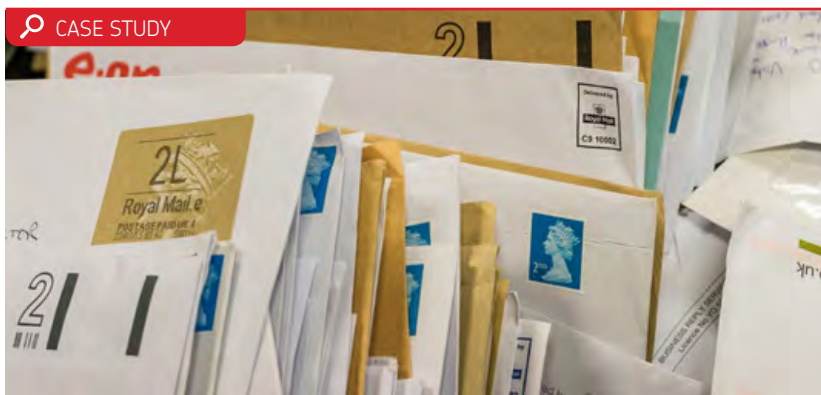
KEY INITIATIVES

- We work closely with law enforcement agencies, including the police for domestic mail and with Border Force for international mail, which helps us to stop the carriage and delivery of illegal drugs.
- Border Force postal command personnel are stationed at our major international operations. There is X-ray screening and sniffer dog deployment.
- Our postmen and women are encouraged to report any suspicious items to their managers, which we then promptly pass on to the authorities.
- In 2016–17, we revised our guidance for colleagues to encourage them to be even more vigilant in light of the increasing prevalence of illegal drugs being sent through the post.
- We also delivered a range of internal communications during the year, including a dedicated TV programme. We did so to highlight the issue to colleagues and remind them of their responsibility to be vigilant and speak up if mail appears suspicious.



800
SINCE DECEMBER 2015, OUR STAFF MADE MORE THAN 800 REPORTS TO LAW ENFORCEMENT AGENCIES ABOUT SUSPECTED DRUGS IN THE POST

CASE STUDY



DETECTING AND REPORTING DRUGS IN OUR NETWORK

We work closely with the relevant law enforcement agencies to stop the carriage and delivery of drugs. In Northern Ireland, we have well-established links with the Police Service of Northern Ireland (PSNI). We assist them to locate and report drugs found within our network. Royal Mail is a member of the PSNI's Organised Crime Task Force Drug Group. This is part of a multi-agency approach to tackling drug distribution in the region.

¹⁹ www.nta.nhs.uk/uploads/why-invest-2014-alcohol-and-drugs.pdf

At a glance

OUR PEOPLE



Achieving our strategic priorities depends on our people. They represent our Company among customers and communities. We rely on them to fulfil the Universal Service and deliver high-quality customer service. Engaging our people within a fair, rewarding and customer-focused culture is essential for our future success.

KEY FACTS

c.142,000

NUMBER OF PEOPLE EMPLOYED BY ROYAL MAIL IN THE UK¹

1/185

ONE IN EVERY 185 JOBS IN THE UK IS PROVIDED BY ROYAL MAIL²



DURING THE YEAR, WE RECEIVED:

- TALENT PIPELINE AWARD AT BUSINESS IN THE COMMUNITY'S GENDER EQUALITY AWARDS
- JUDGES' AWARD FOR ACHIEVEMENT IN DIVERSITY AT GENANALYTICS DIVERSITY AWARDS



98.9%

PERCENTAGE OF STAFF ON PERMANENT CONTRACTS



17%

PERCENTAGE OF WOMEN IN WORKFORCE

KEY HIGHLIGHTS

- We maintained our employee engagement score of 57.
- We increased our focus on road safety by adding the Road Traffic Collision Frequency Rate (RTCFR)³ to our Corporate Balanced Scorecard. We reduced our RTCFR by 12.3 per cent compared with 2015-16.
- We have continued to focus on improving gender diversity in our recruitment process. More than one-third of around 7,500 frontline recruits in 2016-17 were women. This has increased from one-fifth two years ago.
- We continued our focus on time lost due to accidents. This year, we maintained our Lost Time Accident Frequency Rate (LTAFR) of 0.49.
- Royal Mail was named a *Times* Top 50 Employer for Women for the fourth consecutive year during 2016-17.
- Over 80,000 frontline employees received training on our new Postal Digital Assistant handsets.

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PERFORMANCE (KPIs)

EMPLOYEE ENGAGEMENT (SCORE)

2016-17*	57
2015-16	57
2014-15	56

REDUCTION IN ROAD TRAFFIC COLLISIONS (%)^{3,4}

2016-17*	12.3
2015-16	N/A
2014-15	N/A

LOST TIME ACCIDENT FREQUENCY RATE⁵

2016-17*	0.49
2015-16	0.49
2014-15	0.70

SICK ABSENCE (%)

2016-17*	4.63
2015-16	4.51
2014-15	4.74

* Target achieved, see page 14 for details

- 1 This comprises UKPIL, Pension Trustees, Acquisitions, Romec and NDC
- 2 Finding of Cebr economic impact assessment of UKPIL, commissioned by Royal Mail in May 2017
- 3 Road traffic collisions per 1,000 vehicles
- 4 This is a new KPI added to the Corporate Balanced Scorecard in 2016-17
- 5 Lost Time Accident Frequency Rate per 100,000 hours worked

Our people

Royal Mail is one of the UK's largest employers, directly employing around 142,000 people. One in every 185 jobs in the UK is provided by Royal Mail. GLS employs around 17,000 people across Europe.

We believe good employment conditions drive quality. We promote good labour standards for our industry. All of our permanent employees earn above the Living Wage. In return, however, we continually work with our unions to agree changes to our working practices and labour model. This process is about sustaining our business now and in the future, particularly given the decline in letter revenues.

We believe good employment conditions drive quality

Our people strategy

Our people strategy supports a more competitive business, through:

- Striving for an incident-free working environment where everyone is safe, healthy and secure;
- Creating a customer-focused culture;
- Leading the industry in employment standards;
- Maintaining a stable industrial relations climate;
- Celebrating diversity and creating an inclusive environment;
- Giving our people ownership and influence over their working lives;
- Using technology and data to enhance decision making; and
- Investing in people and providing opportunities for all.

Why being a responsible employer is important

Our stakeholders rank employee relations and engagement as material issues for our business. How we engage employees, manage health and safety, and attract and retain talent rank as important issues for Royal Mail. For details of our materiality assessment see page 16.

Engagement and culture

Engaged employees, who feel valued by our business, are vital to the customer-focused culture we aim to build at Royal Mail. Engagement is a key performance indicator on our Corporate Balanced Scorecard. It is measured through our annual Employee Survey. Each year, we create an engagement plan based on the findings of the survey and feedback from our People Panel, which we expanded in 2016–17 to include more than 120 representatives from across our business.

Against a backdrop of significant change for our business, we have achieved an above average⁶ employee engagement score for the last two years. In 2016–17, our employee engagement score remained stable at 57 points. Since our flotation in 2013, it has increased by three points.

Other key outcomes from the survey include:

- 70 per cent of colleagues feel that they understand better how their role contributes to the success of Royal Mail Group, up from 67 per cent last year;
- 83 per cent of colleagues understand what is expected from them at work, up from 79 per cent last year; and
- Within their teams, 52 per cent of colleagues say they support each other more, a six per cent increase compared to 2015–16.

Among other things, engagement levels impact employee turnover and, as a consequence, recruitment and training costs. During 2016–17, our turnover rate was 6.9 per cent.⁷ This is well below the average UK turnover rate of 21.5 per cent.⁸

ROYAL MAIL VALUES



BE POSITIVE



BE BRILLIANT



BE PART OF IT

⁶ Our engagement score compares favourably with the Ipsos MORI norm for large organisations. Our score is one point higher than the norm, which is 56. Currently the trend is downwards for employee engagement in large organisations

⁷ This figure is not comparable to last year due to a change in methodology

⁸ www.xperthr.co.uk/survey-analysis/labour-turnover-rates-2016/161450/

⁹ The score is out of 100

People metrics

	2016–17	2015–16	2014–15
Employee engagement (score) ⁹	57	57	56
Job satisfaction (score) ⁹	69	68	69
Colleagues who say Royal Mail values diversity (%)	57%	56%	56%
Colleagues who say they understand how their roles contribute to the success of Royal Mail (%)	70%	67%	65%



70,000

MORE THAN 70,000 COLLEAGUES TOOK PART IN OUR BIG CONVERSATION

GLS DENMARK TOP EMPLOYER

In November 2016, GLS was named in the top five large companies to work for in Denmark

We used feedback from our Employee Survey and People Panel to ensure that our engagement plan for 2016–17 was aligned to our values.

Being positive about change

More than 70,000 colleagues took part in the Big Conversation last year. It invited suggestions from colleagues about how we can make Royal Mail a better place to work. Colleagues presented their ideas to a group of senior leaders, chaired by our Chief of Staff in Operations. We implemented several ideas including:

- Giving our drivers access to live travel information in their cabs;
- Improving on-site facilities, such as kitchens, at 10 operational units, with a further 15 scheduled for 2017–18;
- Making our online learning system, Success Factors, more user friendly;
- Involving colleagues in the future design of their uniform and safety wear; and
- Developing an app for our Company extranet, enabling colleagues to keep up-to-date via their smartphones.

Being brilliant at the basics

In May 2016, we launched 'Appreciate', a new website. It helps managers recognise and reward people for a job well done. We also developed 'Pipeline', an interactive tool that shows colleagues how their role fits in to the wider business. It helps them appreciate how their hard work makes a difference.

Being part of it by building relationships

Our senior managers addressed hundreds of frontline colleagues and middle managers at the 39 'town hall' meetings that we held this year. Senior managers also addressed many of our people at on-site engagement sessions.

Our values

Having rolled out our new Company values to managers in 2015–16, we introduced them to frontline employees during 2016–17, using our full range of internal communications channels.

We use our Culture Index, part of the annual Employee Survey, to measure how aligned our colleagues are with our values. This year, our Culture Index score increased to 50, an improvement of two points compared to 2015–16.

JUST SAY IT

Our Just Say It initiative provides all Royal Mail people with a channel of email communication to our CEO, Moya Greene. Our people raise concerns, ask questions and share ideas that help to improve our business. During 2016–17, more than 2,300 colleagues contacted Moya. They all received a reply. Feedback ranges from recognising outstanding employee efforts to ideas for product improvements.

Our annual Chairman's Awards for Excellence recognise the best examples of people living our values. Achievements are celebrated in the categories of Best Colleague, Community Champion, Customer Excellence, Change Champion, Innovation in Technology and the CEO's Award for Bravery.

A responsible employer

Royal Mail is proud to be a responsible employer. We offer our people fair pay and good working conditions. The vast majority of our employees are on permanent or fixed-term contracts. Our permanent and fixed-term contract employees are paid above the Living Wage, set by the Living Wage Foundation, which exceeds the legal minimum set by the Government. They also receive the additional benefits associated with permanent employment, such as National Insurance contributions, paid holiday and a good pension. As at year end, 98.9 per cent of Royal Mail employees were on permanent contracts. We are committed to continuing to provide the best pay and terms and conditions in our industry. In return, however, we continually work with our unions to agree changes to our working practices and labour model. This process of change is about sustaining our business now and in the future, particularly given the decline in letter revenues.

At Christmas, we recruit additional, temporary workers, to help with the increased workload at that time of year. These temporary workers are eligible for statutory sick and holiday pay, and are not tied to working for Royal Mail exclusively.

We welcome the Government's focus on employment models, and in particular the Taylor review, which is looking at employment conditions across the UK, including the delivery sector. Better labour standards across the industry should lead to better service standards for consumers.

12%

SHARES REPRESENTING
12 PER CENT OF THE
COMPANY HAVE
BEEN AWARDED
TO COLLEAGUES



Parcelforce Worldwide uses a mixed resourcing model that enables it to deliver a premium service and respond to fluctuating parcel volumes. The vast majority of its delivery drivers are permanent employees. Parcelforce supplements this with around 700 self-employed owner-driver contracts. Parcelforce also has contracts with a small number of courier businesses.

Self-employed owner-drivers are paid per route and payment terms are enshrined in two year contracts. The self-employed owner-driver approach creates the opportunity for greater financial returns, but, like any other business, the owner-driver is responsible for that business and the service they have promised to provide. On the very rare occasion that a self-employed driver is not able to fulfil the obligations of their contract, Parcelforce has to arrange cover, at a cost to the driver. The charge only comprises the cost to Parcelforce of providing the cover; there is no penalty charge. Last year this only occurred on less than one per cent of the daily routes run.

Gender pay review

Each year, we conduct a gender pay review across our UK business, comparing the salaries we pay men and women. We are currently carrying out the required analysis in accordance with the new gender pay gap reporting regulations. We will publish the outcomes in 2017–18, in line with the statutory timescales.

Shared ownership

During 2016–17, the Royal Mail Share Incentive Plan Trust distributed the final one per cent of shares that had been gifted to it for eligible employees, following the disposal of HM Government's holding in 2015–16. Eligible full-time employees have now received a maximum of 913 Free Shares, regardless of grade. This means that 12 per cent of the Company has been awarded to colleagues. This is one of the largest free stakes made available to employees as part of any major UK privatisation.

Pension consultation

We know how important pensions are to our people. Our focus is on continuing to provide the best retirement benefits in the industry. We were sorry to have to conclude that the Royal Mail Pension Plan (RMPP) is not affordable in its current form. The RMPP was closed to new employees joining the Group from 1 April 2008.

The RMPP is currently in surplus¹⁰ but we expect this surplus would run out in 2018 if members continued to build up benefits on the current defined benefit pension basis. The Company's contributions would then increase to £1.15 billion a year. We could not increase the cash contribution without materially reducing the necessary investment in the UKPIL business. We set out our proposal for the RMPP's future after March 2018, for consultation with all active members. We are committed to not making any changes before April 2018.

The consultation closed on 10 March 2017. We have concluded that there is no affordable solution to keeping the RMPP open in its current form. Therefore, the Company has come to the decision that the RMPP will close to future accrual on 31 March 2018. We continue to work closely with our unions on a sustainable and affordable solution for the provision of future pension benefits. We will write to RMPP members once further decisions have been made.

Working with our unions

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

We recognise two unions: the Communication Workers Union (CWU) and the Unite Communication Managers' Association (Unite/CMA). Around 86 per cent of our operational and administrative grade employees are members of the CWU and over 65 per cent of our managers are members of Unite/CMA. In total, over 98 per cent of employees are covered by agreements with these two unions.

During 2016–17, the number of days lost due to strike action was 1,093,¹¹ an increase from 378 in 2015–16.

Our Agenda for Growth agreement with the CWU, put in place in 2013, includes legally binding terms covering employee pay, protections and industrial stability as well as a programme of work to help deliver change. We completed a range of the programmes of work that formed part of the original agreement. We are now working with our unions to agree and implement our vision for the future. We are seeking more change at pace and in a way that is fair to all of our people across the UK.

10 On an actuarial funding basis using 2015 valuation assumptions

11 This figure includes 274 days lost to balloted strike action and 819 days lost due to unballoted strike action

The number of days lost to strikes is reported in line with the definition provided by the Office for National Statistics. We identify the number of hours of pay abated for employees taking part in industrial action and divide by eight to arrive at the number of days lost

We recognise that change is difficult but it is essential that we keep transforming the business given the challenges we face. We are in talks with CWU on four key areas: pensions, the working week, agreements and the future shape of Royal Mail. We want to agree a vision, including changes to the business. If we agree a fair and affordable deal, we can continue to provide as many good quality jobs as possible. And, we can continue to have the best terms and conditions in our industry.

Health and safety

Our people's safety, health and wellbeing are enduring priorities for Royal Mail. We are committed to creating an incident-free working environment. We strive to do so by managing safety risks and helping our people take ownership of their wellbeing.

Safeguarding our colleagues

We maintained our Lost Time Accident Frequency Rate (LTAFR) of 0.49 per 100,000 hours worked. Besides keeping our employees safer, we reduced the total number of days lost to accidents, saving the Company £210,000 compared to the previous year. The reduction was achieved, in part, through ongoing communication to raise awareness of our core operational safety standards and embed them in daily behaviour. We also provide training to employees on our health and safety standards. For example, unit managers are given training to help them manage their sites safely. The training outlines their responsibilities and provides information on technical safety areas, such as fire hazards. Over 3,600 managers received safety training during the period. In addition, we are training our operations managers at all levels in Fleet Excellence. This is a programme designed to increase awareness and upskill our managers in fleet management and safety.

Road traffic collisions are one of the main causes of accidents involving our people. In 2016–17, the Road Traffic Collision Frequency Rate (RTCFR) was added to our Corporate Balanced Scorecard to increase focus on this area. This year, we reduced our RTCFR by 12.3 per cent.

REDUCING DOG ATTACKS

Dog attacks are a serious hazard faced by our people. Despite significant reductions in recent years, an average of eight postmen and women are still attacked by dogs every day in the UK. We work with external organisations, such as the CWU and the police, on this critical issue. In July 2016, we held our fourth annual Dog Awareness Week to highlight ways of mitigating the risk of dog attacks. The number of dog attacks on our people fell by seven per cent this year, compared to 2015–16.

Unfortunately, however, accidents do still sometimes happen. It is with great regret that we report that one person lost their life in connection to our activities in the UK in the past year.¹² The fatality was associated with a road traffic collision involving one of our vehicles. We liaise closely with the relevant authorities and complete our own detailed investigations to determine the root cause of each accident and identify any lessons that can be learned. We have a Fatal and Serious Accident Standard and Protocol. It guides our investigations, our report production, and the actions we take. Investigations are discussed at Board level and outcomes are communicated across the Group.

We take into account the appropriate health and safety considerations whenever we make a change to our operation. For example, this year we introduced evening parcel deliveries in some places to meet customers' needs over the festive period. We assessed the risk of employees making deliveries in the dark, and, as a result, provided torches to evening delivery staff to aid visibility while out on their rounds.

We also improved our Walk Risk Assessment Programme initiative this year. We did so to make it easier for our people to record hazards they encounter while on their route, such as dogs or slippery surfaces, and share this information with colleagues.



7%

THE NUMBER OF DOG ATTACKS ON OUR PEOPLE FELL BY SEVEN PERCENT THIS YEAR



Awarded the Company Driver Safety – Large Fleets award at the Brake Fleet Safety Awards 2016

¹² We disclose fatalities that have been confirmed during the reporting year

¹³ Figure represents UKPIL safety performance

Safety metrics ¹³	2016–17	2015–16	2014–15
Reduction in road traffic collisions (%)	12.3%	N/A	N/A
Lost Time Accident Frequency Rate (per 100,000 hours worked)	0.49	0.49	0.70
Total accidents (number)	7,298	8,040	9,738
Days lost due to accidents (number)	21,437	23,038	29,903
Fatalities (number)	1	2	4
Sick absence (%)	4.63%	4.51%	4.74%

Improving health and wellbeing

Providing support for employee health and wellbeing is a priority for Royal Mail. Keeping our employees healthy is crucial to our people strategy.

In 2016–17, our levels of sickness absence increased to 4.63 per cent, from 4.51 per cent in 2015–16. Musculoskeletal injuries and mental health issues remain the leading causes of long-term illness among our people.

During the year, we launched a new programme to investigate causes of musculoskeletal problems. We held workshops at sites with higher than average musculoskeletal issue rates and surveyed colleagues about their roles. We also established a working group to look at issues faced by older colleagues. We are developing an action plan to improve job design and the support services available.

We recognise the importance of supporting good mental health in the workplace. Over 2,600 managers viewed our mental health awareness films in 2016–17, with over 6,500 viewing the films since their launch in 2015–16. We continue to run Mental Health First Aid training courses for line managers. Over 400 managers completed the course in 2016–17. In collaboration with our unions, we developed a new, online stress risk assessment and associated guidance last year. The assessment aims to support early identification of stress-related issues.

We are a supporter of TARGET (the Impact of Depression in the Workplace campaign). It is made up of senior business and medical executives from major European employers and international organisations working on health, labour and employment issues. As part of our involvement in the campaign, our CEO Moya

Greene helped to develop a series of 'CEO Leadership Guidelines for Mental Health and Productivity', which were released at an event in October 2016. Royal Mail will continue to support TARGET as it encourages senior industry leaders to focus on the mental wellbeing of staff.

We significantly expanded our support for mental health just after year end by launching a major mental health programme, supported by our three charity partners, Action for Children, Mental Health UK and Mind. See pages 53–54 for more information.

Diversity and inclusion

Royal Mail employs a diverse mix of people, reflecting the communities that we serve. We are committed to being an equal opportunities employer. We proactively seek to recruit people from socially excluded groups. It is our policy to provide opportunities for our employees based on an individual's performance and skills, with no discrimination against protected characteristics.¹⁴

Our Diversity Council, chaired by Royal Mail's Chief of Staff, is responsible for creating a culture of inclusiveness and driving improvements in our diversity performance. The Council oversees the work of the diversity steering groups. It monitors key diversity performance indicators.

The Diversity Council has established additional committees to support its work on the various strands of our diversity strategy:

- Gender;
- Black, Asian and Minority Ethnic;
- Lesbian, Gay, Bisexual and Transgender;
- Disability;
- Parents and Carers; and
- Youth.

We partner with relevant organisations to ensure that employment opportunities at Royal Mail are visible and accessible to people from all backgrounds and circumstances. We include guidance on unconscious bias in our training for managers who interview and select candidates. Almost 1,000 managers completed this training during 2016–17. In addition, 3,560 frontline operational managers completed a new online training programme about unconscious bias.



AWARD WINNER

Winner of the 2016 Employers Network for Equality and Inclusion (enei) Wellbeing at Work Award

ROYAL MAIL'S SUPPORT FOR EMPLOYEE WELLBEING INCLUDES THE FOLLOWING SERVICES:

- **Feeling First Class, an online resource of health and support information. Over 23,500 employees are registered;**
- **Onsite gyms and external gym offers, with 37 gyms at Royal Mail sites; and**
- **Feeling First Class Support service, which offers counselling, financial and legal advice.**

¹⁴ 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



50%

50 PER CENT OF OUR BOARD MEMBERS ARE WOMEN

During 2016–17, we joined the Race Equality Campaign's Mentoring Circles programme. It supports Black, Asian and Minority Ethnic (BAME) colleagues to take the next step in their career. The programme matched 12 BAME Royal Mail managers with external mentors during the year.

We are a member of Stonewall's Diversity Champions programme, which campaigns for equality for lesbian, gay, bisexual and transgender people. We moved up 25 places in the 2017 Workplace Equality Index by Stonewall. We are now ranked number 266 out of 439 organisations.

CASE STUDY

TAKING PRIDE

In June 2016, more than 100 of our people took part in the Pride in London parade celebrating the Lesbian, Gay, Bisexual and Transgender community. We are planning to increase our support for Pride in 2017–18. Postwoman Natalie Frost of South Midlands Mail Centre said: "It's fantastic that Royal Mail has a presence at Pride. It makes me happy that my employer is supporting equality for everyone."

positions, offering candidates support through a 12-week development programme. As a result, we have appointed 42 women in Delivery Office Manager roles this year, making up 26 per cent of the total hires in this area. We also recruited seven BAME candidates through the same programme, equating to 11 per cent of total hires.

In 2016–17, Royal Mail was named as one of *The Times* Top 50 Employers for Women for the fourth consecutive year.¹⁶ We were also listed as a Top 20 company for senior leader gender diversity, in the Hampton-Alexander Review. This is an independent, Government-supported review of diversity in FTSE 100 companies.

Our Springboard programme provides direct support to help develop the potential of our female employees in non-management positions. During the year, 412 female employees attended eight courses under the programme. We also help junior female managers take the next step in their careers through our Spring Forward programme. Six colleagues have been trained to run the programme this year, with 33 female employees attending Spring Forward workshops. In addition, 13 employees participated in a Spring Forward pilot this year aimed specifically at BAME junior managers.

¹⁵ <https://30percentclub.org/>

¹⁶ During 2016–17, we were listed as a *Times* Top 50 Employer for Women for the third time. Shortly after the reporting period ended, we were included in the list for the fourth time

¹⁷ This comprises UKPIL (Royal Mail and Parforce Worldwide) and Pension and Heritage Trustees. The data excludes Acquisitions, Romec and NDC

¹⁸ The Board represents Royal Mail Group

Gender diversity

We have relatively high gender diversity at our most senior levels: 50 per cent of our Board members are women, which compares well to the FTSE 100 average of 27 per cent.¹⁵ Women make up 30 per cent of our senior managers and 16 per cent of our operational grades.

We address the gender balance in our operation through targeted initiatives like balanced shortlisting. This has helped to increase the number of women hired in frontline roles. During the year, we launched a new drive to increase the number of women and BAME candidates appointed to Delivery Office Manager

Royal Mail is a founding member of Equality & Human Rights Commission Working Forward programme. This aims to end discrimination around pregnancy and maternity leave.

In April 2016, we received the Talent Pipeline Award at Business in the Community's Gender Equality Awards for our approach to attracting women to frontline roles.

Gender diversity (headcount)	Royal Mail female ¹⁷		Royal Mail male ¹⁷		GLS female		GLS male	
	2016–17	2015–16	2016–17	2015–16	2016–17	2015–16	2016–17	2015–16
Royal Mail plc Board ¹⁸	4	3	4	5				
Senior management	731	686	1,704	1,651	39	36	246	242
Management	1,420	1,399	5,280	5,441	3,183	2,783	2,528	2,314
Administrative	1,428	1,495	980	1,016				
Operational	20,011	19,030	107,131	108,642	1,993	1,768	9,147	6,848

£13.8m

IN 2016–17, WE
INVESTED £13.8
MILLION IN TRAINING

Ethnic diversity

Royal Mail's ethnic profile is broadly representative of the UK population.¹⁹ Around 11 per cent of our employees declare themselves to be from ethnic minority backgrounds. We work with Business in the Community's Opportunity Now and Race for Opportunity programmes, which promote best practice in equal opportunities.

Disability

We are committed to employing people with disabilities and supporting our disabled employees. This year, we have achieved Employer Level 2 of the new Disability Confident programme, which replaces the Disability Two Ticks scheme.

Approximately seven per cent of Royal Mail employees identify themselves as having a disability. We make reasonable adjustments to the workplace to support employees who are disabled, or become disabled, and provide training in assistive technology and software.

Since 2006, we have been a national partner of the disability charity Remploy, working together to provide jobs and placements for people with disabilities. To date, we have employed over 2,200 disabled and disadvantaged candidates through Remploy. See page 46 for more information.

Ensuring dignity and respect in the workplace

Royal Mail is committed to a workplace free of bullying and harassment and where our colleagues feel respected and able to thrive.

We set clear guidance on how we expect our people to treat one another. We also provide a range of channels for colleagues to escalate any concerns they have. With increased awareness, we have seen an increase in bullying and harassment complaints during the year. The majority of complaints relate to value and respect at work, or inappropriate banter.

In 2016–17, we launched an e-learning tool for managers to help them address bullying and

harassment and conduct thorough investigations when complaints are made. Where possible, we aim to resolve disputes using in-house mediation. This year, 87 per cent of mediations resulted in a successful agreement between the parties involved.

Learning and development

We are committed to investing in our people, and equipping them with the skills they need to deliver our business strategy. We aim to offer them fulfilling careers, and opportunities for continual development in the workplace through the provision of a wide range of learning and development initiatives.

We are committed to investing in our people, and equipping them with the skills they need to deliver our business strategy

We are increasingly focusing on training our managers to enable them to deliver learning and development programmes for colleagues. In 2016–17, we invested £13.8 million in training, delivering the equivalent of almost 25,000 training days.

Highlights from our learning and development programme this year include:

- We launched Feedback 365, a campaign aimed at enhancing managers' capabilities in giving and receiving feedback.
- We established our Continuous Improvement Leadership Academy to develop Mail Centre site leadership. 44 leaders completed the eight-week programme during 2016–17.
- We completed the introduction of our new Postal Digital Assistants, with over 80,000 frontline employees now trained to use the new handsets.
- 194 managers completed the Management Acceleration Programme, which we run with Oxford Saïd Business School.

In Poland, GLS employees have access to a library of books and audio-books, which include titles on professional and personal development. GLS Denmark has rolled out customer focus training, which involves colleagues learning from best practice across the organisation. So far, more than 110 colleagues have taken part in the programme.

¹⁹ Royal Mail 2016–17 headcount compared with Office for National Statistics' Ethnicity and National Identity in England and Wales report, 2011

Over 80,000

OVER 80,000 FRONTLINE
EMPLOYEES NOW TRAINED TO
USE THE NEW PDA HANDSETS



Performance management and appraisals

We carry out annual performance reviews with all of our managers (approximately seven per cent of our employees in total). We link bonuses to their performance, to encourage and reward high performance. Managers' objectives are aligned to our business strategy and our values. This is to ensure that objectives are achieved through good leadership behaviours.

We do not 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.

Inclusive recruitment

We run a number of schemes to help young people and the long-term unemployed into work.

Apprenticeships help people from diverse backgrounds to develop their work skills. Our apprenticeship programmes include opportunities in Finance, Project Management, and Vehicle Technician and Engineering. In 2016–17, 47 apprentices joined our programmes. As a large employer, we are subject to the Government's apprenticeship levy. We are currently exploring apprenticeship opportunities in line with the new guidelines.

We also offer nine graduate programmes in Operations Management, Central Operations, Commercial, Human Resources, Finance, Technology, Engineering, International and Strategy. We welcomed 86 graduates onto our programmes in 2016–17.

We work with organisations representing minority groups to offer work experience that helps their clients to get a foot on the career ladder. We have partnered with Gingerbread, a charity working with single parent families, to provide 17 work placements that have resulted in eight offers of employment from Royal Mail.

Our drive to support people with disabilities into work remains strong, with 142 Remploy clients joining us on a paid contracted basis, predominantly through Christmas opportunities. This year, we began working with disability charity Enable in the West Midlands. We supported eight clients into work placements, with four securing further paid employment. We also offered a further 51 seasonal employment contracts to clients of Centrepont, one of the UK's largest homelessness charities.

Breaches to our Business Standards

Our Business Standards describe the behaviours that we expect from our people. Where standards are not maintained, colleagues may face disciplinary action.

In 2016–17, 2,963 breaches to our Business Standards were recorded. In the year, around 25 per cent of cases resulted in suspended dismissal or dismissal. Information about breaches is reviewed centrally in order to inform policies and procedures and improve coaching for managers.



86

WE WELCOMED
86 GRADUATES ONTO
OUR PROGRAMMES
IN 2016–17

Priorities:

- Continue to grow the People Panel and develop an online forum for more regular engagement;
- Work with operational teams on key action plans to prevent road traffic collisions;
- Deliver more Mental Health First Aid training to line managers; and
- Deploy our new diversity awareness campaign across the business.

At a glance

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, as the sole provider of the Universal Service. We seek to be an integral, valued and trusted part of every community we operate in.

KEY FACTS

£10.8bn

ADDED TO THE UK ECONOMY THROUGH DIRECT AND INDIRECT CONTRIBUTIONS^{1,2}

5th

BIGGEST CONTRIBUTION OF ANY UK COMPANY TO THE UK ECONOMY^{1,2}

82,000

FULL-TIME EQUIVALENT JOBS SUPPORTED BY ROYAL MAIL IN THE WIDER ECONOMY¹

£7.9m

CONTRIBUTED BY ROYAL MAIL TO GOOD CAUSES AND SCHEMES FOR DISADVANTAGED GROUPS

£3.1m

DONATED BY OUR UK COLLEAGUES TO HUNDREDS OF CHARITIES AND GOOD CAUSES

£2.4bn

SPENT BY ROYAL MAIL ON GOODS AND SERVICES IN THE UK

KEY HIGHLIGHTS

- We contributed around £1.8 billion in taxes to HM Revenue and Customs through employer and employee national insurance contributions, income and business taxes, and a range of indirect taxes.
- Royal Mail is a key delivery partner for SMEs. The Universal Service provides value for money, depth of coverage, and convenience for SMEs.³
- We contributed £2.4 billion to the economy through our spend on goods and services in 2016–17. Over 30 per cent of new contracts were awarded to SMEs last year.
- We were ranked top among around 100 companies in the Transportation and Transportation Infrastructure Industry globally for Corporate Citizenship and Philanthropy for the third consecutive year.
- We achieved our target to raise £2 million for the Stroke Association – £1 million from colleagues and £1 million in matched giving from Royal Mail. We also achieved our aim to take 15,000 blood pressure readings among colleagues.
- We distributed our 100th missing person alert during the year and sponsored 10,000 freepost 'Message Home' cards for missing people.

Our social and economic impact

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Strategic community investments

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▶ Doing more through our local presence	55
▶ Unlocking potential through education	58

PERFORMANCE (KPIs)

CHARITY PARTNERSHIP FUNDRAISING (£)⁴

2016–17*	£945,409
2015–16	£921,889
2014–15	£629,685 ⁵

COLLEAGUE COMMUNITY ENGAGEMENT (£)⁶

2016–17*	£3.1m
2015–16	£3.1m
2014–15	£3.0m

CHARITY PARTNERSHIP AWARENESS RAISING (NUMBER)⁷

2016–17*	4,823
2015–16	9,818
2014–15	NA

1 Finding of Cebr economic impact assessment of UKPIL, commissioned by Royal Mail in 2017

2 2016–17; comprising direct and indirect contributions

3 Triangle Management Insights, 2015

4 These figures include all funds raised and donated for beneficiary charities of our charity partnership programme. The Stroke Association (TSA) was our charity partner for 2016–17 and 2015–16. 2014–15 was a change-over year; we ended our partnership with Prostate Cancer UK, Alzheimer's Society and Whizz Kidz and launched a new partnership with TSA. Figures for 2014–15 therefore include funds raised and donated to all four charities

5 2014–15 was a change-over year for our charity partnership programme. The main beneficiary changed from Prostate Cancer UK to The Stroke Association

6 Colleague support for charities through payroll giving, matched giving and fundraising

7 While awareness raising has always formed an important part of our charity partnership programme, this became a formal KPI in 2015–16. For 2015–16 and 2016–17, our target has been to undertake 15,000 blood pressure readings among colleagues, to raise awareness of the link between blood pressure and stroke risk. We achieved our target over the two years

Our social and economic impact



Royal Mail is proud to be the provider of the Universal Service. The postal Universal Service plays a vital economic role. It is a key driver of UK economic growth and an integral part of the digital economy, which is strategically important to the UK's economic future.

Royal Mail seeks to be an integral, valued and trusted part of every community that our service reaches. Our main contribution to communities is our social and economic impact. We make the fifth biggest contribution of any UK company to the UK economy.⁸ One in every 185 jobs in the UK is provided by Royal Mail.⁹ Our employment is disproportionately weighted towards areas where there are fewer job opportunities available, enabling us to make a significant contribution to social inclusion.

Our economic and commercial contribution

We commission the Centre for Economic and Business Research (Cebr) to carry out regular impact assessments of our UK business (UKPIL) to quantify our contribution to the UK economy.^{8, 9} Cebr found that, for 2016–17, we added £10.8 billion to the UK economy, comprising direct and indirect contributions. This includes our contribution through employment, procurement and taxation.

The postal Universal Service plays a vital economic role. It is an integral part of the digital economy, which is strategically important to the UK's economic future. The digital economy is currently 31 per cent of UK GDP.¹⁰ It is forecast to grow to 33 per cent by 2020. The UK is a global leader in this field. It has the highest per person spend on e-commerce; over 50 per cent more than the next highest country.¹¹

E-commerce relies on two Universal Services: post and broadband. The highly specified postal Universal Service is key to the successful delivery of the Government's broadband vision. Royal Mail delivers a considerable proportion of physical e-commerce.

- For small businesses, the ability to transact anywhere in the UK is only possible because they can receive and send goods, at an affordable price, irrespective of volumes. The postal Universal Service enables a business in rural Scotland, Cumbria or Wales to compete with a business in London or Manchester.
- For consumers, the benefits of online shopping are realised through the Universal Service's high-quality trusted delivery network. This includes the UK's most convenient pickup and returns locations.

We make the fifth biggest contribution of any UK company to the UK economy⁹



WE COMMISSION THE CENTRE FOR ECONOMICS AND BUSINESS RESEARCH (CEBR) TO CARRY OUT COMPLETE, REGULAR IMPACT ASSESSMENTS OF OUR UK BUSINESS TO QUANTIFY OUR CONTRIBUTION TO THE UK ECONOMY

⁸ Finding of Cebr economic impact assessment of UKPIL, commissioned by Royal Mail in May 2017.

⁹ Cebr adapted the original GVA Scoreboard of the top UK and European companies by gross value added in order to rank our economic contribution to the UK against other large companies. The original scoreboard was developed by the Department for Business, Energy & Industrial Strategy (BEIS, BIS at the time) but took account of global operations. In 2016–17, UKPIL ranks in fifth place. Cebr used UKPIL financial, supply chain and employee data for the period 2016–17 inputted into the national accounting framework provided by the Office for National Statistics' supply-use and input-output tables to establish UKPIL's direct and indirect economic contribution to the UK and to enable UKPIL to be ranked in this way. The full study methodology is published online at www.royalmailgroup.com/responsibility/cr-reports

¹⁰ Digital disruption: The growth multiplier - Accenture

¹¹ Ofcom 2015 "International Communications Market Report"



£1.8bn

ROYAL MAIL
CONTRIBUTED AROUND
£1.8 BILLION IN TAXES
TO THE UK HM REVENUE
AND CUSTOMS

- For large retail customers, the high-quality, nationwide, six-day-a-week Universal Service network is an essential means of bringing e-commerce to high cost-to-serve areas.

Royal Mail is a key delivery partner for SMEs. The Universal Service provides value for money, depth of coverage, and convenience for SMEs (see pages 28 and 29 for more information). Royal Mail is one of only two providers to offer Saturday delivery in the UK at no extra charge.¹²

Why community impact is important

Our stakeholders rank community impact as one of the most material issues for our business. They noted that Royal Mail's community footprint is one of the main factors that differentiates the Company from its competitors. For details of our materiality assessment see page 16.

Our social contribution

Cebr research also found that we make a significant contribution to social inclusion through the vital employment and earnings that we provide. Our employment follows the contours of the population; where there are more people we provide more jobs. We also indirectly support 82,000 full-time equivalent jobs in the wider UK economy. During 2016–17, Royal Mail contributed around £1.8 billion in taxes to HM Revenue and Customs, including National Insurance contributions paid by Royal Mail and our employees, income taxes, business rates and a range of direct and indirect taxes paid directly through suppliers.

1 in 185

ONE IN EVERY 185 JOBS IN
THE UK IS PROVIDED BY
ROYAL MAIL



CEBR METHODOLOGY

Cebr used a combination of national statistic sources and data supplied by Royal Mail, relating specifically to the UKPIL business unit. We provided the following information from the financial year 2016–17 for the study:

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

The full study methodology is published online at

➤ www.royalmailgroup.com/responsibility/cr-reports

¹² Triangle Management Insights, 2015

Socio-economic impact facts

Cebr calculated the economic contribution of Royal Mail's UK business. The analysis was commissioned by Royal Mail in May 2017 using our 2016–17 financial performance data.

Economic impact

↑ £10.8bn

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

£5.6bn

DIRECTLY CONTRIBUTED TO THE UK ECONOMY BY ROYAL MAIL

£5.2bn

OF GROSS VALUE ADDED IN THE WIDER ECONOMY THROUGH INDIRECT IMPACTS

5th

LARGEST CONTRIBUTION TO THE UK ECONOMY OF ALL UK CORPORATIONS



£1.8bn

CONTRIBUTED IN TAXES TO THE HM REVENUE AND CUSTOMS¹⁴



£2.4bn

SPENT ON GOODS AND SERVICES IN THE UK

Social impact



c.142,000

ACROSS THE UK WE HAVE AROUND 142,000 EMPLOYEES¹³



82,000

A FURTHER 82,000 JOBS ARE SUPPORTED BY ROYAL MAIL IN THE WIDER ECONOMY

Further details on the methodology and the information provided is available at

➔ www.royalmailgroup.com/responsibility/impact

¹³ This comprises UKPIL, Pension Trustees, Acquisitions and Romec and NDC

¹⁴ This includes employer and employee national insurance contributions (NICs), income taxes, business rates and a range of indirect taxes paid directly and through UKPILs suppliers

We also disclose our annual tax contribution in the PwC TTC survey. There are slight differences in the methodologies of the Cebr and PwC studies. Therefore, there may be a small difference between the tax contribution given here for the 2016–17 financial year and the contribution that will be disclosed in the PwC study later this year

Strategic community investments

Royal Mail is a truly national company. We have a presence in every community across the UK, connecting customers and businesses, making commerce happen and increasing prosperity. We have been fulfilling this role for over 500 years. Our heritage provides a unique opportunity to educate and inspire.

As a responsible business, we strive to create long-term benefits for the communities we serve. We do this mainly through the jobs we create across the country, and the major contribution that we make to the UK economy, as detailed in the previous section. We seek to extend our positive impact through strategic community investments. These include charitable initiatives that leverage our scale and local presence.

In 2016–17, Royal Mail contributed £7.9 million directly to good causes and schemes for disadvantaged groups. This includes the cost of our Articles for the Blind¹⁵ service, which totalled £3.8 million for 2016–17. We are proud to be able to support blind and partially sighted people with this service. Our contribution also includes £700,000 in matched giving and grant schemes to support employees' fundraising for charities and good causes. In addition, our people donated £3.1 million to hundreds of charities and good causes across the UK, including £2.4 million through our award-winning payroll giving scheme.

Our community investment strategy

- **Leveraging our national scale:** our charity partner programme focuses our national scale around a single cause chosen by our people, to which we can make a measurable difference.
- **Using our local presence:** our Missing People partnership uses our presence in communities to help find those at risk; our Community Support and payroll giving schemes support the causes our people feel most passionate about.
- **Unlocking potential through education:** our online magazine, Teacher's Post, provides classroom resources; our Career Ready charity partnership helps prepare young people for the world of work; and our partnership with The Prince's Trust enables it to support young people with mental health problems.

The quality of our community programme has been recognised by some of the most prestigious rankings and award schemes:

- Dow Jones Sustainability Index – top score in the Corporate Citizenship and Philanthropy section in our industry for three consecutive years;
- CorpComms Award – Best Partnership – Missing People; and
- Post Europe – 'Coup de Coeur' for Society Award – Missing People.

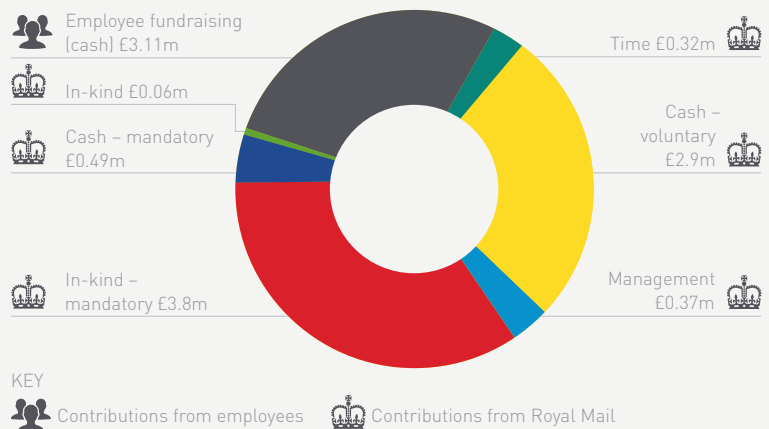
We measure our employees' support for our community investment programme through our annual Employee Survey. The 2017 survey showed that 56 per cent of employees believe Royal Mail does good things in the community, an increase of three points since 2015.



+3%

56 PER CENT OF EMPLOYEES BELIEVE ROYAL MAIL DOES GOOD THINGS IN THE COMMUNITY, AN INCREASE OF THREE PERCENTAGE POINTS SINCE 2015

Our community investment



Community metrics¹⁶

	2016–17	2015–16	2014–15
Total amount contributed by Royal Mail	£7.95m	£6.72m	£7.60m
Amount contributed by employees	£3.11m	£3.12m	£3.03m
Total contributions supported by Royal Mail¹⁷	£11.06m	£9.83m	£10.63m

¹⁵ Part of the Universal Service Obligation

¹⁶ The figures have been calculated using the London Benchmarking Group (LBG) model. LBG is the global standard for measuring corporate community investment and philanthropy

¹⁷ Totals may differ due to rounding



575m

AN ESTIMATED
575 MILLION
MAIL ITEMS
HAVE FEATURED
A STROKE
ASSOCIATION
POSTMARK

Leveraging our national scale

Charity partnership

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

Our partnership with the Stroke Association concluded in December 2016. We raised £2 million, including Company matched giving, to fund Life After Stroke grants for up to 10,000 people. These grants help to fill a funding gap where there is no Government or statutory support. They pay for vital home improvements and activities to help stroke survivors on their road to recovery.

Our annual Operations Fundraising Challenge raised over £550,000 in 2016, enough to fund up to 2,750 of these grants. The challenge saw our three operational regions, plus a combined team of International and Logistics, compete over three months to raise the most money for our charity partner.

An important part of our partnership with the Stroke Association involved identifying opportunities to raise awareness of the condition – and the steps people can take to reduce the risk of stroke. As part of their 'Know Your Blood Pressure' initiative, the Stroke Association took blood pressure readings of over 15,000 of our employees. This helped to identify employees that needed to seek further medical advice. It made colleagues aware of the link between high blood pressure and stroke risk.

CASE STUDY

RAISING AWARENESS



Derek Stuart, a postman from Haddington, in Scotland, had his blood pressure checked for the first time by the Stroke Association. He was shocked to discover his blood pressure was so high that he needed to take immediate action. After an appointment with his GP, Derek has since cut back on salt and adopted a healthier diet. "Now I encourage everyone to monitor their blood pressure and have regular checks," he said.

Our campaign for mental health

As one of the leading causes of illness among our people, mental health is an area of growing importance to our business. We are a signatory of the Time to Change pledge, which aims to end the stigma of mental ill-health. We became an official supporter of the Heads Together campaign in 2016–17, led by Their Royal Highnesses, The Duke and Duchess of Cambridge, and Prince Harry. We also launched a groundbreaking partnership with The Prince's Trust, providing funding for the charity to develop a mental health strategy. This will ensure that every young person accessing a Prince's Trust programme has the mental health support they need.

Further details of our campaign for mental health are set out in the feature 'Breaking the silence on mental health' on pages 53 and 54.

CASE STUDY

LIFE AFTER STROKE GRANT



Former police officer Clodagh, 37, had no warning of her stroke when it came. She was apparently fit and healthy and in peak condition. Then, everything changed when she had a stroke. It left her with locked-in syndrome – aware of the world around her but unable to move or communicate verbally. It took more than six months for Clodagh to be able to communicate through facial expressions and sounds. Clodagh was given a Life After Stroke grant to pay for a cross trainer. It has been invaluable to her recovery, improving her strength, breath control and speech.

Breaking the silence on mental health

We launched a major partnership for mental health in 2017

➤ Caroline Benson has been a postwoman for 12 years and wants to help break the silence on mental health. Caroline says: "My mental health issues are part of who I am. To hide them feels like denying who I am."



We have identified mental health as the issue we will support for our next charity partnership. Research shows that one in four people will experience a mental health issue every year. It is a very broad issue, affecting both children and adults, and covers a wide range of illnesses. We are committed to promoting good mental health and ensuring our people have access to a range of services that support mental wellbeing, both at work and at home.

Why mental health is important to Royal Mail

Mental ill-health is one of the leading causes of illness for our people at Royal Mail. Some of our people are either unable to work due to mental ill-health or they are struggling at work because of it.

Why children's mental health matters

Sadly, mental ill-health is an issue that is prevalent among young people, as well as older people. Half of all adults who have mental health problems first experienced symptoms by the age of 14.¹⁸ One in every 10 youngsters suffers from a diagnosable mental health problem – that is around three young people in every class¹⁸. Admissions of young people to hospital due to self-harm have increased by around 70 per cent in the last 10 years.¹⁹ The Macquarie Youth Index, published in January 2017, and produced for The Prince's Trust, shows that the overall wellbeing of young people in the UK has dropped to its lowest level since the study was launched in 2009.²⁰

The majority of our employees are related to young people in some way. This is whether they have children of their own, nieces and nephews, or are carers of others' children. Given the size of the issue, they are likely to need support to be better able to help young people with mental health problems. And, if the younger family members of Royal Mail employees suffer mental health problems, it will likely impact our employees' own mental wellbeing, too. As a business we want to help ensure that the younger generation – who will be our employees and leaders of the future – are supported at a young age to overcome any mental health problems.

As a business we want to help ensure that the younger generation – who will be our employees and leaders of the future – are supported to overcome any mental health problems

Our integrated approach

We significantly expanded our support for mental health by launching a strategic partnership with Action for Children after the financial year end. It will be one of the biggest corporate charity partnerships for mental health in the UK. The partnership covers a number of key pillars: mental health training, awareness-raising, communications, pro-bono support, work placements and fundraising. We hope to raise at least £2 million for Action for Children to employ specialist youth workers to deliver face-to-face support sessions for 8,000 young people aged 15–18, to help prevent them from developing depression and other mental health problems.

We invited our colleagues to vote for their preferred partner from a shortlist of three charities in last year's Employee Survey. The options were Action for Children, Mental Health UK and Mind. Action for Children received the most votes. As part of our 'everyone's a winner' approach, Mind and Mental Health UK will also receive a donation of £50,000 each to fund their mental health programmes. And, we will work with all three charities over the course of the partnership to deliver our multi-faceted campaign for mental health.

¹⁸ www.mentalhealth.org.uk/statistics/mental-health-statistics-children-and-young-people

¹⁹ YoungMinds

²⁰ <https://www.princes-trust.org.uk/>

Our mental health campaign has the following key objectives:



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

We will:

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



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

We will:

- Deliver a mentoring programme, placing our senior leaders with charity partners to provide pro bono consulting; and
- Provide around 70 two-week work placements for people with mental health problems.



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

We will:

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



Raise at least £2 million to enable Action for Children to help young people with mental health conditions.

We will:

- Aim to raise £2million – £1million from colleagues and £1million in matched giving from Royal Mail – to enable Action for Children to employ specialist youth workers to deliver face-to-face support sessions for 8,000 young people aged 15–18. This is to help prevent them from developing depression and other mental health problems.



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

We will:

- Share the materials (communications, training kits, films etc) that we develop for our own people with our suppliers, for use by them within their organisations and across their networks; and
- Leverage our supply chain to generate additional funds for our charity partner.

Our work on mental health so far

- **Signatory of the Time to Change Pledge.** Together with our two unions, the CWU and Unite/CMA, we have committed to help end the stigma of mental health in the workplace.
- **New 'First Class Mental Health' toolkit.** This year we launched a mental health toolkit for managers, bringing all of the programmes and services we offer together in one place.
- **Awareness raising films.** We produced five short films with the Mental Health Foundation, which have been viewed by over 6,500 managers to date.
- **Mental health training.** We provided mental health first aid training to over 400 managers, with more training planned for next year.
- **Supporter of Heads Together.** As a supporter of the campaign, we have committed to help raise the profile of the campaign and role model positive conversations on mental health.
- **Groundbreaking partnership with The Prince's Trust.** We are providing funding for a mental health advisor role for three years.
- **Partnership with Missing People.** We help the charity find missing people – the vast majority of whom have mental health conditions – to reconnect them with loved ones and access the support that they may need.
- **24/7 helpline.** Our helpline provides counselling for employees and family members. We regularly promote the service through internal communications to encourage our employees to make use of it.
- **Supporter of TARGET (the Impact of Depression in the Workplace).** We are a supporter of TARGET (the Impact of Depression in the Workplace campaign). See page 43 for more information.



£2m

WE HOPE TO RAISE AT LEAST
£2 MILLION TO SUPPORT
ACTION FOR CHILDREN

Doing more through our local presence

Our partnership with the charity Missing People supports the search for vulnerable and high risk adults and children by sending location-specific alerts through our network of handheld scanners.

During 2016–17, we increased our support for Missing People, by providing a donation of £25,000 to fund 1,000 high risk searches. So far, this has funded over 700 searches, with more than 550 people found safe and well as a result. To mark the distribution of our 100th missing person alert in September, we shared a short film about our partnership on social media, which received over 13,000 views.

For the second year running, we also provided a £50,000 donation to fund the Child Rescue Alert system. Our support ensures the operation of a 24-hour, seven-days-a-week, 365-days-a-year alert system specifically for children that have been abducted, or where they are believed to be in immediate danger.

In November, we launched our Message Home campaign, which encouraged missing people to send a message home to their loved ones at Christmas. We distributed 10,000 freepost Message Home cards through 300 organisations likely to be in contact with people who have been reported missing, including the charities Crisis and Shelter.



“

“When someone goes missing, it’s very distressing for all concerned. I can testify to that because many years ago, I went missing. It caused enormous distress to my family, my friends and obviously to me as well. But one of the hardest things was being able to get back in touch, to reconnect.

Missing People has connected with Royal Mail to create a rather wonderful scheme which allows anybody to write to Freepost Missing People and that letter will get you in touch with whoever it is that you want to talk to.

I hope this wonderful scheme will help people and may reunite them with someone they love.”

Stephen Fry, a patron of Missing People



SUPPORTING THE SEARCH FOR MISSING PEOPLE

When 14-year-old Lydia, the daughter of a Royal Mail employee, was reported missing from her home by her mother, police officers and her family had serious concerns for her safety. At the request of the local police force, it was agreed that the charity Missing People would launch a high risk alert, through Royal Mail, for Lydia in order to bring her home safe and well as soon as possible.

Soon after Lydia’s appeal was launched, the police force received information regarding a young teenager matching her description in a nearby area. Fortunately, Lydia was missing for just under 24 hours before she returned home safely. Following her return home, Lydia’s mother said she was hugely grateful to know that so many people had been mobilised to search for her daughter through the alert.



80%

UP TO 80 PER CENT OF ADULTS WHO GO MISSING HAVE A DIAGNOSABLE MENTAL HEALTH CONDITION²¹

²¹ <http://www.bbc.co.uk/news/magazine-193608>

Our partnership with Missing People

**missing
people**

In November 2014, Royal Mail launched a partnership with the charity Missing People, that puts postmen and women at the forefront of the search for missing people across the UK. We send high risk missing people alerts to our postmen and women's Postal Delivery Assistants (PDAs). Through this, we can send alerts to people in the most relevant locations as soon as possible after a person goes missing. We put in place a fast and efficient system to ensure alerts are sent to colleagues within one hour of being issued. The alerts reach all employees through our PDA network, Company extranet site, MyRoyalMail (MRM), and our 1,800 onsite television screens.



Empowering our people to support community causes

We offer our employees a range of initiatives for getting involved in their local communities. This flexible approach enables our employees to support the wide range of causes they are passionate about.

- Charity partner matched giving:**
 We match amounts raised by colleagues for our main corporate charity partner, up to £2,500 per employee per year, and up to £1 million in total.
- Community matched giving and grant schemes:**
 We match funds raised by our colleagues for all other charities and good causes, up to £200 per employee each year. Colleagues also have the opportunity to apply for a grant of up to £200 to cover the cost of fundraising activities. In 2016–17, we supported around 320 charities through these matched giving and fundraising grants.
- Payroll giving (including Pennies from Pay):**
 Our people make donations from their pay to charities of their choice through payroll giving and Pennies from Pay. Pennies from Pay enables employees to have their pay rounded down to the nearest £1, with the difference going to our charity partner. During the year, 30,476 employees raised around £2.4 million for around 840 charities through both schemes. Our payroll giving scheme, which holds the Platinum Payroll Giving Quality Mark Award, is one of the largest in the UK. It has contributed almost £58 million to over 1,400 charities since 1989.
- Volunteering grants:**
 We offer grants of up to £400 per employee each year to cover the cost of materials used at volunteering events. This year, we distributed almost £9,000 through 37 volunteering grants.

In 2016, our CEO, Moya Greene, signed a new five-year agreement with the CWU Humanitarian Aid charity, to provide Royal Mail vehicles and employees to support humanitarian aid convoys. This year, we worked with the charity to deliver medical supplies to Syria, and food and clothing to vulnerable families in Moldova.

GLS delivers for community causes

In 2017, GLS Netherlands launched a partnership with Heppie, a charity that provides outings and activities for disadvantaged children.

CASE STUDY

500 MILE WALK FOR CHARITY



Postman Mark Penfold raised over £60,000, including matched giving from Royal Mail, for the Lily Foundation this year, after it provided support to his grandson Frankie, who has mitochondrial disease. Mark walked 500 miles between Edinburgh and London, along one of the UK's oldest postal routes, to mark our 500th anniversary.

Through their partnership, GLS will fund around 50 excursions a year for the children. GLS Belgium helped transport the Belgian deaf football team's equipment to Italy for the European Deaf Football Championships. In Germany, GLS colleagues donated 750 advent calendars to local children's hospitals at Christmas.

Helping our people in times of need

The Rowland Hill Fund provides support to current and former Royal Mail employees who fall on hard times. During 2016–17, the fund provided 363 grants totalling £444,122. Royal Mail makes an annual contribution of £50,000 to the fund, plus an additional £60,000 a year in in-kind donations. Our employees donated a further £103,335 through payroll giving this year. We work with the Fund to ensure all employees are aware of the support it provides.

£58m

OUR PAYROLL GIVING SCHEME, WHICH HOLDS THE PLATINUM PAYROLL GIVING QUALITY MARK AWARD, HAS CONTRIBUTED ALMOST £58 MILLION TO OVER 1,400 CHARITIES SINCE 1989



CASE STUDY

SPECIAL POSTMARKS



Heather Middleton, a Royal Mail employee, donated one of her kidneys to her colleague, Tim Cable, after he was diagnosed with kidney failure. The brave and selfless

gesture won Heather the Judges' Special award in our Chairman's Awards 2016.

Colleague stories like this have helped to inspire our support of campaigns like NHS Organ Donation Week. We promoted the campaign by issuing a special postmark to millions of items of mail nationwide, for one week, to raise the profile of the organ donation register. During 2016–17, an estimated 710 million items of mail featured postmarks supporting such causes, as well as highlighting important messages and special events to our customers.

Examples of special postmarks in 2016–17:

- Stay well this winter
- Giving Tuesday
- Armed Forces Day
- British Science Week
- Organ Donation Week



This year, we held our first Rowland Hill Fund Awareness Week. The Fund was also chosen to benefit from funds raised by this year's Graduate Fundraising Challenge, which totalled around £35,000 including matched giving from Royal Mail.

Each year, the Post Office Orphans Benevolent Institution (POOBI) provides £250,000 in grants to children of Royal Mail employees facing hardship. POOBI grants come from the returns generated by investing a fund created by donations from former employees. POOBI uses the fund to provide university bursaries and awards for children with special vocational talent, as well as assisting families where hardship is impacting upon their children.

Unlocking potential through education

Our business is closely aligned with the vibrancy and success of the UK economy. So, it is in our interest to help young people reach their full potential.

We partner with Career Ready to help prepare 16–19 year olds for the world of work. Through this partnership, 67 Royal Mail employees volunteered their time and expertise to mentor young people during 2016–17.

Teacher's Post, our online resource library available at www.teacherspost.co.uk, provides free classroom resources for all Key Stage levels. During 2016–17, Teacher's Post resources were downloaded 2,335 times, reaching an estimated 116,750 pupils.

In January 2017, we relaunched our competition for children aged 4–11 to design Christmas stamps for 2017. Over 200,000 entries had been received by April 2017. The two winners will follow in the footsteps of highly acclaimed children's designers and illustrators who have designed Christmas stamps in the past, such as Quentin Blake (1993), Nick Park (2010) and Axel Scheffler (2012).

CASE STUDY

TEACHER'S POST ON TOUR

Our online resource library, Teacher's Post, features learning materials that help to educate young people about the history and role of mail. Earlier this year, we sent educational materials to a school in Faro, Portugal, that was looking for ways to explain the post to its students. Sofia Mascarenhas, a teacher at *Colegio de Nossa Senhora do Alto*, in Faro said: "The class enjoyed learning about Valentine's Day, which is known as Feelings Day in Portugal. We used the learning resource to write messages about spreading love to our families and to the world."

We work closely with The Postal Museum to promote the integral role that our service has played in social history. During 2016–17, we donated £1.2 million to support the museum's new premises, which will open in mid-2017.

We are a Supporting Partner of the Duke of Edinburgh's Award (DofE). We offer our apprentices the opportunity to participate in the programme as part of their qualification. In November 2016, we held a joint celebration for the DofE Diamond Anniversary, and Royal Mail's 500 years, with an event attended by His Royal Highness The Earl of Wessex at our Mount Pleasant Mail Centre. Colleagues, including apprentices from across the business, met the Earl and shared their own DofE experiences. We became a DofE Diamond partner as part of our 500 years celebrations.

In August 2016, we committed to fund a Mental Health Advisor role at The Prince's Trust for the next three years. The advisor will add a new dimension to The Trust's work with disadvantaged young people. The Prince's Trust launched their mental health strategy in January 2017, which will ensure every young person accessing a Prince's Trust programme has the opportunity to talk to someone about their mental health. This would not have been possible without our support.

£250,000

IN GRANTS TO
CHILDREN OF ROYAL
MAIL EMPLOYEES
FACING HARDSHIP

“

"This new partnership with Royal Mail Group will allow us to improve our systems to make sure we are able to provide the best support to the young people we work with."

Dame Martina Milburn
DCVO CBE, CEO of
The Prince's Trust

Priorities for 2017–18

- Launch our partnership with Action for Children, Mind and Mental Health UK to deliver a multi-faceted programme for mental health, covering training, awareness raising, research, pro bono support and work placements for people with mental health problems. We aim to raise £2 million for Action for Children over the course of our partnership;
- Drive employee engagement in our fundraising, volunteering and payroll giving schemes; and
- Identify opportunities to leverage our assets to tackle social issues in collaboration with our charity partners.

At a glance

OUR SUPPLIERS



The impact of Royal Mail's business extends beyond our direct operations through to our supply chain. We worked with around 5,000 suppliers in the UK during 2016–17. Managing these relationships in the right way is essential for us to compete effectively, deliver a good customer experience and spread economic opportunity. It also helps us promote higher standards of social, ethical and environmental conduct across our supply chain.

KEY FACTS



5,000

WE WORKED WITH AROUND 5,000 UK SUPPLIERS IN 2016–17



£2.4bn

WE SPENT AROUND £2.4BN WITH UK SUPPLIERS IN 2016–17



30%

SUCCESS RATE OF OVER 30 PER CENT FOR SMEs BIDDING FOR ROYAL MAIL CONTRACTS IN 2016–17



95%

OVER 95 PER CENT OF SUPPLIERS TO OUR UK BUSINESS ARE BASED IN THE UK



KEY HIGHLIGHTS

- Royal Mail amended the contract with its main flexible resource provider in the UK to stipulate greater diversity of candidates put forward for temporary roles in our operation.
- In 2016, GLS undertook a European road safety campaign aimed at transport partners, to encourage safer driving behaviours.
- Royal Mail added an anti-slavery and human trafficking clause to its standard contract terms and conditions for UK suppliers.
- We trained all of our Procurement colleagues in our UK operations on anti-bribery and corruption and the Modern Slavery Act.

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PERFORMANCE (KPIs)

NEW UK SUPPLIERS THAT ARE BOUND BY THE RESPONSIBLE PROCUREMENT CODE (%)¹

2016–17*	100%
2015–16	100%
2014–15	100%

NEW UK PROCUREMENT EMPLOYEES THAT HAVE UNDERTAKEN INDUCTION TRAINING ON CR ISSUES

2016–17*	100%
2015–16	100%
2014–15	N/A

REGULAR MONITORING OF ALL UK SUPPLIERS AGAINST UK TREASURY SANCTIONS LIST²

2016–17*	100%
2015–16	N/A
2014–15	N/A

* Target achieved, see page 14 for details

¹ Covers suppliers awarded contracts by Royal Mail Group Procurement. Also includes suppliers that can demonstrate adherence to the same standard

² This KPI was formally introduced in 2016–17

Our suppliers

Supplier relationships are an important part of how Royal Mail does business. The activities of our suppliers have an impact on our stakeholders and can help spread economic opportunities across the communities we operate in. We work with around 5,000 suppliers in the UK every year, so it is essential that we manage our supplier relationships effectively.

Our supplier strategy focuses on delivering value for the business, while protecting it from risk. We measure our performance against our UK supplier strategy through a set of key performance indicators (KPIs). They include specific objectives that relate to social, ethical and environmental practices. For example, we monitor the percentage of new UK suppliers that confirm their compliance with our Responsible Procurement Code. We also monitor the performance of each KPI against annual targets, as set out in the performance table on page 59.

In addition to signing up to the Responsible Procurement Code, suppliers must also adhere to the UN Universal Declaration of Human Rights.

Suppliers transporting or handling mail on behalf of Royal Mail must, in addition, adhere to the Mail Integrity Objectives, a condition set out by the UK postal regulator, Ofcom. We have particular responsibilities to our customers and the public to protect the integrity of the mail. This standard covers the physical security of the mail. It requires supplier personnel who come into contact with the mail to be vetted to the same standard as our own employees.³

Our approach to responsible procurement

We are committed to embedding high standards of social, ethical and environmental conduct across our supply chain and securing value for our business. We pre-screen potential new UK suppliers during the tendering process to ensure they meet minimum thresholds across a number of CR issues. They include bribery and corruption, safety and modern slavery. We require that all UK suppliers comply with internationally recognised standards for CR and embed these standards within our supplier contracts.

Our Responsible Procurement Code, available at www.royalmailgroup.com/responsibility/policies, sets out the high standards of ethical, social and environmental conduct that we expect from our suppliers. It helps us to manage associated risks in our supply chain. It is based on the Ten Principles of the United Nations (UN) Global Compact. The Compact promotes responsible practices across human rights, labour, environment and anti-corruption.

Implementing responsible procurement

Royal Mail monitors UK suppliers' CR performance during the early stages of the tendering process. Any supplier that wishes to bid for Royal Mail contracts must first answer questions covering a range of ethical, social and environmental topics. During 2016–17, Royal Mail added a new due diligence question on modern slavery and trafficking to our supplier tendering system. We are also working on an enhanced set of questions relating to environmental performance, which we plan to launch in 2017–18. In addition to the questions asked during the tendering process, we require all new suppliers to confirm compliance with our Responsible Procurement Code.

ABOUT THIS CHAPTER

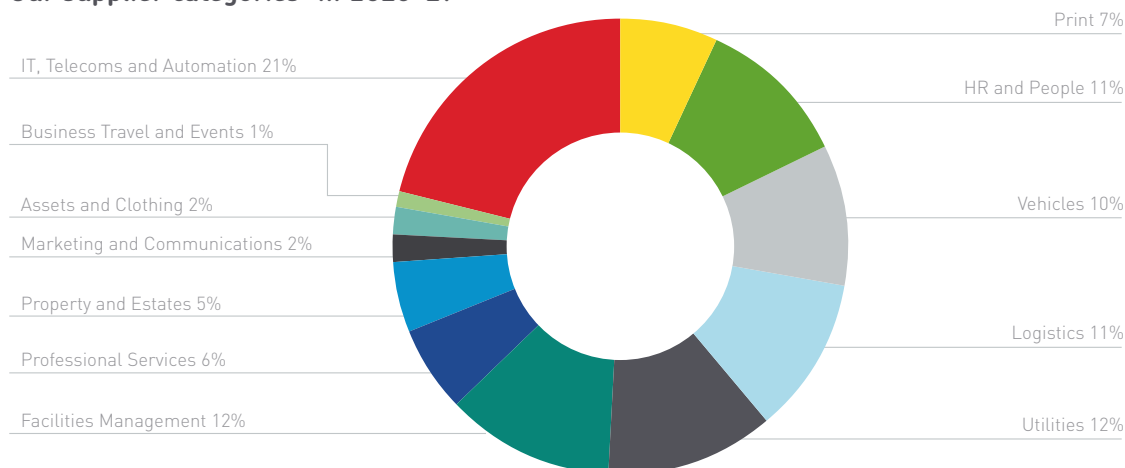
This chapter mainly covers our core UK and international parcels and letters delivery business – UKPIL – operating under the 'Royal Mail' and 'Parcelforce Worldwide' brands. Where stated, we also have included data and narrative from our pan-European parcels delivery business, General Logistics Systems (GLS). We use the term 'Royal Mail' to describe activity in Royal Mail and Parcelforce Worldwide. For activity in GLS, we use the term 'GLS'.

³ On 1 March 2017, Ofcom changed the regulatory condition on mail integrity. The rules in the Mail Integrity Code of Practice are now embedded in regulation as principles. It is to allow postal operators greater flexibility in meeting the obligations whilst ensuring the current high standard on mail integrity is met and improved

Why responsible procurement is important

Our stakeholders rank responsible procurement as a material issue for our business. They are particularly interested in how we manage environmental, social and governance issues in our supply chain, as well as how we monitor supplier performance. For details of our materiality assessment see page 16.

Our supplier categories⁴ in 2016–17



Our supplier category strategies and sourcing plans set out further requirements according to the nature of the products and services being purchased. For example, suppliers bidding for our elastic band contract in 2016–17 were required to be a member of Sedex, the non-profit ethical auditing organisation. Membership of Sedex enables us to more closely track suppliers' environmental, social and governance performance and undertake audits if necessary. Similarly, suppliers bidding for a print contract during the year were required to demonstrate ISO140001 certification before being shortlisted.

Health and safety standards

Royal Mail's Responsible Procurement Code requires suppliers to comply with all relevant legal and regulatory requirements on health and safety, as well as all applicable Royal Mail Health, Safety and Environment policies and procedures.

We analyse each UK contract with regard to health and safety risks. When particular risks are identified, we incorporate additional requirements into the tendering, evaluation and contracting processes. Typically, health and safety responses are not scored; a supplier will either pass or fail them. For contracts with specific health and safety risks, a supplier will not be progressed if they do not pass the safety questions, regardless of their overall score. Depending on the nature of the goods or services being procured, there might also be additional questions, for example, on industry standards, audits and ISO certification. For example, for the construction and development work currently taking place at our Mount Pleasant Mail Centre in London, we established a pre-qualification process. This identified bidding suppliers that had

previously failed to meet statutory Construction Design and Management obligations. These previous failures did not necessarily lead to omission from the supplier shortlist, provided they had resulted in improved operational practices. This pre-qualification process ensured that all bidding suppliers had high health and safety standards.

Promoting diversity throughout our supply chain

Royal Mail is committed to equality, diversity and fairness. We expect UK suppliers to support this commitment through equality of opportunity for all their employees and job applicants, and by providing an environment in which all people can make best use of their skills, free from discrimination or harassment.

The vast majority of our UK workforce is permanent; however, there are times when we recruit additional resource to support with increased demand, for example, at Christmas. Royal Mail aims to ensure that its workforce is reflective of the communities in which we operate. In 2016–17, we took steps to ensure that the temporary workers supplied by our agencies meet the same standard. We amended the contract with our main flexible resource provider to include a provision that balanced shortlists (50 per cent female, 50 per cent male) are put forward for temporary roles in our operation. We will continue to select temporary workers based on merit and suitability to the role on offer. However, by widening the scope of the shortlist, we aim to provide employment for a greater range of suitably skilled applicants, and promote a diverse workforce.

⁴ Supplier categories for our UK Parcels, International & Letters business. Over 95 per cent of these suppliers are based in the UK.

Identifying and assessing risk in our UK supply chain

A key element of our strategy is to mitigate supply chain risk. The size of Royal Mail's supplier network makes effective risk management controls an imperative. We focus our risk management efforts on the suppliers that present the greatest risk to our business based on their geography, size, business sector and scope of contract. We consider a range of risks connected to the products and services that those suppliers provide.

Royal Mail maintains a procurement risk register that lists the critical risks. They include all relevant social and environmental risks, for each category in which we buy products or services. The primary CR risks associated with our supply chain are:

- Reputational risks, which apply to suppliers in the Assets, Operational Equipment and Clothing category, particularly manufacturers located in low-cost countries;
- Probity risks, which relate to the security of information and confidentiality when working with IT suppliers, as well as the safety and security of mail during transportation by rail or air;
- Compliance risks, associated with compliance to UN and EU sanctions rules, particularly in our Logistics business where suppliers may operate in regions subject to sanctions;
- Safety risks, which relate to the vehicles we buy from our suppliers as well as contractors working on Royal Mail premises;
- Safety and material provenance risks, which apply to suppliers in the Facilities and Property Management category that source items such as furniture; and
- Discrimination risks, which relate to fair and equal treatment of staff in areas such as recruitment, training and promotion opportunities.

Royal Mail conducts risk assessments for each new contract that it awards, taking into account the relevant critical risks for the supplier category. An overall 'criticality rating' is assigned to suppliers based on a number of criteria. They include business dependency, financial status, technology opportunities, and reputational, compliance and safety risks. Any contract that is considered 'critical' as a result of its risk profile may require Board approval prior to the contract being awarded.

Once a contract is awarded, if we identify further risks, we put corrective action plans in place to address them. We require evidence from the supplier to show that the recommended actions have been implemented. Depending on the severity or criticality of the risks identified, we may also instruct third-party audits of suppliers to ensure that the recommended measures are in place. Occasionally suppliers fail to meet the standards we expect from them. We have a defined process in place to deal with this. For example, in 2016–17, we asked a supplier to terminate dealings with a subcontractor that failed an un-announced, independent factory audit that raised serious concerns about its approach to worker safety.

We recognise that suppliers classed as non-critical may still pose environmental, social and governance risks. In 2016–17, we undertook a risk mapping exercise to identify supplier categories with higher environmental, social and governance risks, including human rights risks and environmental risks. We will ask higher risk suppliers to enrol with Sedex, an online database through which we can closely monitor their CR performance, and introduce new environmental, social and governance key performance indicators to track their performance.

USING TECHNOLOGY TO ENHANCE SUPPLIER DUE DILIGENCE, RISK IDENTIFICATION AND MANAGEMENT



When a potential supplier works in a sector with a medium to high risk of corruption, we use the World-Check database to check for any previous investigations or convictions; particularly regarding bribery, sanctions non-compliance and breaches of environmental laws. This information informs our decisions about where to award contracts and helps us to manage risk.

In 2016–17, we implemented an automated process to check all contracted UK suppliers against

the UK Treasury sanctions list. This reduces the need to manually request and run reports on our suppliers.

We have trialled a number of intelligence sources to identify ways of tracking a wider range of supplier risks. These trials include alerts relating to non-compliance with labour standards, environmental breaches, factory safety and probity issues on the part of our suppliers.

Monitoring supplier performance

Royal Mail's Supplier Management Portal system enables us to monitor suppliers' compliance with our ethical, social and environmental contractual requirements. We request that our suppliers upload evidence to the portal like accreditations and environmental certifications. The Supplier Management Portal also prompts suppliers to add new supporting information when previous accreditations expire. To date, suppliers representing around 36 per cent of our spend in the UK are actively using the system to provide us with performance evidence. We are planning to add more suppliers to the system in the coming months.

We identified suppliers working within higher risk geographies or sectors in 2016–17. We updated the Supplier Management Portal to include new key performance indicators for those suppliers. For example, during 2016–17 we added an anti-bribery indicator for 24 airlines that provide us with global mail transportation services.

We ask suppliers to complete self-assessments through Sedex when we identify potential risks connected to the products and services they supply, or the countries in which they operate. We also use Sedex to conduct third-party audits of higher risk suppliers.

Protecting human rights

We are committed to playing our part in helping to prevent any incidence of modern slavery in our supply chain. Modern slavery refers to any activity that impinges human freedom through servitude, forced and compulsory labour, and human trafficking. In line with the Modern Slavery Act legislation, we will publish a statement describing the steps that we took during 2016–17 to mitigate the risk of modern slavery and human trafficking taking place in any part of our business operations. This includes our adding anti-slavery and human trafficking clauses to our standard contract terms and conditions for suppliers to our UK operations. Our statement will be published at www.royalmailgroup.com. For further information about our broader approach to protecting human rights, see the Business Integrity section on page 24.

Supporting SMEs in our UK supply chain

SMEs represent 60 per cent of all private sector employment and 47 per cent of all private sector turnover, contributing £1.8 trillion to the economy

annually.⁵ By making our tendering process accessible to businesses of all sizes, we expand our options significantly, increasing our ability to appoint the best possible supplier. We also widen the economic opportunities that our business creates.

Where commercially viable, we do this by breaking some contracts down into smaller 'lots', thereby increasing their attractiveness to SMEs. We are able to track the number of SMEs bidding for Royal Mail contracts through our supplier tendering system. During 2016–17, we awarded over 30 per cent of new contracts to SMEs.

Royal Mail welcomes the Department for Business, Energy & Industrial Strategy (BEIS) requirement for large companies to publish their payment practices and performance in order to reduce the number of smaller businesses under strain through late payments. In accordance with the new rules, Royal Mail will be disclosing its payment practices on the dedicated BEIS website within the required timescales.

CASE STUDY



SUPPORTING SMEs

Our postmen and women use 'Postal Digital Assistants' (PDAs) to track and record deliveries. During 2016–17, we ran a competitive selection process for a contract to develop our PDA functionality and ensure that they are easy for our colleagues to use. We awarded the contract to Bunnyfoot, a small company specialising in improving user experience of digital applications. Bunnyfoot is now working with Royal Mail to support the new PDA application roll out.

TRAINING FOR UK PROCUREMENT EMPLOYEES

Our induction process for UK procurement employees covers the principles of our Responsible Procurement Code and how we apply these to suppliers. We also train new procurement employees in our UK operations on probity issues (including anti-bribery, competition law and sanctions compliance). We also require them to complete a conflict of interest declaration. In 2016–17, eight new starters completed this process.

During 2016–17, we ran five training courses for UK procurement employees. The course covered ethics and business probity, including anti-bribery and sanctions compliance. We also ran two Modern Slavery Act training sessions, which included the mitigation of modern slavery and human trafficking risks. We are currently developing additional ethical risks training for procurement employees.

⁵ www.fsb.org.uk/media-centre/small-business-statistics



Supplier management in GLS

GLS procures goods and services which enable it to deliver parcels. This includes containers for trailers, facility services, and clothing for transport partners' delivery drivers and protective equipment. GLS also procures parcel delivery services from transport partners who deliver parcels on behalf of GLS. These transport partners employ their own delivery drivers.

GLS is bound by strict standards of business practice and expects the same from its business partners. Every GLS employee involved in the selection of business partners, who act on behalf of GLS, is responsible for ensuring that partner selection complies with the appropriate dedicated process, which applies in all GLS entities.

GLS Germany Partner Code

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

GLS Germany expects its partners to:

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

GLS also has a whistleblowing helpline in every company it operates to enable employees, business partners and third parties to report, in confidence, criminal acts or other serious offences. GLS investigates allegations of violations.

GLS's health and safety standards

We recognise that road safety incidents do unfortunately occur in logistics businesses. GLS takes seriously its responsibility to ensure the health and safety of the people it employs and those who work on its behalf. GLS has embedded a structured health and safety system, with a range of supporting activities, at each of its national subsidiaries. As a result, in the most recent reporting period, it has reduced the Lost Time Accident Frequency Rate for its own employees.

GLS contracts transport partners to undertake delivery of its parcels, who employ their own delivery drivers. GLS expects its transport providers to protect their employees' health and safety, in accordance with relevant local law. As an additional measure, in 2016 GLS undertook a European road safety campaign aimed at transport partners to encourage safer driving behaviours and reduce road traffic incidents. It included a recommended set of road safety measures and communications materials such as awareness-raising posters, safety stickers for their vans and a road safety poster, highlighting the '10 golden rules' of road safety for delivery drivers.

Priorities for 2017–18 (UK supply chain):

- Target 50 higher sustainability risk suppliers to enrol with Sedex by 2019;
- Complete actions and KPIs on the Supplier Management Portal system for all suppliers considered higher risk for CR, probity or sanctions; and
- Develop sector-specific environmental questions for use in tendering, linked to environmental risk analysis process.

At a glance

OUR ENVIRONMENT



For Royal Mail, sustainable management of natural resources is a commercial imperative as well as an environmental one. Reducing our environmental impact is a key part of our ongoing transformation. Doing so enables us to reduce operating costs, sustain a competitive business and engage our people more effectively.

KEY FACTS



c.48,000
VEHICLES IN UKPIL¹



1,911
NUMBER OF SITES
ACROSS THE UK



66%
66 PER CENT OF CO₂e
EMISSIONS FROM VEHICLE
FLEET AND TRANSPORT



32%
32 PER CENT OF
CO₂e EMISSIONS
FROM BUILDINGS

KEY HIGHLIGHTS

- We have achieved our target to reduce our carbon emissions by 20 per cent. In 2016–17, we reduced Royal Mail carbon emissions 4.7 per cent year-on-year, a 25.7 per cent reduction against the 2004–05 baseline.
- We are expanding our use of driver telemetry to help reduce fuel consumption and promote safer, more efficient driving styles. In total, 40 per cent of our fleet is now fitted with this technology.
- We are reducing our use of air transport to cut emissions and costs. This year, we have saved around 2,000 tonnes of carbon dioxide equivalent (CO₂e) by replacing air transport with road services.
- In 2016–17, we reduced our total water consumption by four per cent compared to the previous year.
- Engaging frontline colleagues in waste reduction and recycling has helped us to divert 91 per cent of waste from landfill. This initiative received the edie (Environment Data Information Exchange) Sustainability Leaders Engagement and Behaviours Change award this year.

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PERFORMANCE (KPIs)

UKPIL TOTAL CARBON EMISSIONS
(KT CO₂e)

2016–17*	649
2015–16	681
2014–15	716

WASTE DIVERTED FROM LANDFILL (%)

2016–17*	91%
2015–16	86%
2014–15	78%

WATER CONSUMPTION ('000 M³)

2016–17*	1,413
2015–16	1,474
2014–15	1,507

* Target achieved, see page 14 for details

¹ UKPIL includes the Royal Mail and Parcelforce brands. The figure includes c.2,300 trailers

Our environment

The scale of our operations means we inevitably have a significant environmental impact. Managing our impact is a strategic imperative for us. It helps us to control our costs and support business performance, as well as preserve the natural environment in which we operate.

Our environment strategy and approach

We have made environmental considerations a fundamental part of how Royal Mail does business. We do so through influencing our people's behaviour, and aiming for continuous improvements across our sites and our logistical operations. We use a risk management process to identify and address environmental issues resulting from our business.

Our environmental strategy focuses on the following four aims:

- **Energy:** reducing our energy use in fleet and property to cut greenhouse gas emissions;
- **Waste:** minimising the amount of waste we create and diverting more waste from landfill;
- **Water:** reducing our demand for water and the amount of water that is lost or wasted on our premises; and
- **Customers and suppliers:** working with our customers and suppliers to address our environmental impacts.

Our Environment Policy, which we review annually, is available at www.royalmailgroup.com/responsibility/policies.

World Class Mail (WCM) is our programme of continuous improvement for Royal Mail operations. It is the main mechanism through which we implement our environment strategy. Reducing our environmental impact is one of 10 WCM pillars. For each of these pillars, WCM outlines a seven-step approach to improvements, with milestone audits governing awards of bronze, silver, gold and WCM status. During the year, Heathrow Worldwide Distribution Centre became our first site to attain gold status. WCM helps us to prepare Mail Centres and Mail Processing Units for the ISO14001 environment management standard.

Environment management and governance

Our Environment Governance Board (EGB) is made up of senior leaders from business areas with material environmental impacts. The EGB approves our environment strategy, reviews plans and drives performance. This includes leading the integration of WCM with our Safety, Health and Environment (SHE) management system.

EGB members undergo training to refresh their environmental knowledge and skills. During 2016–17, the Board took part in the IEMA Leading with Environmental Sustainability programme, a workshop that generated ideas for new approaches to mapping Royal Mail's impacts and other areas of our environment strategy.

Our environment management system (EMS) for our UK operations is aligned to the ISO14001 model for environmental management. Currently, 14 of our largest Royal Mail sites are individually accredited to ISO14001, as are all of our Parcelforce Worldwide sites and all GLS sites. During 2016–17, we developed and deployed standards for our UK operations that meet the updated ISO standard – ISO2015. They cover environmental management, legal compliance, energy use and carbon management, and the management of waste. We plan to transition our EMS to the updated ISO standard for all UK sites in 2017–18.

World Class Mail (WCM) is our programme of continuous improvement for Royal Mail operations through which we implement our environment strategy

Why environmental management is important

Our stakeholders rank environmental management as a material issue for our business. Stakeholders are keen to see Royal Mail continue to reduce the environmental impact of its business operations, and to offer products and services that enable our customers to do the same. For details of our materiality assessment, see page 16.

We have also developed a new site-level Environmental Legislation Register. It provides us with site-by-site compliance information and intelligence for group-wide environmental improvement programmes. We trialled the register at around 20 of our largest sites during 2016–17. We will deploy it across our entire estate in 2017–18.

Environmental risks and opportunities

Royal Mail's business presents both environmental risks and opportunities. We seek to manage our risks proactively. And, at the same time, we identify opportunities to reduce our impact on the environment.

We maintain an environmental opportunity and risk register. It is regularly updated with contributions from the EGB and other relevant internal and external stakeholders. Information on Royal Mail Group's overarching risk management framework is set out on page 37 of the 2016–17 Annual Report and Financial Statements.

The principal environmental risks for our business are:

- Price rises due to resource scarcity;
- Increased carbon taxes and operational costs due to climate change;
- Increased landfill taxes; and
- Reputational risks associated with not effectively addressing and managing our resource use.

These environmental risks are balanced by opportunities that result from effective management. They include:

- Reduced running costs and increased efficiency;
- Reduced waste disposal costs;
- Opportunities for revenue generation through recycling as well as through new products and service developments; and
- The benefits of customers, employees and other stakeholders recognising Royal Mail as a responsible business.

Extreme weather events are becoming more common due to climate change. This year, we developed an early warning flood alert system for at-risk sites. The system monitors alerts from the Environment Agency and Met Office. There is a live dashboard providing advance warning of potential floods. The system has already issued alerts that have enabled us to take early precautions. They included helping to protect our people, customers, property and equipment, and maintaining business continuity in the event of flooding.



Energy and emissions

Royal Mail uses energy to power and heat our buildings, and to transport and deliver the mail. This results in the emission of greenhouse gases (GHGs). Our fleet and transport makes up around 66 per cent of our carbon footprint in the UK; while our buildings contribute around 32 per cent. The remainder is comprised of emissions from business travel. See the 2016–17 CR Performance and GRI Data appendix, available at www.royalmail.com/responsibility/cr-reports, for a breakdown of the type of energy we use.

The table below sets out our Group carbon dioxide equivalent (CO₂e) emissions for 2016–17. In 2016–17, our total UK carbon footprint decreased by 4.7 per cent compared with the previous year. On a normalised basis, emissions decreased by 4.6 per cent per £1 million revenue. Our target has been to reduce UKPIL carbon emissions (including Scopes 1, 2 and 3) by 20 per cent, by 2020–21, compared with a 2004–05 baseline. We have achieved our target at a time of significant change for our business. We are transforming

from a letters company that delivers parcels, to a parcels company that delivers letters. We are having to accommodate more and bigger parcels than ever before. This places increasing demand on our fleet and fuel consumption. We have achieved our target by pursuing energy-saving opportunities across our fleet and property portfolio, exploring more efficient ways of balancing the air, rail and road transport that we use to deliver mail items, and training our employees in more energy-efficient behaviours. The target will remain in place until 2020–21. This means that we will aim to keep our carbon emissions at 20 per cent below the levels in 2004–05 until 2020–21. This will be challenging. Parcel volumes are increasing, and demands on our vehicles and fuel consumption will continue to grow.



4.7%

IN 2016–17, WE
REDUCED CARBON
EMISSIONS BY
4.7 PER CENT

We will aim to keep our carbon emissions at 20 per cent below levels in 2004–05 until 2020–21

2016–17 CO₂e emissions (’000 tonnes)^{3,4}

	2016–17			2015–16 ²			2014–15 ²		
	Total	UKPIL	GLS	Total	UKPIL	GLS	Total	UKPIL	GLS
Scope 1	458.2	444.9	13.3	473.7	458.4	15.3	483.7	470.7	13.0
Scope 2	134.4	116.3	18.1	152.2	134.1	18.2	166.4	145.4	21.0
Scope 3	87.7	87.7		88.7	88.7		100.1	100.1	
Total	680.3	648.9	31.4	714.6	681.2	33.4	750.1	716.1	34.0
Tonnes CO ₂ e per £1m revenue		84.7			88.8			92.2	
Scope 2 (market-based) ⁵	40.3	14.3	26.0	40.7	14.1	26.6			

2 Last year, we reported that we had achieved a 16.8 per cent reduction in carbon emissions against the baseline. However, we actually achieved a 22 per cent reduction. Carbon emissions figures have been restated here to ensure transparency. During 2016–17, we identified two issues that resulted in an overestimation of our carbon emissions for 2015–16, and for 2014–15. Firstly, Parcelforce Worldwide road fleet emissions had been double counted in 2015–16 and 2014–15. Secondly, issues with gas meter billing resulted in some double counting during 2015–16. This means that we overestimated our total carbon emissions by 5.9 per cent in 2015–16 and 3.9 per cent in 2014–15.

These issues have been rectified. Appropriate additional control steps have been included as part of the data collection and validation process to reduce the risk of misreporting in the future. Ernst & Young (EY) – who we engaged to provide limited assurance of our 2016–17 Corporate Responsibility Report, including carbon emissions data – reviewed the rectifications and the additional controls that were implemented. EY concluded that, on the basis of the work completed, EY is not aware of any errors that would materially affect the data as presented here. EY’s full assurance statement is on pages 74 to 76 of this Report.

3 We quantify and report our organisational greenhouse gas emissions according to the Defra Environmental Reporting Guidelines 2013. We 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. We exclude immaterial sources such as fugitive emissions from air conditioning in owned vehicles. Scope 3 emissions are included in UKPIL reporting only.

4 Totals may differ due to rounding.

5 We report our Scope 2 market-based carbon emissions in line with the Greenhouse Gas Protocol. This takes into account the use of lower carbon forms of energy such as renewables. Based on the total Scope 2 market-based figures in table above, our total carbon emissions in 2016–17 are 586.1 kilotonnes CO₂e.



6%

6 PER CENT REDUCTION
IN CO₂e EMISSIONS
ARISING FROM
BUSINESS TRAVEL



c.2,900

WE INSTALLED
TELEMATICS
TO AROUND
2,900 VEHICLES

We are currently developing a UK fleet carbon efficiency target. It will enable us to measure how effectively we use the capacity of our trailers and vehicles against the amount of fuel we use.

Business travel contributes around two per cent of our carbon dioxide equivalent emissions. So, it represents a small part of our overall carbon footprint. Nevertheless, we recognise our responsibility to reduce our impact wherever possible. In 2016–17, we launched a communications campaign encouraging employees to reduce business travel and make use of telephone and video conferencing. This has resulted in a reduction of six per cent in CO₂e emissions arising from business travel. To support this initiative, in April 2016, we set a new CO₂e emissions limit of 130g/km for company cars.

We continue to report our carbon emissions management against the CDP framework. During 2016–17, we were awarded a B score, ahead of the Air Freight transportation and Logistics industry average score of C. We use the benchmark to identify areas for improvement, and inform our strategy.

We are working with Pertemps, our driver training provider, on a new course to help our heavy fleet drivers use in-cab technology to improve safety and fuel efficiency



Logistics and transport

We are investing in new technologies and long-term initiatives, such as changing colleagues' driving styles, to reduce our carbon emissions.

Our fleet environment strategy focuses on three core areas:

- Changing driving styles;
- Investing in new vehicles and technologies;
- Making our transport network more efficient.

Changing driving styles

We use telemetry and training to reinforce safer and more fuel efficient driving styles, reducing our CO₂e emissions.

Our telemetry system tracks drivers in real time. It gives visible and audible warnings when they drive in a way that increases fuel consumption and emissions, like accelerating too strongly. This year, we installed telemetry to around 2,900 vehicles. In total, 40 per cent of our fleet is now fitted with this technology. In 2016–17, using telemetry saved us approximately 1,751,105 litres of diesel, equating to 4,693 tonnes of CO₂e.

We are working with Pertemps, our driver training provider, on a new course to help our heavy fleet drivers use in-cab technology to improve safety and fuel efficiency. Once the course content has been agreed, we will deliver it to our advanced driver coaches. They can then apply their knowledge to training our team of over 2,600 heavy goods fleet drivers.

During 2016–17, we launched a new contract with fuel card provider Allstar, giving our drivers access to a network of over 7,600 fuel sites. The tender process included a mapping exercise to ensure that every office has at least three filling stations within three miles. This reduces the distance vehicles need to travel to refuel. Using one fuel supplier gives us access to more comprehensive data for monitoring fuel consumption. We are working with Allstar to analyse fuel consumption data and improve refuelling on journeys. This will save mileage, costs and carbon emissions.



We received a Green Fleet award in November 2016 for outstanding achievement, recognising our investments in cleaner vehicle and driver technology, and the progress we have made in reducing our fuel consumption and carbon emissions.

< 2,000t

DURING 2016–17, WE REPLACED AIR TRANSPORT WITH ROAD SERVICES ON ROUTES TO AND FROM EDINBURGH AND THE EAST MIDLANDS, SAVING AROUND 2,000 TONNES OF CO₂e

Investing in new vehicles and technologies

Royal Mail operates the largest commercial vehicle fleet in the UK. As the demand for parcel deliveries increases, we constantly review the size and capability of our fleet. We are committed to changes that deliver sustainable reductions in emissions, while ensuring we continue to meet our customers' expectations.

During 2016–17, we acquired 2,859 new vehicles, including 713 trucks and 2,146 smaller vans, which comply with the Euro 6 standard on commercial vehicle emissions. This standard aims to lower levels of harmful exhaust emissions, such as oxides of nitrogen (NO_x) and other pollutants.

In 2016–17, we replaced 233 single-deck trailers with 75 double-deck trailers. They have a higher mileage per gallon but can transport more items per journey.

In 2017–18, we will trial new vehicles that use low or zero direct emission technology. This includes nine electric trucks at a central London Mail Centre. We developed these vehicles in partnership with our supplier. They produce zero direct emissions.

Other vehicle trials currently underway include a pilot of two electric vehicles at Premier Park in London. And, a trial of a dual fuel truck, operating from our National Distribution Centre. Initial results show this vehicle delivering an efficiency saving of 20 per cent, which would pay back the investment in two and a half years. We are assessing the value of expanding the trial.

Almost 10 per cent of GLS's vehicle fleet in Italy is gas powered. A trial of a gas-powered truck is currently underway. GLS also uses gas powered vehicles in the Netherlands, Poland, Germany, France and Hungary. GLS is introducing more to its fleet across Europe.

Making our transport network more efficient

We use specialist technology to plan our transport networks for maximum efficiency, using a mix of road, rail and air. Royal Mail uses airmail to meet First Class, Special Delivery and priority traffic obligations only. Minimising our use of air transport helps to lower our CO₂e emissions and reduce costs. During 2016–17, we replaced air transport with road services on routes between Edinburgh and East Midlands. This has reduced associated CO₂e emissions by approximately 2,000 tonnes per annum. The emissions of the replacement road services are only 37 per cent of the emissions of the flight they replaced.

We use specialist technology to plan our transport networks for maximum efficiency, using a mix of road, rail and air

We can maximise our transport capacity by loading mail items onto aircraft and vehicles as efficiently as possible. We also use route optimisation software to ensure that our road journeys are well planned.

Managing our building estate

Royal Mail has an extensive property portfolio. Reducing energy use in our buildings is a priority for us. Climate change legislation and uncertain energy prices also make it important for us to manage the energy efficiency of our estate.

Following Royal Mail's acquisition of the minority shareholding in Romec Limited (Romec) in 2016–17, we established a 'Quick Wins' group to identify and implement resource-saving opportunities across our entire estate.

We continue to use the Energy Efficiency Programme and World Class Mail framework to support reductions in energy use, water consumption and waste. We focus on sites with higher-than-budgeted energy consumption and use technology to monitor and reduce that consumption. Regular walk-around audits and poster campaigns engage employees in the programme. We also hold regular energy forums so that successful initiatives can be shared and replicated across our estate.

We replaced inefficient fluorescent lights with new LED lights at a further 15 UK sites this year, and lighting controls at 17 Mail Processing Units and Delivery Office sites. This will deliver an expected electricity saving of 11 GWh per year. Around 64 per cent of our Mail Centres and Regional Distribution Centres have now been fitted with LED lighting. Solar panels at our Chelmsford Mail Centre generated 87,043 kWh in 2016–17, saving approximately 35.9tCO₂e.

Improved use of our Building Energy Management Systems helped to reduce gas consumption by seven per cent in sites where we had those systems last year. We replaced 30 boilers with new high efficiency condensing boilers and reduced heating during the Christmas shutdown period.

GLS sites in Barcelona, Vitoria and Zaragoza, which process approximately 52 per cent of parcel volumes in Spain, source all of their building electricity through a green tariff. We plan to move all of GLS's Spanish operations to this tariff by the end of 2017–18.

➤ See the 2016–17 CR Performance and GRI Data appendix for air emissions metrics available at www.royalmailgroup.com/responsibility/cr-reports



GLS sites in Barcelona, Vitoria and Zaragoza, which process approximately 52 per cent of parcel volumes in Spain, source all of their building electricity through a green tariff.

Water use

Water is a precious natural resource. We are committed to reducing our consumption of it. Royal Mail's water use is limited to domestic purposes and keeping our vehicles and equipment clean. See the table below for yearly trends.

During the year, we agreed new water reduction targets for the period 2016–17 to 2018–19. We achieved our target to reduce our use of water by three per cent in 2016–17 compared to the previous year. We used 1,413.1 megalitres of water, compared to 1,474.4 megalitres in 2015–16. This is as a result of initiatives to increase our understanding of water consumption patterns and total water usage, with the aim of reducing consumption and costs. Our target for 2017–18 is to reduce our use of water by another three per cent. For 2018–19, we want to reduce usage by a further four per cent.

Reducing water consumption is a key consideration when sites are refurbished. Water management systems and low volume toilet cisterns are now installed as standard. During the year, we collated water consumption data from across the Royal Mail estate, to inform our 2017–18 water strategy, identifying significant potential cost savings.

Water metric ('000 m ³)	2016–17	2015–16	2014–15
Water consumed	1,413.1	1,474.4	1,507.3

Waste and recycling

Our approach to waste management is aimed at reducing the amount of waste we send to landfill. In 2016–17, we set new waste-to-landfill reduction targets for the next three years, up to the end of 2018–19.

This year, we generated 32.9 kilotonnes of waste. 91 per cent was diverted from landfill, four per cent better than our target of 87 per cent, using a combination of recycling and waste to energy initiatives. This compares against 32.5 kilotonnes of waste generated in 2015–16, of which 86 per cent was diverted from landfill. Of the sites that reported waste in 2016–17, over 600 diverted 100 per cent of their waste from landfill.^{6,7} In 2016–17, the Chief Executive's Committee agreed further waste diversion targets for the next two years. For 2017–18, our target is to divert 89 per cent; and for 2017–18, our target is to divert 91 per cent of waste from landfill.

Maintaining our vehicles has a positive environmental impact too. More than 30 tonnes of CO₂e was saved this year by re-treading 635 tyres for re-use on Royal Mail vehicles.

More than 30 tonnes of CO₂e was saved this year by re-treading 635 tyres

Around two per cent of the waste we generate is considered hazardous. It stems from vehicle and building maintenance and cleaning products used in our buildings. All hazardous waste is dealt with appropriately.

In October 2016, we awarded a new facilities management contract to ISS. It is designed to produce further efficiencies and improve waste management across our estate. Working with a new supplier has given us access to improved reporting capabilities that monitor recycling performance at site level.

ENGAGING EMPLOYEES IN WASTE REDUCTION

This year, we received the edie (Environment Data Information Exchange) Behaviour Change and Engagement award, recognising the efforts we have made to engage colleagues in reducing waste sent to landfill. We worked closely with local environment champions to tackle waste at the individual site level and involve employees in the new approach, from design to delivery. This year, 45 per cent of sites that reported waste diverted 100 per cent from landfill.^{6,7}

Our smaller sites typically have lower waste volumes. So, we aggregate waste for collection at our larger sites. During the year, we launched a new approach to logging maintenance waste movements between Royal Mail buildings. We now use an online reporting tool. This enables us to centrally record any waste movements so that we have full traceability of waste from collection through to disposal.

Every year, we use around 338 tonnes of elastic bands to keep bundles of mail together. Since last year, we have reduced the number of elastic bands we purchase by eight per cent. We achieved this reduction by encouraging our people to reuse elastic bands as much as possible. Our elastic bands are biodegradable, helping us to minimise our impact on the environment. The natural rubber content in them means that they will start to biodegrade in an outdoor environment within a year.

We use internal communications to regularly remind our people to reuse rubber bands. However, sometimes they will be dropped by our postmen and women in the course of their work. We recognise that the littering of elastic bands is a potential threat to wildlife and the environment and a cost to our business. During 2017–18, we will be running a high profile campaign to encourage our people to re-use elastic bands.

89%

OUR TARGET FOR 2017–18 IS TO DIVERT 89 PER CENT OF OUR WASTE FROM LANDFILL

Waste metrics ('000 tonnes)

	2016–17	2015–16	2014–15
Waste generated	32.9	32.5	32.0
Waste to landfill	2.9	4.5	7.2
Waste diverted from landfill	30.0	28.1	24.8

⁶ This includes all waste collected by our waste management contractor, ISS, but may not include contractor and project waste

⁷ Some small sites deliver their waste to larger sites to be collected there by our waste contractor; therefore not all sites will report waste

Customers and suppliers

Royal Mail also seeks opportunities to minimise indirect environmental impacts associated with our customers and suppliers.

Our Responsible Procurement Code available at www.royalmailgroup.com/responsibility/policies, sets strict environmental and social standards for suppliers. We also help customers to minimise their environmental impacts through the sustainability of the products and services that we provide.

Customers and suppliers are able to recycle cardboard packaging at their local Delivery Office. We then collate packaging into bales at our Mail Centres and recycle them through our waste management contractor.

We offer our marketing mail customers environmentally focused direct mail and door-drop services. Our Sustainable® Advertising Mail product enables customers to send marketing mail at a lower cost than standard advertising or business mail if the items they post meet certain sustainability standards.

In Germany, customers can send parcels using GLS's carbon neutral ThinkGreen Service. GLS offsets the associated emissions through its support of environmental projects in Malaysia, Bolivia and the Czech Republic. In 2016–17, 7.4 million parcels were shipped using the ThinkGreen Service in Germany.



Biodiversity

Biodiversity is not one of our major environmental impacts; however, Royal Mail sites have potential value as habitats for wildlife. We encourage our sites to be mindful of their impacts on local flora and fauna. Through our World Class Mail approach, our sites develop Biodiversity Action Plans to map the surrounding area and identify the different species present. This is then shared with colleagues to inform them about local wildlife.

This year, Leeds Mail Centre used its action planning exercise to engage colleagues in tracking bird species in their local area. It did so by participating in the Royal Society for the Protection of Birds' (RSPB) Big Garden Birdwatch weekend. More than 35 colleagues took part, spotting 13 different bird species. Following the success of this event, local environment champions have organised their own bird watch events and signposted local RSPB initiatives to colleagues.

Priorities for 2017–18:

- Set a fleet carbon efficiency target, which will enable us to measure how effectively we use the capacity on our trailers and vehicles against the amount of fuel we use;
- Develop standards for water management, biodiversity and the prevention and control of pollution;
- Resubmit for Carbon Trust accreditation for carbon and maintain accreditation for water and waste; and
- Complete transitioning sites to the ISO 14001:2015 environmental management model.

Ernst & Young's assurance statement

Ernst & Young performed a limited assurance engagement on selected performance data and statements presented in the Royal Mail Group plc (RMG) Corporate Responsibility Report 2016–17 (“the Report”).

Respective responsibilities

RMG management is responsible for the collection and presentation of the information within the Report. RMG management is also responsible for the design, implementation and maintenance of internal controls relevant to the preparation of the Report, so that it is free from material misstatement, whether due to fraud or error.

Our responsibility, in accordance with our engagement terms with RMG, is to carry out a ‘limited level’ assurance engagement on selected data and performance claims in the Report (“the subject matter information”). 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.

Our assurance engagement has been planned and performed in accordance with the International Standard for Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, and to meet the requirements of a Type 2 assurance engagement as defined by AA1000AS (2008). The criteria we have used to evaluate the Report (“the Criteria”) include the AA1000AS (2008) assurance principles of Inclusivity, Materiality and Responsiveness; and, for selected data, RMG’s own criteria as set out in the Report.

Summary of work performed

The procedures we performed were based on our professional judgement and included the steps outlined below:

1. Interviewed a selection of RMG management and reviewed company-level documents to understand the progress made in the area of corporate responsibility during the reporting period and test the coverage of topics within the Report during the reporting period of 1st April 2016 to 31st March 2017.
2. Conducted a site visit to the Procurement division to understand how corporate responsibility is being managed for this division.
3. Reviewed the RMG approach to stakeholder engagement through interviews with employees with responsibility for managing engagement activities at group and site levels, and reviewed selected associated documentation.
4. Reviewed the RMG process for determining material issues to be included within the Report.
5. Reviewed the coverage of key issues within the Report against the key issues raised in external media reports and the corporate responsibility reports of RMG’s peers, as well as the topics discussed on our site visits and by the RMG Board and Chief Executive Committee.
6. 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.
7. Reviewed information or explanation about selected data, statements and assertions regarding the corporate responsibility performance of RMG.

¹ The 2008 edition of AccountAbility’s AA1000 assurance standard.

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

Topic	Selected Data
Customer	<ul style="list-style-type: none"> • Number of customer complaints
People	<ul style="list-style-type: none"> • Total number of fatalities • Lost Time Accident Frequency Rate • Breaches to the Business Standards
Community	<ul style="list-style-type: none"> • Total amount contributed by Royal Mail (£) • Total amount raised by employees (£)
Environment	<ul style="list-style-type: none"> • Scope 1 and 2 carbon emissions (tonnes of carbon dioxide equivalent) • UKPIL Scope 3 carbon emissions from: i) Transmission and distribution losses associated with electricity use; ii) Air freight; and iii) business travel; and iv) mail in private vehicles (tonnes of carbon dioxide equivalent) • Direct energy consumption by primary source (GJ) • Indirect energy consumption by primary source (GJ) • Total waste to landfill (tonnes) • Total waste diverted from landfill (tonnes) • Total water consumption (m3)

Limitations of our review

Our evidence gathering procedures were designed to obtain a 'limited level' of assurance (as set out in ISAE3000 Revised) on which to base our conclusions. 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.

Completion of our testing activities has involved placing reliance on RMG's controls for managing and reporting corporate responsibility information, with the degree of reliance informed by the results of our review of the effectiveness of these controls. We have not sought to review systems and controls at RMG beyond those used for selected corporate responsibility data (as presented in the table above).

With the exception of scope 1 and 2 emissions data for General Logistics Systems BV (GLS) our review was of UKPIL data only. The other work steps described above covering management interviews, our site visit and materiality review only covered UKPIL operations.

With the exception of the below, our engagement was limited to the reporting period of 1st April 2016 to 31st March 2017. We do not provide conclusions on any other data from prior years. The exceptions are:

- Restatement of Parcelforce Worldwide fleet emissions for 2014/15 and 2015/16; and
- Restatement of UKPIL natural gas for 2015/16.

Our conclusions

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

Inclusivity

Has RMG been engaging with stakeholders across the business to develop its response to corporate responsibility 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 RMG has not applied the inclusivity principle in developing its response to corporate responsibility issues.

Materiality

Has RMG provided a balanced representation of material issues concerning its corporate responsibility performance?

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

Responsiveness

Has RMG responded to stakeholder concerns?

- We are not aware of any matters that would lead us to conclude that RMG 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 corporate responsibility 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 RMG's corporate responsibility activities presented in the Report and we are not aware of any misstatements in the assertions made.

How complete and accurate is the 'selected data' presented in the Report (outlined above in step 6 of "Summary of work performed")?

- With the exception of the limitations identified in the Report, we are not aware of any material reporting sites that have been excluded from the selected data relating to the topics above.
- Nothing has come to our attention that causes us to believe that the data relating to the above topics has not been collated properly at a Group or site level.
- We are not aware of any errors that would materially affect the data as presented in the Report.

Observations and areas for improvement

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

- Whilst the Royal Mail Group's 2016–17 Corporate Responsibility report primarily covers the Royal Mail and Parcelforce Worldwide brands, the Report includes some disclosures relating to RMG's European

business, General Logistics Services BV (GLS). We would encourage RMG to continue to enhance the completeness of reporting on GLS.

- We continue to see improvements in the reporting processes and controls used within RMG and their third party providers to collate and monitor site-level energy, water and waste consumption data. However, RMG currently estimates a large portion of its environmental data due to inaccurate or unreliable meter data and/or the timing and nature of utility billing. We would encourage RMG to actively engage with utility providers and site-level contacts to enhance the accuracy and completeness of data reporting across the portfolio.
- This year RMG have enhanced their supplier due diligence processes by adding questions to the tendering process designed to address the risks of modern slavery and human trafficking in the supply chain. All new suppliers are also required to confirm compliance with RMG's Responsible Procurement Code. RMG is currently developing further supplier due diligence questions focused on environmental performance. This level of supplier engagement is commendable and demonstrates that RMG is proactively considering the sustainability performance of new suppliers. We would encourage RMG to continue building out these processes and to also consider requiring all existing suppliers to complete sustainability-related questionnaires.

Our independence and competence

With the exception of this work, we have provided no other services relating to RMG's approach to sustainability reporting.

We have implemented measures to ensure that we are in compliance with the applicable independence and professional competence rules as articulated by the IFAC Code of Ethics for Professional Accountants and ISQC11. Our assurance team has been drawn from our UK Climate Change and Sustainability Services team, which undertakes engagements similar to this with a number of significant UK and international businesses.

Ernst & Young LLP, London

12 May 2017



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Royal Mail plc



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