

Royal Mail plc

CORPORATE RESPONSIBILITY REPORT

2017–18





ABOUT THIS REPORT

Scope of the report



This is our sixteenth annual Corporate Responsibility Report. It details our non-financial (social, environmental and ethical) performance for the financial year 2017–18. This ended on 25 March 2018. Our last report was published in June 2017; it covered the financial year 2016–17. The report is prepared in accordance with the Global Reporting

Initiative (GRI) Standards: Comprehensive option.

We operate in 43 countries around the world. In the UK, our Company operates under the Royal Mail and Parcelforce Worldwide brands. GLS provides geographical diversification for our earnings and is a growth engine for the Group. It is expanding its presence in European markets and through focused and targeted acquisitions in the western US. This report mainly covers our UK business, UK Parcels, International & Letters (UKPIL). It employs 91 per cent of Royal Mail Group's full-time equivalent employees and contributes 75 per cent of the Group's revenue.¹ Where stated, we have also included data and narrative from GLS, our overseas parcels delivery business. GLS represents nine per cent of our full-time equivalent employees and 25 per cent of our revenue.²

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 PwC. We appreciate this independent verification of, and opinion on, certain aspects of our reported activity. PwC's independent assurance statement is available on pages 82–84 of this report.

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

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

For more on Royal Mail Group:

Royal Mail plc
100 Victoria Embankment
London EC4Y 0HQ

➤ www.royalmailgroup.com

➤ www.gls-group.eu

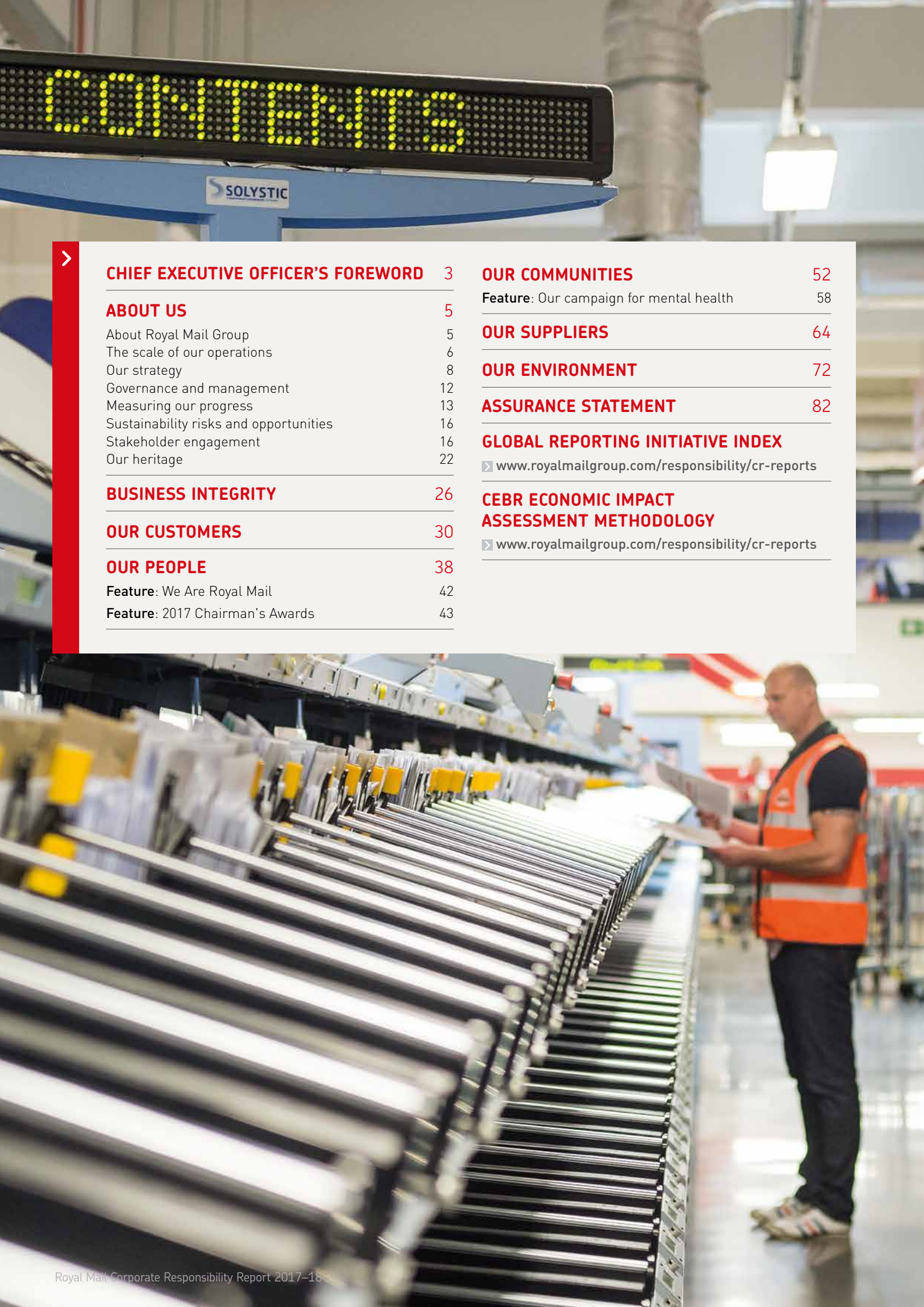
➤ corporateresponsibility@royalmail.com



**This is our sixteenth annual
Corporate Responsibility Report.**

¹ For the financial year 2017–18

² During the reporting year, GLS acquired Redyser Transporte (Redyser), a Spanish express parcels delivery company. The data in this report excludes this acquisition, unless otherwise stated



CHIEF EXECUTIVE OFFICER'S FOREWORD 3

ABOUT US 5

About Royal Mail Group	5
The scale of our operations	6
Our strategy	8
Governance and management	12
Measuring our progress	13
Sustainability risks and opportunities	16
Stakeholder engagement	16
Our heritage	22

BUSINESS INTEGRITY 26

OUR CUSTOMERS 30

OUR PEOPLE 38

Feature: We Are Royal Mail	42
Feature: 2017 Chairman's Awards	43

OUR COMMUNITIES 52

Feature: Our campaign for mental health	58
-----------------------------------------	----

OUR SUPPLIERS 64

OUR ENVIRONMENT 72

ASSURANCE STATEMENT 82

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. In an increasingly challenging and competitive marketplace, we have continued to put the principles of corporate responsibility at the centre of our business strategy. We believe that this holds the key to delivering sustainable value for our shareholders, now and in the future.

Our strategic approach

Our business and corporate responsibility strategies share the same core goal – to generate sustainable shareholder value. This makes our approach to corporate responsibility an integral part of realising our core strategic objectives.

We operate in 43 countries around the world. In the UK, our Company operates under the Royal Mail and Parcelforce Worldwide brands. GLS is one of the largest ground-based deferred parcel delivery networks in Europe, covering 41 countries and nation states in Europe and, following recent acquisitions, seven states in the western US.

We are proud of the role we play in connecting companies, customers and communities across the UK through Royal Mail and overseas through GLS. In the UK, we deliver a 'one price goes anywhere' service on a range of letters and parcels to over 30 million addresses (including 1.3 million businesses), six days a week. Through GLS, we provide business-to-business and premium business-to-consumer services across continental Europe and in the western US, serving 270,000 customers. GLS is a force for growth for the Group.

We make the seventh largest contribution of any UK company to the UK economy. One in every 194 jobs in the UK is provided by Royal Mail. 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 progress last year

We have made significant progress in a number of areas. Following a challenging period of negotiation, we are delighted to have reached a ground-breaking agreement with the Communication Workers Union (CWU) on pensions, pay and a number of customer-focused operational changes. CWU members voted overwhelmingly in favour of the agreement in March 2018. The agreement provides us with opportunities to transform our operation and adapt to changing customer demands. It will help us to grow our business, which, in turn, will mean we can continue to provide the best pay and terms and conditions for our people. Just after the reporting period, we were also pleased to announce that, following extended discussions and difficult negotiations, we have reached agreement with Unite on pay, pensions and working arrangements for junior and middle managers in Royal Mail. Unite will ballot its members on the agreement with a recommendation that they accept. This is a positive position to reach and much of the agreement commits both parties to ongoing discussion to make Royal Mail the success we all want it to continue to be.

We published the results of our annual UK pay review. As in previous years, it showed that the average salaries for female and male Royal Mail employees are broadly the same. On a mean basis, women are paid 2.1 per cent more than men, as we have a greater proportion of women in senior positions. On a median basis, men are paid 1.5 per cent more than women. The difference in median pay rates is due to men being more likely to select work that qualifies for allowances, such as shift work during the evening or at night. In February 2018, we were ranked top of our industry in the FTSE Women on Boards Leadership Index. The Times also named Royal Mail as one of its Top 50 Employers for Women for the fifth consecutive year.

During the year, GLS updated its Code of Business Standards to include more practical guidance for employees. The Code outlines the values and standards of behaviour that GLS expects from its employees and subsidiary companies. It is available in 20 different languages, both in hard copy and online.

We are delighted to have been named global sustainability leader of the Transportation industry group in the Dow Jones Sustainability Indices, recognising our position as a leader in corporate responsibility. Our position places us ahead of 135 companies in ground-based transportation, marine and aviation industries. We increased our score in the FTSE4Good Index. We now rank in the top eight per cent of companies on account of our social, environmental and governance performance.

We continue to implement new measures to tackle the scourge of scam mail. This year, we launched a new initiative impounding scam mail at distribution centres before it reaches the customer's letterbox. This is part of our ongoing programme of moves to confound and stop scammers. Since November 2016, we have stopped three million items of scam mail from reaching customers.



We are proud of the role we play in connecting companies, customers and communities across the UK through Royal Mail and overseas through GLS.

Putting people at the heart of our business

Our people play a key role in achieving our strategic priorities. We rely on them to deliver high-quality customer service, to fulfil the Universal Service, and to represent Royal Mail among our customers and communities. 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 are vital to the customer-focused culture at Royal Mail. In a period of uncertainty for our people, and against a backdrop of ongoing union negotiations, we are pleased that our UK employee engagement score increased by two points to 59 in 2017–18. This is a testament to the loyalty of our people and the faith they place in our Company. Our Culture Index, which we measure as part of the annual Employee Survey, measures how aligned our colleagues are with our values. This year, our Culture Index score increased by three points.

This year, GLS Denmark was rated as one of the country's best employers by the Great Place to Work Institute. The award application included an anonymous survey of GLS Denmark employees, with the company achieving an employee satisfaction score of 86. GLS France was ranked 11 out of almost 100 freight transport and logistics companies in a list of the best French employers by business magazine, Capital.

Improving our environmental performance and disclosures

We are committed to making changes to our operations that reduce our environmental impact, while ensuring we continue to meet customer expectations. During the year, we bought 100 fully electric vehicles for our UK fleet, and continue to develop and trial vehicles that produce low or zero direct emissions. GLS also added alternative fuel vehicles to its fleet to reduce emissions. Five electric vehicles were introduced in GLS Spain, along with 10 natural gas vehicles in Romania. In addition, several GLS sites in Denmark benefited from new LED lighting saving approximately 75,000 kWh, the equivalent of 26.4 tCO₂e. These investments play a role in preparing our business to succeed in a low-carbon economy.

We welcome the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), which aim to expand on the information available to investors and enable them to assess the impact of climate-related risks and opportunities. Our initial response to the TCFD's recommendations, covering our governance, risk management, strategy and metrics relating to climate change, can be found on page 75 of this report. We anticipate reporting further on these areas in future, including through our 2018 CDP submission.

Our campaign on mental health

Mental health is a leading cause of illness amongst our people. It is a growing issue for society as a whole. We want to use our unique brand, reach and presence across the UK to tackle the stigma of mental health amongst colleagues, customers and communities.

This year, we launched a new five-year mental health strategy which aims to improve awareness of mental health issues in our workforce and direct our people to the right tools and guidance to help themselves, their colleagues or family members. As part of this, around 9,000 Royal Mail managers received training to support them in identifying and dealing with mental health issues.

Our strategic charity partnerships focus on addressing mental health in the wider community. We aim to raise £2 million for Action for Children, our main charity partner, to employ specialist youth workers to deliver face-to-face support sessions for over 8,000 young people. In addition, we are working with Action for Children, Mind, Mental Health UK and The Prince's Trust on a multi-faceted campaign covering work placements, training, pro-bono support and other awareness raising activities. Our mental health film, *Everyday People*, launched in January 2018. It has been viewed more than 86,000 times on Facebook and YouTube. We were proud to receive the 'Breaking Barriers: Mental Health Award' at the Prince's Trust Corporate Employee Awards this year, recognising our campaign on mental health.

GLS Spain is working in partnership with the mental health charity Apunts. They provide hands-on experiences that can build people's confidence and develop crucial workplace skills. By helping to manage the delivery of parcels in five Barcelona postcodes, people with mental health issues benefit from both active training and the development of soft skills needed to work effectively with others. Building on this scheme, GLS Spain and Apunts are offering guidance to other local businesses interested in a similar approach. Apunts also supported GLS Spain in creating an internal communications campaign to raise awareness of mental health issues among GLS employees.

Continued progress

We must remain flexible and responsive to changing customer demands in order to rise to the challenges facing our industry. This is the only way we will remain competitive, continue to provide fair pay and good working conditions, and deliver sustainable shareholder value.

In April 2018, I announced my decision to retire from Royal Mail. It has been my pleasure and a great privilege to serve as CEO of this cherished UK institution. I am immensely proud of all that we have achieved together over the last eight years. Through privatisation, two ground-breaking agreements with the CWU and record levels of investment in our operation, we have transformed Royal Mail's position in the marketplace. We have accomplished this while keeping corporate responsibility at the heart of our business strategy, and cementing our place as one of the world's leading sustainable businesses.

I would like to warmly congratulate Rico Back and Sue Whalley on their new roles, as our Group CEO and CEO of Post and Parcels, Royal Mail UK. I have worked closely alongside Rico and Sue for several years. They are the best possible team to continue to transform our business. Rico, Sue and I share a firm belief in operating responsibly and reporting transparently. I know that under their leadership, Royal Mail will remain committed to continually improving its sustainability performance in the years ahead.



Moya Greene, Chief Executive Officer

ABOUT ROYAL MAIL GROUP

We operate in 43 countries around the world. In the UK, our Company operates under the Royal Mail and Parcelforce Worldwide brands. Our UK business is unparalleled in size and scope. GLS is one of the largest ground-based deferred parcel delivery networks in Europe, covering 41 countries and nation states in continental Europe and, following recent acquisitions, seven states in the western US.

Who we are

UK Parcels, International & Letters (UKPIL), is the UK's pre-eminent delivery company. As the UK's sole designated Universal Service Provider, we are proud to deliver a 'one price goes anywhere' service on a range of letters and parcels to over 30 million addresses (including 1.3 million businesses) across the country, six-days-a-week.¹ The Universal Service is vital for economic growth. It is the physical fulfilment arm of the digital economy and is crucial to the UK's economic future.

GLS is a force for growth. It is one of the largest, ground-based deferred parcel networks in continental Europe, covering 41 countries and nation states in Europe and, following recent acquisitions, seven states in the western US. It has a replicable and scalable business model and key strengths in business-to-business (B2B) and business-to-consumer (B2C) markets.

Our people

We employ around 159,000 people across our Group; 141,000 are in the UK. We are committed to preserving the trust members of the public have in our hard-working employees. In a survey undertaken by Ipsos MORI, 81 per cent of our customers said they are favourable to us; 88 per cent are satisfied with the service we provide.² We are pleased to have reached agreement with the CWU on pensions, pay, a shorter working week and certain operational changes. Under the new Pensions, Pay & Pipeline agreement ('the agreement'), both parties will continue to work together to transform our operation, to grow our product portfolio and maintain our pre-eminent position.

Just after the reporting period, we were also pleased to announce that, following extended discussions and difficult negotiations, we have reached agreement with Unite on pay, pensions and working arrangements for junior and middle managers in Royal Mail. Unite will ballot its members on the agreement with a recommendation that they accept. This is a positive position to reach and much of the agreement commits both parties to ongoing discussion to make Royal Mail the success we all want it to continue to be.

GLS employs around 18,000 people. GLS Denmark was rated as one of the country's best employers by Great Place to Work. GLS France was ranked 11 out of almost 100 freight transport and logistics companies in a list of best French employers by business magazine, Capital.

Our operations and networks

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

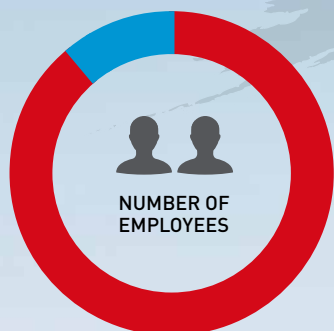
GLS is one of the largest ground-based deferred parcel delivery networks in Europe. The GLS network covers 41 European countries and nation states and seven US states through a combination of wholly owned companies and partner companies. Following the acquisitions of Agencia Servicios Mensajería S.A.U. (ASM) (2016) and Redyser Transporte (February 2018) in Spain, and Golden State Overnight Delivery Services (GSO) (2016) and Postal Express (April 2017) in the US, we have been focussing on integrating these businesses into GLS.



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

² Ipsos MORI Corporate Image Survey Winter 2017.

THE SCALE OF OUR OPERATIONS¹



c.141,000

UKPIL EMPLOYEES²

c.18,000

GLS EMPLOYEES³

KEY

- UKPIL
- GLS
- GLS NETWORK PARTNERS

¹ Figures relate to 2017–18 annual statistics unless otherwise noted

² This comprises Royal Mail, Parcelforce Worldwide and Royal Mail Property & Facilities Solutions

³ GLS headcount includes Golden State Overnight Delivery Service Inc. (GSO) and Agencia Servicios Mensajería S.A.U. (ASM)

⁴ This refers to GLS only. Including Royal Mail and Parcelforce (UK), we operate in 43 countries around the world

⁵ UKPIL includes the Royal Mail and Parcelforce Worldwide brands. The figure includes c. 2,500 trailers

⁶ Includes parcels handled by Royal Mail and Parcelforce Worldwide





ROYAL MAIL & PARCELFORCE (UK)



c.30m

ADDRESSES ROYAL MAIL DELIVERS TO SIX DAYS A WEEK



14.4bn

AROUND 14.4 BILLION LETTERS HANDLED BY ROYAL MAIL



1.3m

BUSINESS ADDRESSES SERVED BY ROYAL MAIL



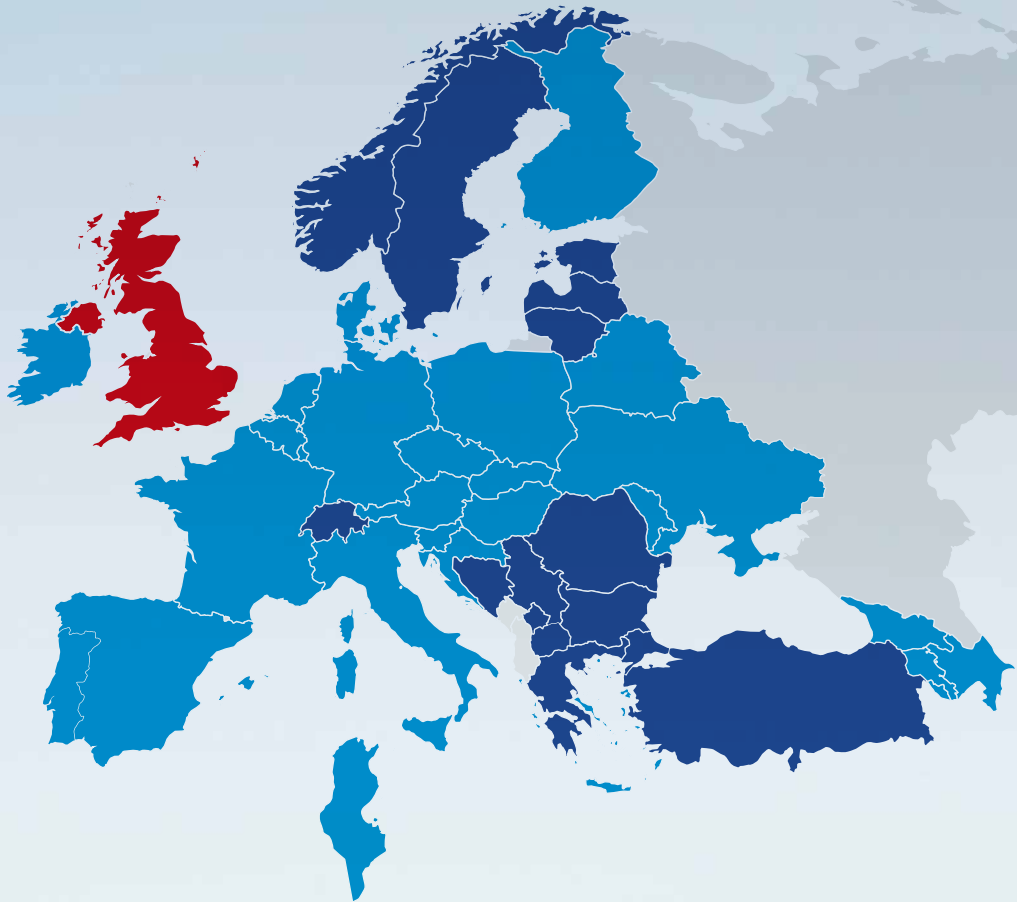
c.48,000

VEHICLES IN UKPIL⁵



1.2bn

1.2 BILLION PARCELS HANDLED BY ROYAL MAIL⁶



OUR STRATEGY

Operating in 43 countries, we have a clear vision to be recognised as the best delivery company in the UK and across Europe. Our business model leverages our resources and relationships to deliver high quality, value for money services for both sending and receiving customers. Our UK business is unparalleled in size and scope. GLS provides geographical diversification for our earnings. It is a growth engine for the Group. Through this combination, we generate cash to invest appropriately in our UK operation and GLS, and pay dividends to our shareholders.

Our vision

We have a clear vision to be recognised as the best delivery company in the UK and across Europe. Our strategy to achieve this leverages our strengths in the UK and overseas through GLS. We aim to generate sustainable shareholder value and deliver our Universal Service commitment.

Our corporate strategy

We are focused on winning in parcels, defending letters and growing in new areas. We seek to achieve these three priorities through a strategic focus on costs, technology and innovation and an engaged and motivated workforce. More information about our business model and corporate strategy is available on pages 14–17 of the 2017–18 Annual Report and Financial Statements.

Integrated responsibility

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

Our CR strategy comprises six key objectives:

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

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

Strategic priorities



1

Winning in parcels

We have maintained our pre-eminent position in the UK by successfully pursuing faster growing parts of the UK parcels market while making it easier for consumers, SMEs and marketplace sellers to use Royal Mail services. GLS is scaling up and growing – either through new services or carefully targeted acquisitions – in a number of the countries it operates in, including the western US. The returns it generates are typically higher than in our UK business.



2

Defending letters

Letters are important to our customers. They account for almost 55 per cent of our UK revenue. We work with customers and supply chain partners to add value to mail, promote its effectiveness, and increase its efficiency.



3

Growing in new areas

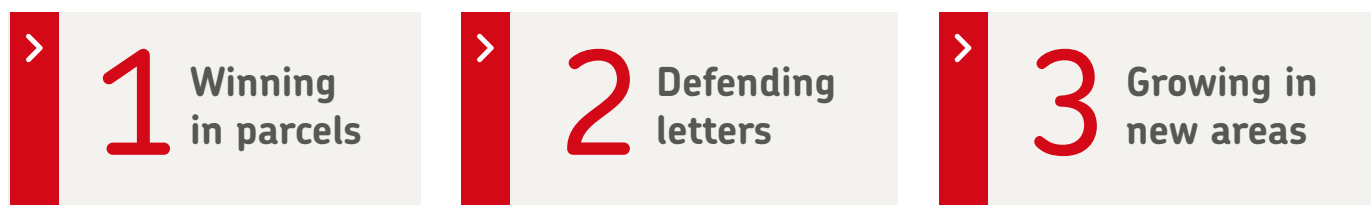
We are making the most of our existing UK assets. We are increasing our capability through a range of investments. GLS is a force for growth for our Company. We are doing so through our 'scale up and grow' strategy for GLS. It is progressing well. We are also increasing our digital capabilities across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



OUR PURPOSE

Our purpose is to deliver value for business and society

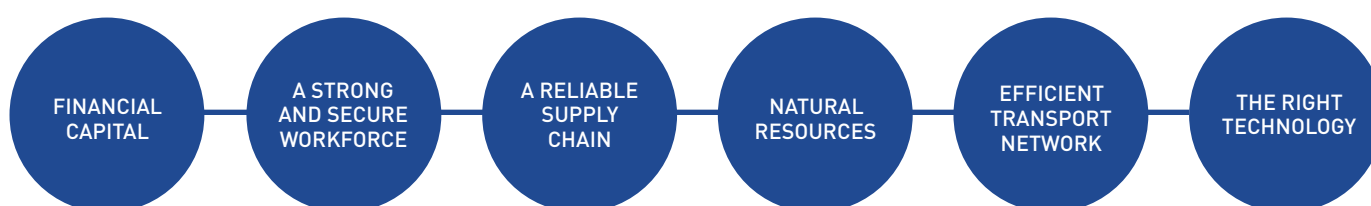
We have set three strategic priorities that will help us to drive profitable growth and secure a sustainable future for our Company:



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



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:



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 2017–18.



DELIVERING ECONOMIC AND SOCIAL BENEFIT TO THE UK COMMUNITIES WE SERVE

• As a major employer and purchaser of goods and services, our economic impact is significant. In 2017–18, the Centre for Economics and Business Research Ltd (Cebr) carried out a complete UK economic impact assessment of Royal Mail. Cebr found that Royal Mail added £10.1 billion to the UK economy. That is the seventh largest contribution of any UK company. Royal Mail employs one out of every 194 people working in the UK. Our share of employment is even greater in areas with high unemployment rates. • As the Universal Service Provider, we facilitate e-commerce growth for UK businesses, especially SMEs. The Universal Service provides depth of coverage, value for money and convenience for businesses wherever they are based in the country. • We seek to build on the core economic and social contribution of our business operations through strategic community investments. In May 2017, we launched a new charity partnership for mental health with Action for Children, Mind and Mental Health UK. The partnership covers mental health training, awareness-raising, communications, pro-bono support, work placements and fundraising. We hope to raise £2 million for Action for Children, our lead charity partner, to fund a preventative mental health programme in schools. • GLS Netherlands partners with Dutch charity Heppie to support trips and excursions for disadvantaged young people.

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SEE

➤ OUR CUSTOMERS
PAGE 30

➤ OUR COMMUNITIES
PAGE 52



DRIVING COLLEAGUE ADVOCACY OF THE ROYAL MAIL GROUP AND ITS COMMUNITY ROLE

• This year, we held around 1,000 town hall briefing sessions across the country, reaching over 43,000 frontline colleagues. We also briefed around 2,500 frontline managers to help keep them abreast of union negotiations on pay, pensions, culture and operational changes. • Our 2018 Employee Survey showed that 56 per cent of employees believe Royal Mail does good things in the community, the same as in 2017. • GLS Belgium launched a new employee volunteering programme during 2017–18. GLS Denmark was voted one of the country's best employers by Great Place to Work.

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SEE

➤ OUR PEOPLE
PAGE 38

➤ OUR COMMUNITIES
PAGE 52



MANAGING THE ENVIRONMENTAL IMPACTS OF OUR BUSINESS OPERATIONS

• Management of natural resources is a commercial imperative as well as an environmental one. • We refreshed our environment strategy to help drive continuous improvement in our performance. • We reduced our UK carbon emissions by 4.6 per cent compared with 2016–17. This is a 29.1 per cent reduction against our 2004–05 baseline. • Several GLS sites in Denmark benefited from new LED lighting saving approximately 75,000 kWh, the equivalent of 26.4 tCO₂e. • We continue to invest in new technologies to reduce our carbon emissions. This year, we bought 100 fully electric Peugeot Partner L2 vehicles for our fleet. • GLS added five electric vehicles to their Spanish fleet, and 10 natural gas vehicles to their fleet in Romania. • We diverted 99 per cent of waste from landfill, up from 91 per cent in 2016–17. We consumed one per cent less water than in 2016–17.

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SEE

➤ OUR ENVIRONMENT
PAGE 72



DELIVERING OUR UK TRANSFORMATION RESPONSIBLY

• We are focused on delivering improved efficiency, innovation and flexibility as we deliver more parcels and fewer letters. We work with our unions to agree and implement our vision for the future. In 2018, we agreed a comprehensive deal with the CWU on pay, pensions and working practices. This will enable us to innovate and grow, be more productive and meet the intense competition in our sector with confidence. • GLS launched an updated Code of Business Standards for employees, which has been made available in 20 languages. • The safety and wellbeing of our people is a key priority for us. This year, our Road Traffic Collision Frequency Rate improved by nine per cent. Our Lost Time Accident Frequency Rate increased to 0.54 per 100,000 hours worked. This has been driven by an increase in accidents, mainly attributable to poor winter weather conditions. We launched a new five-year mental health strategy to increase the awareness of mental health issues and reduce the stigma associated with these.

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SEE

- > OUR CUSTOMERS
PAGE 30
- > OUR PEOPLE
PAGE 38
- > BUSINESS
INTEGRITY PAGE 26



OPERATING WITH INTEGRITY

• Operating with integrity is essential for safeguarding our reputation and protecting our valued place in society. 99.9 per cent of managers across Royal Mail have completed a customised anti-bribery and corruption e-learning course. • We recognise that receiving scam mail can be upsetting and distressing for victims and their families. We work closely with the relevant authorities to block and impound scam mail. Since November 2016, we have stopped over three million items of scam mail from reaching our customers. • We are committed to upholding and respecting human rights. In 2017–18, we published our first Group-wide Modern Slavery Act statement. It describes the actions we have taken to mitigate the risk of modern slavery taking place in our business or supply chain. • GLS conducted modern slavery workshops to identify areas of potential risk within countries of operation.

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SEE

- > BUSINESS
INTEGRITY PAGE 26



COMMUNICATING OUR MANAGEMENT OF CR OPENLY AND TRANSPARENTLY

• We engage our internal and external stakeholders in our CR strategy and activities. Every two years, we work with our stakeholders to understand the key issues that they expect us to report on. We also gain valuable insights to support our broader decision making. These stakeholders include groups representing customers, consumers, investors, employees, our unions, shareholders, suppliers and environmental representatives. • We continue to use the leading global standard for corporate responsibility reporting – the GRI – to guide our disclosures. Our CR Report is assured against the dual standards of AA1000AS and ISAE3000 (Revised)/3410. These standards ensure the content is material and relevant to stakeholders, and provide confidence in the robustness of the data. • We were again named as the global sustainability leader of the Transportation industry group in the Dow Jones Sustainability Indices. We were ahead of around 135 companies in marine, rail, logistics and aviation.

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SEE

- > BUSINESS
INTEGRITY PAGE 26

Governance and management¹

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

- **Shane O'Riordain**, Managing Director, Corporate Affairs, Customer Experience, Marketing and Regulation, is responsible for shaping and implementing our CR strategy, including our community investment programme. He is also responsible for a number of the customer strands of our CR strategy.
- **Jon Millidge**, Group Human Resources Director, is responsible for all people strands of our CR strategy, including health and safety.
- **Stuart Simpson**, Chief Finance Officer, is responsible for all financial reporting and core sustainability issues, including procurement. Stuart sits on the Royal Mail plc Board.
- **Sue Whalley**, Managing Director, Royal Mail Letters and Network, 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. At each Board meeting, there are updates on our engagement with key stakeholders, such as the postal industry regulator, Ofcom. The Board 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 Managing Director, Royal Mail Letters and Network, Group Human Resources Director, frontline employees and representatives from the Communication Workers Union (CWU) and Unite Communication Managers' Association (Unite/CMA). The Diversity Council has established the following additional committees to support its work on the various strands of our diversity strategy:

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

The Environment Governance Board drives the environment strategy, proposing targets for approval by the CEC. It takes responsibility for improving performance. The Environment Governance Board is made up of senior managers accountable for functions with material environmental issues. They include fleet, facilities management and customers.

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.

¹ On 20 April 2018, outside of the reporting year, we announced that Moya Greene is stepping down as Group Chief Executive Officer. Rico Back will assume the role of Group Chief Executive Officer on 1 June 2018. As part of these changes, Sue Whalley was appointed Chief Executive Officer, Post and Parcels, Royal Mail UK, effective 1 June 2018

CR framework

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

› Corporate Balanced Scorecard

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

› Continuous Improvement

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

› 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. It specifies responsibilities for all Royal Mail employees in this area.

› Corporate Responsibility Policy

Our CR Policy sets out our strategy, governance and commitments. This includes 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. This year, we were again named global sustainability leader of the Transportation industry group in the Dow Jones Sustainability Indices. The Transportation industry group includes around 135 companies in marine, rail, logistics and aviation. Royal Mail is included in both the Dow Jones Sustainability World Index and the Dow Jones Sustainability Europe Index. We achieved industry-best scores in 10 areas of the assessment. They include corporate citizenship and philanthropy, stakeholder engagement, labour practice indicators, supply chain management and environmental reporting.

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

We respond to the Carbon Disclosure Project (CDP) climate change questionnaire each year. This year, we achieved a B score. This is 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 how we manage and report on CR issues. For this year's report, we have increased our disclosure on the systems we put in place to ensure a healthy working environment for our people (see page 47). This year's report also includes more information on how we manage human rights risks in our business and supply chain (see page 27). We updated our Environment and CR policies to better explain how non-managed operations align to the policies and how we incorporate environmental considerations into the development of products and services. We also reviewed our procurement strategy and incorporated environmental, social and governance objectives (see page 66).

The FTSE4Good assessment helps to identify information that investors and other stakeholders may be interested to see in our CR report. Following last year's assessment, we increased our disclosure on the health and safety risk assessments we conduct when making changes to our operation (see page 47). We also disclosed more about how we engage with our stakeholders on human rights (see page 27).

Improvements in the disclosures we make are informed by the introduction of new reporting requirements. This year, we incorporated the requirements of the Non-Financial Reporting Directive into our 2017–18 Annual Report and Financial Statements. This is available at www.royalmailgroup.com/investor-centre/report-download-centre. We are increasing our disclosures to meet the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Further information on our response to the TCFD recommendations is available on page 75.



We are independently rated as a leading responsible business.

Our CR key performance indicators

This section sets out our performance against our CR-related key performance indicators (KPIs). The list below is comprised of relevant metrics from our Corporate Balanced Scorecard (CBS)¹. There are also additional KPIs that are essential for the successful delivery of our business strategy. These include, for example, reducing accident rates, improving diversity, and maximising our contribution to communities.

	KPI	Aims for 2017–18	Performance in 2017–18	Performance in 2016–17	Status
CUSTOMERS	Retail First Class Quality of Service (%) ²	93.0%	91.7% ³	93.2%	Not achieved See page 36
	Mean business customer satisfaction (score)	77	78	78	Achieved See page 34
	Customer complaints (number) ⁴	532,800	564,784	516,841	Not achieved See page 36
PEOPLE	Employee engagement (score)	57	59	57	Achieved See page 41
	Reduction in road traffic collisions (%) ⁵	Reduce rate of vehicle collisions by 7% compared to prior year	9%	12.3%	Achieved See page 46
	Gender split (female/male) (%)	Improve gender balance across the business	18%/82%	17%/83%	Achieved See page 48
	Lost Time Accident Frequency Rate (per 100,000 hours worked)	Reduce amount of time lost to accidents	0.54	0.49	Not achieved See page 46
	Sick absence (%)	Reduce the sickness absence among our workforce	5.09%	4.63%	Not achieved See page 46
COMMUNITY	Charity partnership fundraising (£)	Raise £2 million, including matched giving, for Action for Children over the three-year partnership	£220,741	£945,409	On track See page 53
	Managers trained on mental health (number)	Develop mandatory mental health training for all managers	8,561	N/A	Achieved See page 53
	Colleague community engagement (donations from employees) (£)	Increase support for charities through payroll giving, matched giving and fundraising compared to the prior year	£2.7m	£3.1m	Not achieved See page 53

¹ A full list of our CBS KPIs is available on page 18 of the 2017–18 Annual Report and Financial Statements

² 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

³ There were a number of exceptional events during the year. They impacted on our Quality of Service performance. These factors included a very challenging industrial relations environment, some very severe weather, Cyber Week falling outside the exemption period and significantly reduced staffing levels caused by the Australian flu outbreak. We believe that, if the 2017–18 performance was adjusted for these factors, we would have achieved our First Class Target. We are asking Ofcom to take these issues into consideration. It will be for Ofcom to decide.

⁴ This year, we introduced delivery confirmation for standard parcels for the first time. It was decided that any related Denial of Receipt complaints should be excluded from complaints reporting and KPIs for this year only. 14,274 complaints have therefore been excluded from this figure. All other Denial of Receipt complaints are included

⁵ Road traffic collisions per 1,000 vehicles

KPI		Aims for 2017–18	Performance in 2017–18	Performance in 2016–17	Status
INTEGRITY	>				
	Managers trained on anti-corruption policies and procedures (%)	Ensure that managers are appropriately trained on anti-bribery and corruption risks	99.9%	99.8%	Achieved See page 26
ENVIRONMENT	>				
	UKPIL total carbon emissions (KT CO ₂ e)	20% reduction in carbon emissions by 2020–21 compared to 2004–05 baseline	618.7	648.9	Achieved See page 76
	Waste diverted from landfill (%)	Divert 93% of waste from landfill	99%	91%	Achieved See page 80
SUPPLIERS	>				
	New UK suppliers that are bound by the Responsible Procurement Code (%)	100%	100%	100%	Achieved See page 65
	New UK Procurement employees that have undertaken CR induction training (%)	100%	100%	100%	Achieved See page 65
SUPPLIERS	>				
	Regular monitoring of all UK suppliers against UK Treasury sanctions list (%)	100%	100%	100%	Achieved See page 65

Sustainability risks and opportunities

Royal Mail has a responsibility to deliver mail items safely and securely to over 30 million addresses, six-days-a-week. The scale of our operations means that there are significant risks to our business. Effective management of these risks is essential for our sustained success.

Our CR strategy and objectives play a vital role in risk management. Effective sustainability management can help mitigate business risks. It can result in significant benefits and competitive advantages.

As a business, we need to meet the changing needs of our customers, deliver a high quality of service and ensure we fix problems proactively. Our people are fundamental to our ability to deliver the standard of service that our customers expect. We must provide them with a safe and respectful working environment, and ensure they receive the right training to do their jobs. As a transport business, it is also important that we manage our environmental impacts effectively and reduce our resource use. Alongside these issues, we need to keep transforming our business and increase its efficiency in a responsible manner.

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

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

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

The Governance section, on pages 54–99 of the 2017–18 Annual Report and Financial Statements, describes in detail how the Group manages its risks at Board level through its responsive subcommittees and throughout the organisation.

Stakeholder engagement

Royal Mail has a range of stakeholders. They include our customers, investors, unions, communities, suppliers and the Government. We engage with these groups to obtain their views and understand their needs and expectations. Their support 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 our stakeholders. We offer a range of channels for them to engage with us. 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/ourapproach-stakeholder-engagement



The materiality matrix maps the priorities identified in the assessment against our business priorities. We use this to help structure our report and ensure that we cover key issues in a transparent way.



Determining materiality

Royal Mail undertakes materiality assessments to help refresh our CR strategy. Every two years, we engage with a representative group of stakeholders to gain insight into the areas they deem to be most relevant to us. These issues are then prioritised within our CR programme and activities.

This year, we commissioned Corporate Citizenship, an independent CR and sustainability consultancy, to work with us to conduct our materiality assessment. We engaged stakeholders representing customers, consumers, employees, our unions, shareholders, suppliers and environmental representatives in the assessment. Through surveys, interviews and a stakeholder panel,

we asked the participants to rank a range of social, financial and environmental issues in terms of their importance for Royal Mail.

The materiality matrix, shown below, maps the priorities identified through the assessment against our business priorities. We use this to help structure our report and ensure that we cover key issues in a transparent way.



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

- **Customer service:** both internal and external stakeholders continue to see this as the foundation that will ensure Royal Mail's continued success in an increasingly competitive and fragmented marketplace.
- **Engagement and culture:** our employees are our biggest asset. They are crucial to our success. Issues such as relations with our unions, internal communications and equal opportunities are seen as central to employee engagement.
- **Climate strategy:** Royal Mail is seen to have a visible carbon footprint in the form of our fleet. Stakeholders are keen to see further progress in our management of our carbon footprint and preparations for the transition to a low carbon economy.
- **Labour standards and human rights:** these issues ranked higher in this year's assessment. This reflects public scrutiny of the delivery sector. Royal Mail's high employment standards are seen as a vital component of our reputation for trust and reliability.
- **Community impacts:** postmen and women play an important role in their communities. They also engage with communities through fundraising, volunteering and charity partnerships, helping to enhance the Company's reputation locally.



The remaining issues in the materiality matrix are also deemed important for Royal Mail to address. Over time, the prioritisation of issues can change due to our success in managing them, or growing public awareness of their importance. All of the issues represented in the materiality matrix are covered in detail in our CR Report.

This year, we expanded our materiality assessment to include reference to the United Nation's Sustainable Development Goals (SDGs). We asked participants to rank which of the SDGs they thought were most relevant to Royal Mail.

Our stakeholders selected the following four SDGs. They are listed in order of priority:

- > **Goal 5**
Gender equality: achieve gender equality and empower all women and girls.

- > **Goal 3**
Good health and wellbeing: ensure healthy lives and promote wellbeing for all at all ages.

- > **Goal 8**
Decent work and economic growth: promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

- > **Goal 9**
Industry, innovation and infrastructure: build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

Many of our existing CR programmes and activities already contribute to these goals. For example, our new five-year mental health strategy (page 46) and broader campaign on mental health (page 58) are aligned to Goal 3 – Good health and wellbeing. Our stakeholders said that they are keen to see companies work collaboratively to address the SDGs to maximise the potential impact. In 2018–19, we will review how we contribute to the goals and will seek opportunities to work with others to address them.



This year, we expanded our materiality assessment to include reference to the United Nation's Sustainable Development Goals.

Key stakeholders table

	WHAT IS EXPECTED	HOW WE ENGAGE	PROGRESS IN 2017–18	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 expectations 	<ul style="list-style-type: none"> • Our customer services team engages in approximately 6.4 million customer conversations a year by phone, email and Twitter • Our www.royalmail.com and www.gls-group.eu websites • 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"> • GLS' FlexDeliveryService, which makes it easier for online shoppers to take delivery of goods purchased abroad, is now available in a total of 20 countries in Europe • Launched an app designed to give Parcelforce Worldwide customers more control over their deliveries. Customers can use the app to elect where their parcel can be left if they are not at home • In Europe, GLS launched its ShopReturnService in seven countries, allowing online customers to drop off their international returns at a GLS ParcelShop to be returned to the retailer free of charge • In 2017–18, our mean business customer satisfaction score remained at 78. The mean score of business customers rating Royal Mail as 'Easy to Do Business With' remained at 80 	<ul style="list-style-type: none"> • Focus on addressing Denial of Receipt complaints as the volume of tracked mail items in our network continues to increase • Complete the roll-out of automated parcels-sorting machinery at South Midlands Mail centre • GLS Belgium to focus on reducing most common complaint types through employee training • Continue the expansion of the GLS-ONE service in Europe
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, <i>Courier</i> 	<ul style="list-style-type: none"> • Reduced our Road Traffic Collision Frequency Rate by nine per cent compared with 2016–17 • Named a Times Top 50 Employer for Women for the fifth consecutive year • Expanded our People Panel to include over 160 representatives from across our business • Rolled out our 'We Are Royal Mail' campaign, recognising individual contributions our colleagues make to the business and our customers • Launched a five-year mental health strategy to raise awareness, reduce stigma and provide tools and guidance for our people on mental health issues 	<ul style="list-style-type: none"> • Introduce a new Express Delivery apprenticeship for all new postal entrants, with an ambition for 500 16–18-year-olds to be placed in selected training units • Continue to focus on programmes to increase the number of women in frontline roles • Develop further initiatives that will reduce the rate of musculoskeletal issues in our workforce
UNIONS	<ul style="list-style-type: none"> • Fair and respectful treatment of members • Consultation and engagement on important issues for our business • 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"> • Implemented the Delivery Simplification programme to allow our frontline staff to work more efficiently • Concluded national negotiations with the CWU on pay, pensions and the future shape of Royal Mail • Reached agreement with both unions on changes to the Defined Benefit pension scheme • Worked with Unite/CMA to deliver a pilot of the Enhanced Management Capability Programme in the west and north of Scotland. The programme provides managers with a clear personal development plan to achieve their personal and professional goals 	<ul style="list-style-type: none"> • Work with the CWU on delivering the key outputs from the national negotiations aligned to: pensions, the working week, our agreements and the future shape of Royal Mail • Work with Unite/CMA on embedding the future role of our managers

Key stakeholders table (continued)

	WHAT IS EXPECTED	HOW WE ENGAGE	PROGRESS IN 2017–18	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-quarter and nine-month trading updates Our Annual General Meeting Publication of our Annual Report and Financial Statements Providing a dedicated section for investors on our corporate website Internal communication channels for our employee shareholders 	<ul style="list-style-type: none"> During the year, our management team met with a broad range of existing and prospective institutional investors through one-to-one and group meetings as well as at investor conferences We kept lines of communication open with our shareholders during the period of negotiation with our unions Our Save As You Earn scheme matured in December 2017. Since it began, over 36,000 employees have entered, enabling them to exercise options over 15 million shares at a 20 per cent discount. By the year-end, more than 21,000 employees had exercised that option 	<ul style="list-style-type: none"> Adapt to the impact of the Markets in Financial Instruments Directive II on the investment community Continue to educate investors about the strategy and prospects of the business Continue to comply with financial disclosure obligations and investor relations best practice Introduce our new CEO to the investor base
REGULATOR – OFCOM	<ul style="list-style-type: none"> Continuous improvements in our efficiency, while meeting Universal Service Obligation (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 consultation on the Regulatory Financial Reporting Framework We have adhered to our regulatory reporting requirements We have responded to Ofcom's requests for information in a timely manner 	<ul style="list-style-type: none"> Implement changes to our regulatory reporting in line with Ofcom's updated framework Continue to engage with our regulator and meet our regulatory requirements
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 Policy teams engage regularly with elected representatives, UK Government and EU officials through responses to formal consultations, briefings and our proactive outreach programme. This includes 'Walking in your postie's shoes', operational visits and other Royal Mail-related activity, such as the Special Stamp programme 	<ul style="list-style-type: none"> Worked closely with UK- and EU-elected representatives and UK Government and EU officials to input into policy developments that impact our business Hosted numerous visits to our postal operations for MPs, MSPs, AMs, MLAs, MEPs, local government representatives and UK Government and EU officials During 2017–18, the Prime Minister, Theresa May MP, visited Maidenhead Delivery Office. The UK Business, Energy and Industrial Strategy Officials, the EU Directorate-General (DG) Taxation and Customs Union, and DG Growth Officials visited the Heathrow Worldwide Distribution Centre Engaged with UK Government and EU officials on policy development Worked with the CWU to call on the Government to make the necessary legislative and regulatory changes to allow Royal Mail to establish the UK's first Collective Defined Contribution pension scheme for our employees 	<ul style="list-style-type: none"> Continue to engage with UK Government stakeholders, input into policy discussions, respond to enquiries and raise awareness of our operations Continue to work with our unions to call on the Government to make the necessary legislative and regulatory changes to allow Royal Mail to introduce a Collective Defined Contribution pension scheme

Key stakeholders table (continued)

	WHAT IS EXPECTED	HOW WE ENGAGE	PROGRESS IN 2017–18	WHAT IS NEXT
<div>></div> <div>LOCAL COMMUNITIES</div>	<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 • Our colleagues interact with communities daily 	<ul style="list-style-type: none"> • Contributed £10.1 billion to the UK economy • Royal Mail contributed £7.1 million directly to good causes and schemes for disadvantaged groups. In addition, our people donated £2.7 million to hundreds of charities and good causes • Launched a new partnership with Action for Children, Mind and Mental Health UK as part of a multi-faceted campaign for mental health • Provided a donation of £11,000 to ensure Missing People's crisis line was fully resourced over Christmas 	<ul style="list-style-type: none"> • Raise £2 million over three years for our lead charity partner, Action for Children, to fund its preventative mental health programme in UK schools • Drive mental health awareness among our workforce and in UK communities through the production and dissemination of educational materials in a variety of different media • Continue to leverage our assets to help tackle social issues together with charity partners
<div>></div> <div>SUPPLIERS</div>	<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"> • We monitor supplier compliance with our Responsible Procurement Code, which sets out the high standards of ethical, social and environmental conduct we expect • Our Supplier Management Portal provides a framework for assessing whether our suppliers are meeting the CR requirements of their contracts • New suppliers are pre-screened against a range of CR issues, including bribery and corruption, modern slavery, and safety • GLS engages with transport providers in Germany to embed ethical principles through its Partner Code 	<ul style="list-style-type: none"> • Amended our Responsible Procurement Code to specifically cover suppliers' management of carbon emissions • Updated our supplier on-boarding process to include in-depth questions on CR issues based on the risk areas for each supplier category, such as labour standards for those with a higher risk of human rights issues • Introduced new questions on environmental risks into the tender process • GLS continued to promote its road safety campaign with transport partners, which aims to improve driver safety and reduce road traffic incidents 	<ul style="list-style-type: none"> • Target 50 higher-sustainability risk suppliers to enrol with Sedex21 by 2019 • Deliver training for 40 contract managers on CR • Deploy a revised Royal Mail Values Brochure to all of our critical suppliers • Continue to highlight safe driving behaviours among GLS transport partners through annual road safety campaign

OUR HERITAGE

In 1516, King Henry VIII knighted Brian Tuke, the first Master of the Posts and designer of what would become the world's first national postal service. This heritage is a great source of pride to our business. We celebrate the role we have played in the country's development and promote knowledge about the postal system's rich heritage.

The UK has been through enormous changes in the last 500 years. Our business has evolved too. We have innovated and experimented to find new and more efficient ways to keep people connected. We played a vital part in two World Wars, both at home and abroad. We have served 21 monarchs and lived through countless events. We have provided hundreds of thousands of men and women with high-quality employment.

Delivering post

Royal Mail has a long history of innovation. From horse-drawn coaches to steam engines, underground trains to electric vehicles, we have experimented with a range of different modes of transport to deliver the mail.



1516

Letters travelled by horse at speeds averaging seven to eight miles per hour in summer and five miles per hour in winter. Fresh horses were supplied every 10 to 15 miles.

1821

Steam-driven packet ships were introduced to deliver mail across the British Empire and the Commonwealth. This led to the founding of Royal Mail Ships (RMS) in 1840.

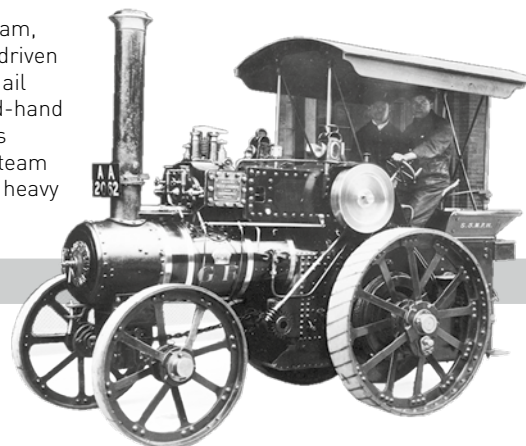


1784

Horse-drawn coaches featuring the Royal Mail livery were deployed for the first time to transport the mail. This followed a trial run between Bristol and London.

1904

After testing steam, electric and oil-driven motors, Royal Mail bought a second-hand Wallis & Stevens self-propelled steam engine, to move heavy loads by road.





1927

Mail Rail opened for the first time for the Christmas parcel post. This underground rail network operated for more than 76 years. At its peak, 90 trains covered over 22 miles of track below London, moving millions of items of mail every day. In 2017–18, a section of Mail Rail beneath Royal Mail's Mount Pleasant sorting office opened as a visitor attraction as part of The Postal Museum. More information can be found at www.postalmuseum.org



1934

In 1934, we tested rockets to deliver the post. Although initial trials were a success, rockets on longer flights exploded before reaching their destinations. As such, it was decided rockets would not be a feasible way of delivering the post. The experiment was abandoned.



2017

We bought 100 new plug-in electric vans for our fleet, which we are deploying to Delivery Offices around the UK. We also commissioned nine electric-powered heavy goods vehicles at our Mount Pleasant Mail Centre in London.



FIRST WORLD WAR CENTENARY

The centenary of the First World War is significant to our business. The Post Office Rifles, made up of around 12,000 employees, served bravely. Some 1,800 colleagues lost their lives in the First World War. A further 4,500 were wounded. Throughout the five-year centenary of the war, we are recognising Royal Mail employees who contributed to the war effort.

The Post Office Rifles received 145 awards for gallantry. Alfred Knight was one such employee. He enlisted in The Post Office Rifles in 1914. In 1917, he left for France to fight on the Western Front. Alfred was awarded the Victoria Cross for the actions he took during the battle for Wurst Farm Ridge in Ypres, Belgium. Then a Sergeant, Knight took charge of his own and other platoons after all of the officers had been killed by heavy gunfire. A century later, Royal Mail honoured Alfred's memory by unveiling a plaque on a postbox in his hometown of Birmingham, on the road where he lived while working for the General Post Office (GPO). His Victoria Cross is on display at The Postal Museum, London.

Three further GPO employees, who served in other British Army battalions, were awarded the Victoria Cross for their bravery during the First World War. Sergeant Albert Gill, of The King's Royal Rifle Corps, was awarded the medal after he valiantly defended his troops against an attack at the Battle of Delville Wood, in France, on 27 July 1916. He was killed in the fighting, aged 36. Major Henry Kelly, who fought with The Duke of Wellington's Regiment, rallied his company under heavy fire to fight in enemy trenches, before carrying his wounded Company Sergeant Major back to his own side. Sergeant John Hogan, The Manchester Regiment, was awarded his medal for showing great bravery while regaining possession of their trenches from German control. All three men have been commemorated by postbox plaques near their home towns.

Over the course of 2018, leading up to the 100th anniversary of the end of the First World War, Royal Mail will continue to commemorate those involved. In September 2018, we will be releasing our fifth set of stamps marking the events of the War. We will also hold remembrance services for all those who lost their lives fighting for their country.

1911

The world's first scheduled airmail flight was completed by Gustav Hamel for Royal Mail on 9 September 1911. Royal Mail launched an online gallery in 2017 to mark this anniversary. This charted the history of airmail from its earliest forms using carrier pigeons and hot air balloons through to modern day jets. The gallery is available to view at <http://gallery.royalmailgroup.com>

1907

Our first motor vehicle entered service – a half-tonne lorry called the Maudslay Stores Number 1. This remained in operation for 18 years. During this time it covered over 300,000 miles.

OUR STAMPS



Machin Definitive stamp

Our Definitive stamps have become the most iconic stamps in the world. That is thanks to the sculpture of Queen Elizabeth II's head, which was created by Arnold Machin. Known as 'the Machin Definitive', it was released for the first time on 5 June 1967, priced 4d. Since then, it has been reprinted an estimated 220 billion times, in 132 different colours. It is considered to be one of the most reproduced images in the world. To celebrate this milestone, we released six stamps to chart the creation of this design classic.



Alongside these six stamps, we released our Special Stamp issues throughout the year to celebrate Britain's contribution to the world and significant anniversaries.



WINDMILLS AND WATERMILLS

Romans first introduced watermills to Britain in the first century AD. Windmills arrived under the Normans a thousand years later. Both became widespread features of the landscape. They remain iconic structures today. In June 2017, we released a set of six stamps celebrating three windmills and three watermills from across the country.



CELEBRATING BRITISH ARCHITECTURE

Our Landmark Buildings set of stamps, released in July 2017, captured the resurgence of contemporary UK architecture. It did so through the distinctive lines and shapes of 10 instantly recognisable buildings. They included the Eden Project, the London Aquatics Centre and the Giant's Causeway Visitor Centre. The set featured buildings designed by architects including Zaha Hadid, Lord Richard Rogers and Lord Norman Foster.





100 YEARS OF TOYS

From teddy bears and dolls to building bricks and train sets, nothing evokes childhood memories like the toys that entertained us when we were young. In the summer of 2017, we released a Special Stamp issue featuring some of the most iconic and much-loved British toys from the last 100 years. This special issue of 10 stamps beautifully captured classic toys that encouraged creativity and inspired millions of young minds, including Action Man, the Spacehopper, and Stickle Bricks.



A ROYAL ANNIVERSARY

In November 2017, Her Majesty The Queen and His Royal Highness The Duke of Edinburgh celebrated their platinum wedding anniversary. To commemorate their 70 years together, we released a six-stamp set featuring photographs of the royal couple from their engagement period, wedding and honeymoon.



CHRISTMAS STAMP COMPETITION

For only the fourth time in our 500-year history, we asked children between the ages of four and 11 to submit their ideas for the 2017 Christmas stamp. We received over 200,000 entries from across the UK. His Royal Highness The Prince of Wales chose two winning designs to feature on our First and Second Class stamps over the Christmas period.

The designs, 'Santa Claus on his sleigh on a starry night' by 10-year-old Ted Lewis-Clark, from Frome, Somerset, and "Snow family" by nine-year-old Arwen Wilson, from Dudley, West Midlands, were created in response to the question: 'What does the Christmas season mean to you?'



VOTING RIGHTS FOR WOMEN

To mark the centenary of the right to vote being extended to women, we issued a set of Special Stamps celebrating those involved in the campaign for equality. The stamps feature historic images from events that capture the spirit of the campaign for universal suffrage, including a 1907 poster parade from the Women's Freedom League and the 1911 'Coronation Procession' of Welsh suffragettes and suffragists.



BUSINESS INTEGRITY

Trust is fundamental to our business, to our role as the provider of the Universal Service in the UK, and to our position at the heart of communities. We are committed to operating with integrity to safeguard our reputation and protect our valued place in society.

Our Business Standards

Royal Mail's Business Standards provide our people with a framework for ethical behaviour that protects our trusted brand and reputation. They cover managing potential conflicts of interest, anti-bribery and corruption, and our commitment to non-discrimination. The standards encourage all employees to do the right thing, act in line with our values, follow the law and treat others with respect. Our Business Standards are shared with all new employees when they are offered a role at Royal Mail. They are also discussed at their inductions, which colleagues attend within their first eight weeks. We communicate them to all employees every three years.

We take appropriate action in instances where standards are not maintained. During the year, 2,568 breaches to the Business Standards were recorded and closed. They covered issues such as failure to follow workplace practices and theft of mail. In around 26 per cent of cases, we either dismissed the employee concerned or issued a suspended dismissal.

GLS's Code of Business Standards outlines the values and standards of behaviour that GLS expects from its employees and subsidiary companies. During the year, GLS updated the Code, available in 20 languages, to include more practical guidance for employees. The Code is made available to colleagues in hard copy and online at

✉ www.gls-group.eu/EU/en/compliance Any breach of the Code is treated as a disciplinary matter. As such, it can result in disciplinary action in accordance with the applicable local law, up to and including termination of employment, and reporting to the appropriate authorities.

Why business integrity is important

Our stakeholders rank business integrity as a material issue for our business. They are particularly interested in our approach to business ethics, anti-competitive behaviour and anti-bribery and corruption. For details of our materiality assessment, see page 17.

Anti-bribery and corruption

Royal Mail Group has a strict zero-tolerance policy on bribery and corruption. We set out our approach in our Anti-Bribery and Corruption Policy. This is available at

✉ www.royalmailgroup.com/responsibility/policies

This policy is based on the UK Bribery Act. It sets out the standards of behaviour we expect in order to minimise the risk of bribery and corruption in our business and supply chain.

We provide online and face-to-face training for colleagues, to embed our zero-tolerance approach. We require all new managers to undertake compliance e-learning courses, including training on anti-bribery and corruption, as part of our induction process. We also run mandatory annual refresher courses. By the end of 2017–18, 99.9 per cent of Royal Mail managers had completed this training. Our managers brief our frontline colleagues on anti-bribery and corruption as part of their Work Time Listening and Learning sessions. We make our Anti-Bribery and Corruption Policy available to all colleagues on our intranet. We share regular compliance updates through our internal communications channels.

This year, we launched "Leading with Integrity", an initiative that encourages people to discuss our values. The course helps managers identify ethical and compliance risks. It supports them making the best ethical and commercial decisions. Around 200 managers from higher-risk business units, such as Procurement and Sales, attended workshops last year. Every attendee made an integrity pledge. They committed to take positive cultural and ethical action in their business units. Additional sessions took place among leadership teams in our major business units. We created an online compliance and ethics game that tested colleagues in a variety of real-life scenarios. Almost 5,000 colleagues played, raising £2,000 for our charity partner, Action for Children, in the process.

i

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 the relevant issues for our industry. More information on our approach to responsible political engagement is available at ✉ www.royalmailgroup.com/politicalengagement



All business units are required to complete a quarterly risk assessment to ensure actions are taken to mitigate bribery and corruption risks.

Our Audit and Risk Committee regularly reviews the controls we have in place to help prevent bribery from taking place. All business units are required to complete a quarterly risk assessment to ensure actions are taken to mitigate bribery and corruption risks. Senior business leaders within these units provide attestations to our CEO twice a year, confirming that these risks are being adequately managed.

Any units that have a greater risk of bribery and corruption receive additional training to support them in their work. For example, our procurement department is considered higher risk due to colleagues' interaction with third parties. Anti-bribery and corruption clauses are included in all relevant contracts. We monitor high-risk suppliers' performance against compliance standards through specific anti-bribery and corruption metrics. In 2017–18, the contract managers for our top 64 supplier contracts, as determined by legal risk and monetary value to the business, underwent additional training on anti-bribery and corruption. All new procurement employees receive compliance training. This takes them through bribery and corruption risks, contract management, supplier due diligence, and how to raise compliance concerns.

We conduct due diligence on all new subsidiaries and joint ventures before they become a part of Royal Mail. This includes assessing a number of core business processes, including compliance and labour standards. Where necessary, we take steps to ensure that any supporting policies, and other required compliance controls, are brought up to our standard. We require any subsidiaries or joint ventures that do not have appropriate policies and compliance procedures to adopt our own frameworks. All business entities are required to report on compliance risks and mitigation activities, and provide attestations to Royal Mail Group's CEO, as per the risk assessment process outlined above. We also conduct due diligence on intermediaries from whom we procure services. They include sales agents and insurance brokerage providers. This involves screening suppliers against the World-Check database to verify there are no supplier probity issues. As suppliers to our business, all intermediaries are also required to adhere to our Responsible Procurement Code.

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. This includes the European Union's General Data Protection Regulation (GDPR) that came into force at the end of May 2018. Our privacy policy, which explains how we collect, use, share and protect personal information, is available online 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. They cover freedom of association, the abolition of forced labour, equality and the elimination of child labour.

Our Modern Slavery Act statement, covering the steps we take to mitigate the risk of modern slavery and human trafficking taking place in any part of our business and supply chain, is published on our website at www.royalmailgroup.com/human-rights

Understanding our risk

We have undertaken a number of risk assessments in recent years to better understand our risk profile. These assessments inform our approach to mitigating human rights violations. They include modern slavery and human trafficking, both in our business and supply chain. In 2016, we conducted a review of our business against the UN Guiding Principles on Business and Human Rights. We undertook an additional risk assessment the following year to obtain a deeper understanding of potential human rights risks in our supply chain.

Our assessments found that our risk of human rights violations is low. This is due to our business model, the location of our operations and the nature of our supply chain. Almost all of our European operations are based in countries covered by the European Convention on Human Rights, which has been enshrined in local laws. The vast majority – 99 per cent – of our UK employees are employed directly by Royal Mail. They enjoy the best employment standards in our industry. Ninety-six per cent of the suppliers to our UK business are themselves based in the UK. They are bound by the same stringent human rights laws as we are.



Although our overall risk of human rights violations is low, 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. With the support of an external expert, we have analysed the full list of internationally recognised human rights issues, provided in the UN Guiding Principles Reporting Framework, to identify those that could potentially be a risk. Given that we operate almost entirely within EU jurisdictions, where human rights legislation is robust and well enforced, we focused our assessment on agency, contract and supply chain workers. The most salient issues to these groups are: forced labour; substandard working conditions; fair wages; discrimination; freedom of association and collective bargaining; health and safety; and, privacy. We checked our policies and procedures against these risks. We confirm that we have robust strategies in place to help mitigate any potential impacts in these higher-risk parts of our business.

We set out our commitment to human rights in our company-wide Corporate Responsibility Policy, our Business Standards, and our Responsible Procurement Code. Our policies are available on our website at www.royalmailgroup.com/responsibility/policies. We expect the same high standards from all of our business partners, suppliers and contractors.

Contract and temporary workers

We source our contract workers from seven approved suppliers, all of which are based in the UK. These recruitment agencies are contractually required to adhere to Royal Mail vetting standards. They include proof of identity, proof of right to work, provision of Royal Mail-approved training and various levels of security checks. Their performance against vetting standards is tracked. It is assessed via our HR Security Services team and via our Supplier Management Portal. This helps to ensure that temporary workers are legitimately employed. This reduces the risk of forced labour and trafficking occurring. We run quarterly business reviews for recruitment agencies, which cover adherence to vetting standards, and agencies are audited periodically, with the results reported to our Mail Integrity Group.

Similarly, GLS's Code of Business Standards includes GLS's prohibition against use of forced labour, child labour or human trafficking in any part of its business operations. Any breach is treated as a disciplinary matter by GLS. It can result in disciplinary action in accordance with the applicable local law, up to and including termination of employment and reporting to appropriate authorities. Whenever GLS uses temporary workers, the employment of such staff must be in line with applicable local laws. Any partner companies acting on behalf of GLS are required to act lawfully and reject discrimination, bribery and corruption.



We set out our commitment to human rights in our company-wide Corporate Responsibility Policy, our Business Standards, and our Responsible Procurement Code.

Supply chain controls

We ensure that all our suppliers commit to complying with our Responsible Procurement Code. Within our contract terms, we require suppliers to adhere to the Modern Slavery Act and notify Royal Mail of any breaches. The on-boarding process for new suppliers also includes specific questions on modern slavery and human trafficking. Our suppliers are required to have, and maintain, appropriate procedures, standards and policies to ensure that slavery and human trafficking is not taking place in their business or any part of their supply chain.

In 2017–18, we updated our Responsible Procurement Code to make it clearer that we expect suppliers to:

- allow all employees freedom to join, or not to join, an employee representative body, such as a union or works council, as far as any relevant laws allow; and,
- implement and enforce effective systems and controls to ensure that slavery and human trafficking do not take place anywhere in our supply chains.

The updated Code was published on our Group website. It was communicated to all of our suppliers during the year. We also introduced a confidential whistleblowing line for suppliers, contractors, business partners and their employees to raise any concerns that they may have 24 hours a day, 365 days a year.

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, 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.

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 incidents that we are aware of in our supply chain to date. But, we do take a firm line when our Responsible Procurement Code is not complied with. In 2017–18, we ended our relationship with a key supplier of operational equipment. They had failed to provide the transparent reporting on CR performance that we require. Despite no specific evidence of non-compliance being found, we switched to an alternative supplier that meets our requirements for transparency. Further information on our approach to responsible procurement is available on pages 64 to 71 of this report.

Mitigating risk

As part of a continuous programme of work to mitigate human rights risks. This year, we conducted cross-functional workshops to review risk levels of modern slavery in our UK operation and supply chain. The workshops contained scenarios on modern slavery risks. They provided guidance on how to speak up and raise any concerns. The managers who attended were provided documentation to take back to their teams to raise their awareness.

Any risks identified during the workshops had mitigating actions put in place. We undertook a targeted poster campaign across Royal Mail sites, aimed at contractors and third parties working on behalf of Royal Mail. This was done to raise awareness of potential modern slavery risks in supply chains.

Modern slavery workshops were also conducted by GLS. The workshops identified areas of potential risk within its central functions and countries of operation. GLS is currently developing new training for GLS country managers and those working within higher-risk roles.

We ensure all appropriate employees within our business are trained on the principles of our Responsible Procurement Code. As a part of this training, all UK procurement employees receive training on the Modern Slavery Act and associated legal requirements. Further training will be conducted throughout 2018–19 for all Royal Mail managers.

Raising concerns

Royal Mail's whistleblowing helpline, "Speak Up", allows employees (including contractors and temporary workers), business partners and suppliers, 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.



SCAM MAIL

We work closely with the relevant authorities, our employees and industry partners to eliminate criminal activity that uses the postal system. Information on our progress in tackling scam mail is available on page 37.



GLS 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

IN THIS SECTION:

Our position	32	Expanding and automating our network	35
Enabling commerce and growth	32	Maintaining a high Quality of Service	36
Our customer strategy	33	Providing value for money	36
Understanding our customers' expectations	33	Fixing problems	36
Being easy to do business with	34	Dealing fairly and openly	37



→ We deliver high quality, value for money services for both sending and receiving customers. As the UK's sole designated Universal Service Provider, we are proud to deliver a 'one price goes anywhere' service on a range of letters and parcels to over 30 million addresses across the country, six days a week. GLS is one of the largest, ground-based deferred parcel networks in continental Europe, and, following recent acquisitions, operates in seven states in the western US. It provides business-to-business and premium business-to-consumer services to 270,000 customers.

> KEY FACTS

11

GLS SAME DAY NOW OFFERING SAME DAY EVENING DELIVERIES IN 11 CITIES

20



GLS' FLEXDELIVERYSERVICE NOW AVAILABLE IN A TOTAL 20 COUNTRIES IN EUROPE

1.2bn

ROYAL MAIL HANDLED OVER 1.2 BILLION PARCELS AND 14.4 BILLION LETTERS IN 2017-18.³



584m

GLS DELIVERED 584 MILLION PARCELS



70%

OVER 70 PER CENT OF ROYAL MAIL PARCELS NOW CARRY A BARCODE

> KEY HIGHLIGHTS

- We completed a national rollout of **estimated delivery windows** using our PDA technology.
- GLS launched its **ShopReturnService** to seven European countries, offering online shoppers an easy way of making **international returns**.
- We opened 86% of our **customer service points** on Christmas Eve 2017, a Sunday, to ensure that our customers could collect their parcels before Christmas Day.
- GLS launched **GLS-ONE** for customers in Belgium and Luxembourg. GLS-ONE offers customers the ability send a parcel using the online portal, GLS app or one of 5,500 ParcelShops
- We launched an app to give Parcelforce Worldwide customers **more visibility** over their deliveries. It allows customers to choose for a parcel to be left with a neighbour, at a specified Post Office or in a designated 'safe place'.

> PERFORMANCE (KPIs)

RETAIL FIRST CLASS QUALITY OF SERVICE (%)

2017-18	2016-17	2015-16	2014-15
91.7%	93.2%	92.6%	93.1%

MEAN BUSINESS CUSTOMER SATISFACTION (SCORE)

2017-18*	2016-17	2015-16	2014-15
78	78	76	76

CUSTOMER COMPLAINTS (NUMBER)⁴

2017-18	2016-17	2015-16	2014-15
564,784	516,841	476,040	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. ⁴ This year, we introduced delivery confirmation for standard parcels for the first time. It was decided that any related Denial of Receipt complaints should be excluded from complaints reporting and KPIs for this year only. 14,274 complaints have therefore been excluded from this figure. All other Denial of Receipt complaints are included.

OUR CUSTOMERS

Royal Mail Group offers services to suit every customer: consumers, sole traders, SMEs, large businesses and access operators. We are proud of the role we play in connecting companies, customers and communities across the UK through Royal Mail and overseas through GLS. We deliver more parcels in the UK each year than all of our competitors combined. GLS provides business-to-business and premium business-to-consumer services across continental Europe and in the western US, serving 270,000 customers.

UK Parcels, International & Letters (UKPIL), is the UK's pre-eminent delivery company. As the UK's sole designated Universal Service Provider, we are proud to deliver a 'one price goes anywhere' service on a range of letters and parcels to over 30 million addresses (including 1.3 million businesses) across the country, six days a week. The Universal Service is vital for economic growth. It is the physical fulfilment arm of the digital economy and is crucial to the UK's economic future.

GLS is a force for growth. It is one of the largest, ground-based deferred parcel networks in continental Europe, covering 41 countries and nation states in Europe and, following recent acquisitions, seven states in the western US. It has a replicable and scalable business model and key strengths in business-to-business (B2B) and business-to-consumer (B2C) markets.

Our position

Our vision is to be recognised as the best delivery company in the UK and across Europe. We deliver more parcels in the UK each year than all of our competitors combined. We want to be the strategic partner of choice for the UK's e-retailers.

The service and product improvements we have put in place are delivering real benefits. GDP is a material driver for letter volumes. We continue to forecast a medium-term four to six per cent annual decline in addressed letter volumes (excluding political parties' election mailings). We are demonstrating the relevance and value of letters to all our customers.

We are pleased to have reached agreement with the CWU on pensions, pay, a shorter working week and certain operational changes. Under the new Pensions, Pay and Pipeline Agreement, both parties will continue to work together to transform our operation, to grow our product portfolio and maintain our pre-eminent position. See page 45 for more information about our agreement with the CWU.

GLS has continued to deliver significant growth in several key European markets. Its 'scale up and grow' strategy has helped expand its existing customer relationships and establish new ones in higher growth areas outside the EU. While it is largely a B2B business, it is gaining market share by winning new business in both B2B and the premium B2C parcel markets.

Enabling commerce and growth

The Universal Service Obligation (USO) plays a vital role in the UK's economic growth. It provides the delivery backbone for e-commerce. Royal Mail delivers a considerable proportion of the items purchased online in the UK that result in a physical delivery.

The value for money, convenience and depth of coverage of the USO makes Royal Mail a key delivery partner for SMEs across the UK. By offering delivery services to all parts of the country, we help them to compete with larger businesses while giving consumers greater choice. In the UK, there are around 5.7 million SMEs, generating 51 per cent of total turnover in the country.¹

GLS is making the most of the opportunities to harness growth in cross-border e-commerce. Its FlexDeliveryService is a great example of this strategy in action. The Service makes it easier for online shoppers to take delivery of goods purchased abroad. Anyone who shops beyond national borders in one of the linked countries can choose from a wide range of delivery options to their home country. GLS also now offers its international returns service, ShopReturnService, across seven European countries.

The expansion of these services have helped GLS win new contracts and more business from existing customers. As a result, GLS has introduced a range of IT systems to improve the parcel process, such as scanning devices and customer tracking systems.

Why customer service is important

Our stakeholders rank customer service as a material issue for our business. It is the bedrock that will ensure Royal Mail's continued success in an increasingly competitive environment. For details of our materiality assessment, see page 17.

¹ House of Commons Briefing Paper on business statistics

Our customer strategy

Our customers have a growing variety of choice when it comes to delivery services. We want to be their first choice. Our strategy for achieving this is focused on four priorities:

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

We measure our customer service performance in the UK through three equally weighted KPIs on our Corporate Balanced Scorecard (CBS): First Class Retail Quality of Service, business customer satisfaction, and customer complaints. Our managers' remuneration is linked to our 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

We are handling fewer letters and a greater number of parcels. As the mix of mail items we process changes, so do the expectations of our customers. We are adapting our business to respond to their changing needs; in particular by evolving our services for sending and receiving parcels.

This starts with understanding what our customers want from us. Every month, we survey around 600 business customers and 3,000 consumers as part of our ongoing customer satisfaction research. We conduct post-call surveys with business and consumer customers who contact us by phone. This enables us to provide real-time feedback for managers, address issues proactively and reduce the need to escalate complaints.

In recent years, we have seen a significant increase in the number of consumers visiting our website using smartphones and tablets. We conduct a separate Online Satisfaction Survey, which measures customer experience of our website and mobile applications.



CASE STUDY

WORKING WITH SMEs



Inkpac produces genuinely handwritten letters and notecards at scale on behalf of clients such as John Lewis, Santander, and Moët Hennessy. It relies on Royal Mail to distribute its mailings. Each letter is beautifully handwritten in fountain pen and ink by one of Inkpac's many 'Scribe Tribe' members. Companies can order personalised notes as easily as sending an email.

Charlotte Pearce, CEO and Co-Founder at Inkpac says, "Letters and personal messages play a crucial role in people's lives. No matter how digital the world gets, we're all human and we need to feel special and appreciated, and to be surprised by things. That's where letters come in. No email can replicate that."



WORKING WITH THE POST OFFICE

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



Every month, we survey around 600 business customers and 3,000 consumers



CASE STUDY

GRENELL TOWER RESPONSE



Many of the survivors of the Grenfell Tower tragedy lost everything. Royal Mail colleagues played a role in keeping the lines of communication open for people with no address and no form of identification.

Teams across our business worked to set up enquiry phone lines and redirect mail while maintaining business as usual to surrounding areas. Colleagues also volunteered their time to sort donated goods at nearby Greenford Mail Centre. His Royal Highness Prince Harry visited the Mail Centre in July to pay tribute to the Royal Mail and British Red Cross teams who worked tirelessly to support the victims.

"I'm so proud of what we've done and it shows me that, at Royal Mail, we strive to be a trusted member of all the communities we serve."

Stephen Buckley, Customer Service team

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

Consumers' priorities for Royal Mail:

1. enabling increased visibility over deliveries, for example, the ability to specify a delivery date and time; and
2. providing value for money.

Business customers' priorities for Royal Mail:

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.

We are improving our customers' experience. In 2017–18, our mean business customer satisfaction score remained stable at 78. Our consumer satisfaction score increased by 1 point to 73. The mean proportion of business customers rating Royal Mail as being "Easy to Do Business With" remained at 80.

We can also learn about our customers' satisfaction with our products and services through our people. Our annual Employee Survey asks our people what they think about the customer experience. This year, we achieved a customer focus score of 70 out of 100, an increase of one point from the previous year.

Being easy to do business with

If Royal Mail is to remain a competitive postal provider, we need to offer our customers simple, flexible choices that represent good value for money. We are introducing new products and services, and strengthening our technology backbone to provide a better customer experience.

Our consumer and business customers have different needs. During the year, we delivered a number of initiatives to improve products and services for both.

For consumers:

- GLS launched GLS-ONE for customers in Belgium and Luxembourg. They can now send a parcel using the GLS online portal, app or one of its 5,500 ParcelShops.
- GLS upgraded its app, enabling recipients to track the current position of a delivery vehicle and the expected delivery window of their parcel.
- Over 340 Customer Service Points are now open on a Sunday, covering over 50 per cent of all delivery points across the UK. On Christmas Eve 2017, a Sunday, we opened 86 per cent of our Customer Service Points to ensure that our customers had the opportunity to collect their parcels before Christmas Day.

Customer metrics	2017–18	2016–17	2015–16	2014–15
Mean business customer satisfaction (score)	78	78	76	76
Consumer satisfaction (score)	73	72	72	71
Business customer satisfaction following a call to Royal Mail (%)	92.5	91.7	90.4	89.7
Consumer satisfaction following a call to Royal Mail (%)	82.8	83.1	83.4	82.6
Business customer satisfaction with online experience (score) ¹	51.6	52.0	49.8	53
Consumer satisfaction with online experience (score)	55.1	60.4	59.6	58
Mobile satisfaction with online experience (score) ²	69.4	68.2	N/A	N/A
Easy to Do Business With Royal Mail (score)	80	80	78	79

¹ The calculation methodology for this metric changed in 2016–17.

The 2015–16 figure was restated in 2016–17 so that the data was comparable

² Metric introduced in 2016–17



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. We help ensure value for money and a high quality service for SMEs' customers through our relatively fast transit times. SMEs benefit from greater flexibility using our Click & Drop service, plus discounted prices for purchasing postage online.

Consumers without internet access

Some UK households do not have access to the internet. It is estimated that 23 per cent of individuals over the age of 55 are not online.³ They rely on in-store services to send parcels. The Post Office network of approximately 11,500 access points gives these customers the means to buy postage, use drop-off points and send larger, bulkier items.

Households in remote areas

Royal Mail's network coverage is vital for households in remote areas. Post Office access points and Customer Service Points are, on average, far closer to these customers than other providers. Our service will typically deliver their parcels faster, at no additional cost. Some parcel carriers charge an increased fee to deliver to remote areas of mainland UK. This year, the Government committed to launching a review into delivery charges where customers in remote areas are facing additional fees.



In 2017–18, we launched an International Tracked email notifications service for goods exported from the UK.

³ Office for National Statistics, Internet access - households and individuals: 2017

For business customers:

- We launched an app designed to give Parcelforce Worldwide customers more visibility over their deliveries. The app allows customers to choose for a parcel to be left either with a particular neighbour in the same postcode, at a specified Post Office or in a 'safe place' of their choosing.
- We extended our Click & Drop service to additional e-commerce platforms and online marketplaces, including Shopify, Magento and Not On The High Street. Click & Drop makes it easier for small retailers selling through these sites to purchase postage, print address labels and mail their parcels.
- We developed an online tool for Parcelforce Worldwide customers, linking their eBay and Amazon accounts to their Parcelforce Worldwide account. This makes it easier and quicker to send several parcels at once.



CASE STUDY

ROYAL MAIL TRACKED DELIVERY

When it comes to potentially life-saving medicines, reliable delivery is crucial. Echo is a new health-tech start-up that enables people to order prescriptions, for delivery to their door, in two taps on their smartphone. Co-founder Dr Sai Lakshmi chose Royal Mail Tracked Delivery to assure customers that medicines will arrive when they need them. "Medications are packed and posted by our partner pharmacies," he says. "As a start-up, working with Royal Mail helped us to build trust with our customers. Their medications are being delivered by the postmen and women they see every day."



CASE STUDY

GLS PHARMASERVICE

In 2018, GLS France introduced PharmaService, which guarantees the fast, safe and hygienic shipment of pharmaceutical and medicinal products. Deliveries through PharmaService can only be made to a named recipient. This ensures that only the authorised customer receives the delivery. Parcels carriers handling pharmaceutical and medicinal products must be Good Distribution Practice (GDP) certified. This ensures that carriers meet stringent safety and hygiene requirements. At year end, GLS held GDP certification in Germany, France, Ireland and Denmark.



CASE STUDY

ACCESSIBLE POSTAL SERVICES FOR BLIND AND PARTIALLY SIGHTED PEOPLE

Articles for the Blind is a free postage service for blind and partially sighted people. It delivers audio and electronic media, as well as magnifying glasses and mobility aids, with no charge. We have provided this service for over 50 years. This year, we delivered around 4.6 million items free of charge. This represents an investment by Royal Mail of around £4.5 million.

We work with the Royal National Institute of Blind People to fund a transcription service for MPs wishing to send braille or audio letters to blind or partially sighted constituents, or receive letters from them. The service is confidential, free of charge and enables the millions of people living with sight loss in the UK to correspond with their MPs. Royal Mail already offers this same service to its own customers.

Expanding and automating our network

Parcels

Over 70 per cent of Royal Mail parcels now carry a barcode. Postal Digital Assistants (PDAs) significantly increase our scanning capability, improving the tracking and delivery progress of parcels. This year, we completed the deployment of PDA technology across our entire business. This technology has been used in the roll-out of estimated delivery notifications to customers receiving barcoded parcels. We now offer delivery confirmation on the majority of barcoded parcels.

At GLS, comprehensive technology solutions – scanning devices and customer tracking systems – have been employed at every stage of the parcel process. They help customers track their parcel's delivery status for both national and cross-border shipments. This year, we launched GLS-ONE for customers in Germany, Belgium and Luxembourg. There are plans to expand this service next year. GLS-ONE offers maximum flexibility as customers can now send a parcel using the online portal, GLS app or one of 5,500 ParcelShops. They can either order a pickup service from their home or workplace or receive and send goods easily and securely using a parcel box.

This year, GLS invested in its European network to increase capacity over the autumn and Christmas period. It did so through the construction, expansion and modernisation of locations across Europe. This included a new international hub in Slovakia and depots in Romania, Slovenia, the Czech Republic and Hungary. We introduced new automated parcel sorting machines at our Chelmsford, Home Counties North, Greenford and Warrington Mail Centres, following the successful installation of a parcel sorting machine at our Swindon Mail Centre in the prior year. Preparations are underway for our sixth machine in the South Midlands Mail Centre.

In 2017–18, we launched an International Tracked email notifications service for goods exported from the UK. The service allows overseas customers ordering from UK-based retailers to register for email updates on the status of their items. The service, initially available to customers who have a business account with Royal Mail, has received positive initial feedback.

Letters

This year, we commenced the roll-out of Mailmark® to unsorted mail. Mailmark® offers customers more detail on their mailing's progress, accurate predictions of mail landing, and online, custom reporting. It also ensures that we bill accurately and are fairly paid for the work we have done. Around 90 per cent of in scope letters now carry a Mailmark® barcode.

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VALUE FOR MONEY

We are pleased that Ofcom continued to note that UK consumers believe they are getting value for money from postal services. In February 2018, the regulator found that 77 per cent of residential consumers were either fairly or very satisfied with the value for money of postal services. That is a two percentage point increase year-on-year.

Maintaining a high Quality of Service

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

We are disappointed that our full-year regulatory First Class Quality of Service performance was 91.6 per cent, just below our target of delivering 93 per cent of First Class mail the next working day. For Second Class mail, our performance of 98.4 per cent was within the 98.5 per cent annual regulatory target range when allowing for the margin of error in sampling.

We are talking to Ofcom about exceptional events during the year. They impacted on our Quality of Service performance. These factors included a very challenging industrial relations environment, some very severe weather, Cyber Week falling outside the exemption period and significantly reduced staffing levels caused by the Australian flu outbreak. We believe that, if the 2017–18 performance was adjusted for these factors, we would have achieved our First Class Target. We are asking Ofcom to take these issues into consideration. It will be for Ofcom to decide.

Retail Quality of Service (%)

	2017–18 target	2017–18	2016–17	2015–16	2014–15
First Class mail	93.0	91.7	93.2	92.6	93.0
Second Class mail	98.5	98.4	98.9	98.8	98.9

Providing value for money

The requirement to meet our Universal Service Quality of Service standards means that Royal Mail's operational costs for deliveries are high and relatively fixed, even when fewer letters are being sent.

Royal Mail must set prices that reflect the costs of delivering the Universal Service. Earlier in the year, we announced that stamp prices would increase from March 2018. The price of First and Second class stamps increased by two pence, to 67p and 58p respectively.

We understand how hard it is for many companies and households in the current economic environment. Our 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 have limited the increase in stamp prices to the lowest possible amount. We are committed to providing good value for money and maintaining a high quality service in return for this price.

Fixing problems

Royal Mail is a large business, handling billions of mail items every year. While we work hard to get everything right, there are still times when problems arise. Recognising and fixing issues is an important part of being easy to do business with.

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

This year, we received 564,784 complaints, a nine per cent increase compared with 2016–17.¹ The increase was predominantly driven by growth in tracked parcels. This year, the number of parcels we delivered increased by 5 per cent. Over 70 per cent of Royal Mail parcels carry a barcode, enabling customers to trace them within our network and see when they have been delivered. In April 2017, we began offering delivery confirmation for the majority of barcoded parcels.

Increasing the visibility of items in our network is a key priority for our customers. We are investing in technology and training that will strengthen our operation and offer a better customer experience. However, we appreciate that this additional visibility can widen the scope for things to go wrong. This includes barcodes not being scanned at the point of delivery, which can cause delays to delivery confirmations being received. During the year, we held seven national face-to-face training sessions for frontline colleagues, dedicated to improving the scanning of barcoded items and the importance of accurately completing 'Something for You' cards.



CASE STUDY

KEEP ME POSTED

We founded the Keep Me Posted campaign in 2013 to give every consumer the right to choose, without disadvantage, how they receive bills and statements. To date, 30 service providers, including banks, utilities, local government and retailers, have signed up, along with over 130 charitable organisations.

¹ This year, we introduced delivery confirmation for standard parcels for the first time. It was decided that any related Denial of Receipt complaints should be excluded from complaints reporting and KPIs for this year only. 14,274 complaints have therefore been excluded from this figure. All other Denial of Receipt complaints are included

We have made progress in reducing complaints in key categories, including redirection and misdeliveries. This is the result of a range of initiatives that include internal communications campaigns and training.

During 2017–18, GLS Belgium dedicated more resource to this important issue by appointing a Customer Experience Manager to review and improve customer complaint processes. In addition to reviewing the training on offer to employees, the Customer Experience Manager will implement improvements to the operation with the aim of reducing the most common complaint types.

Dealing fairly and openly

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

Protecting customer data and treating it with respect is a key priority for us. We have been working closely with our customers and industry stakeholders in the lead up to the introduction of General Data Protection Regulation (GDPR) in May 2018. We have also outlined how mail can help our customers thrive in a GDPR world.

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KEY SCAM MAIL INITIATIVES

Royal Mail operates a number of initiatives to tackle scam mail:

- All major UK mail operators have signed the Industry Code of Practice. This commits signatories to sharing intelligence that will help to eliminate scam mail from our networks.
- Our bulk mail contracts contain anti-scam clauses, which permit Royal Mail to open items we believe to be scam mail, and refuse to process or deliver it.
- We block and impound suspect mail items at our distribution centres for addresses that we believe are receiving high volumes of scam mail.
- We have worked with National Trading Standards to create the "Scam Mail Postal Industry Forum". Forum members share intelligence with National Trading Standards who then 'alert' all members.
- National Trading Standards experts continue to provide training at Royal Mail Delivery Offices. This year, an additional 300 Delivery Office staff received training to help them identify and report mail scams.
- In partnership with Bournemouth University, we are exploring the scale of scam mail and the impact it has on victims.
- We have contacted the 42 countries that send the highest proportion of scam mail to the United Kingdom. We have asked for their support in refusing to accept scam mail from their customers and for them to work with us in strengthening international postal rules for the treatment of scam mail.
- In April 2017, we began proactively contacting households who were receiving a high volume of scam mail.

Scam mail

Royal Mail never knowingly delivers scam mail. Receiving such mail is upsetting and distressing for victims and their families. We urge customers to contact us if they are concerned about anything they have received. Royal Mail operates freepost, telephone and online services for potential victims, or concerned relatives, to bring items to our attention. Since November 2016, we have stopped over three million items of scam mail from reaching our customers.

Our people play a vital role in detecting scam mail. We actively encourage them to report any suspicions, and any concerns about vulnerable households, to their line managers. We also work closely with law enforcement agencies and the National Trading Standards Scams Team to tackle the issue.

Returned mail

We deliver the overwhelming majority of letters and parcels successfully. Unfortunately, a small proportion of items are undeliverable for a number of reasons. This includes incomplete addresses or a lack of forwarding address for customers that have moved home.

Our National Returns Centre in Belfast aims to return all undelivered mail items to the sender. This year, the centre processed around 11 million items, out of a total 11 billion pieces of addressed mail sent via our network. In the event that we are unable to return undelivered mail to the sender, we dispose of it securely.

Delivery exceptions

Royal Mail aims to deliver every item of mail that enters our network. However, 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 safety concerns, such as dangerous dogs. We term these cases "Universal Service exceptions". We produce a detailed Exceptions Report each year, which we provide to our regulator, Ofcom, and publish on our website. The 2017–18 Exceptions Report will be published at the end of June 2018 at www.royalmailgroup.com/about-us/regulation/regulatory-conditions-and-postal-services-legislation

Our 2016–17 Exceptions Report showed there were 3,506 UK addresses where it was not possible to deliver mail six-days-a-week for more than 12 months. This represents 0.01 per cent of over 30 million addresses to which we deliver. In addition, there were 1,884 Universal Service collection exceptions. This represents less than one per cent of approximately 202,000 collection points across the UK.

Priorities for 2018–19:

- Focus on addressing Denial of Receipt complaints as the volume of tracked mail items in our network continues to increase;
- Complete the roll-out of automated parcels-sorting machinery at South Midlands Mail Centre; and
- Continue the expansion of the GLS-ONE service in Europe.

>> AT A GLANCE

OUR PEOPLE

IN THIS SECTION:

Our people strategy	40	Working with our unions	45
Engagement and culture	40	Health and safety	45
Our values	41	Diversity and inclusion	47
Feature: We Are Royal Mail	42	Learning and development	50
Feature: Chairman's Award winners	43	Inclusive recruitment	51
A responsible employer	44	Breaches to our Business Standards	51



→ Our people play an important role in achieving our strategic priorities. We rely on them to deliver high quality customer service, to fulfil the Universal Service, and to represent Royal Mail among our customers and communities. Engaging our people within a fair, rewarding and customer-focused culture is key to our success.

> KEY FACTS

c. 141,000



1/194

ONE IN EVERY 194 JOBS IN THE UK IS PROVIDED BY ROYAL MAIL²

98.7%

PERCENTAGE OF STAFF ON PERMANENT CONTRACTS

18%



PERCENTAGE OF WOMEN IN THE WORKFORCE

> KEY HIGHLIGHTS

- Royal Mail was named a **Times Top 50 Employer for Women** for the fifth consecutive year in 2017–18.
- We **increased** our **employee engagement score** by two points compared with 2016–17.
- We **reduced** our **Road Traffic Collision Frequency Rate** by nine per cent compared with 2016–17.
- GLS's annual health and safety programme, '10 golden rules', promoted road safety and reinforced **safer driver behaviour**.
- We **launched** a new **five-year mental health strategy**. This aims to **increase awareness** of mental health issues and reduce the associated stigma.
- GLS Denmark was rated as one of the country's **best employers** by the Great Place to Work Institute.

> PERFORMANCE (KPIs)

EMPLOYEE ENGAGEMENT SCORE (SCORE)

2017–18*	2016–17	2015–16	2014–15
59	57	57	56

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

2017–18*	2016–17	2015–16	2014–15
9%	12.3%	N/A	N/A

LOST TIME ACCIDENT FREQUENCY RATE⁵

2017–18	2016–17	2015–16	2014–15
0.54	0.49	0.49	0.70

SICKNESS ABSENCE (%)

2017–18	2016–17	2015–16	2014–15
5.09%	4.63%	4.51%	4.74%

* Target achieved, see page 14 for details

¹ This comprises Royal Mail, Parcelforce Worldwide and Royal Mail Property & Facilities Solutions

² Finding of Cebir economic impact assessment of UKPIL, commissioned by Royal Mail in May 2018

³ Road traffic collisions per 1,000 vehicles

⁴ This is a new KPI added to the CBS in 2016–17

⁵ Lost Time Accident Frequency Rate per 100,000 hours worked

OUR PEOPLE

We are one of the UK's largest employers, with one in every 194 jobs in the UK provided by Royal Mail. We directly employ around 141,000 people, with GLS employing around 18,000 people across Europe and in the US.

We promote strong labour standards in our industry. We believe that good employment conditions drive quality. Permanent Royal Mail and Parcelforce Worldwide employees earn considerably above the Living Wage. We work continually with our unions to agree changes to our business model to ensure a sustainable future for Royal Mail.

Our people strategy

Our people strategy supports a more competitive business, through:

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

Why being a responsible employer is important

Our stakeholders have identified engagement and culture as material issues for our business. How we engage employees, work with our unions and develop our culture directly impacts on our competitiveness, and our vision to be recognised as the best delivery company in the UK and across Europe. For details of our materiality assessment, see page 17.

Engagement and culture

We aim to create an inclusive, supportive and customer-focused culture. Engaged employees, who feel valued by our business, are key to the delivery of our strategic priorities.

Employee engagement is one of two people-related KPIs on our Corporate Balanced Scorecard. Each year, we measure employee engagement through our Employee Survey. Following the Employee Survey, we create engagement plans based on the findings, and on the views of our People Panel. This year, we expanded this panel to include over 160 representatives from across our business. We also hosted 60 employee engagement focus groups to hear the views of frontline staff, and 15 'Big Brunch' engagement sessions with operational managers. In addition, we held around 1,000 town hall briefing sessions across the country, reaching over 43,000 frontline colleagues.

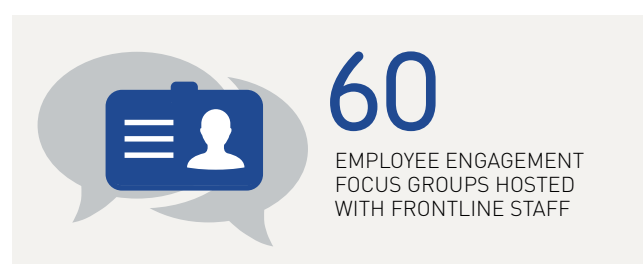
This year, we saw an increase in our employee engagement score, from 57 points to 59. Since our flotation in 2013, our engagement score has increased by five points. Engagement levels play a part in employee turnover, which influences training and recruitment costs. This year, our employee turnover rate remained low at 7.2 per cent. This compares well with the average UK turnover rate of 23 per cent. The average tenure of our employees is 16.6 years.

Other key outcomes from the survey:

- our people are optimistic about their future with us and have an increased sense of job security;
- our managers are building strong, supportive relationships with our people; and,
- our culture and recognition activities are positively impacting our Culture Index.



Each year, we measure employee engagement through our Employee Survey. Following the Employee Survey, we create engagement plans based on the findings, and on the views of our People Panel.



People metrics

	2017-18	2016-17	2015-16	2014-15
Employee engagement (score) ¹	59	57	57	56
Job satisfaction (score) ¹	72	69	68	69
Colleagues who say Royal Mail values diversity (%)	60	57	56	56
Colleagues who say they understand how their roles contribute to the success of Royal Mail (%)	71	70	67	65

We used feedback from our 2016-17 Employee Survey to build our engagement plan for 2017-18. We ran People Panel events across the UK to hear from our people directly. Topics included access to learning tools, such as 'My Future', flexible working and our inclusivity programme 'Altogether Different'. As a result of this feedback, our engagement plan included the following actions, which we took during the year:

- we reviewed our recognition processes, in particular our Long Service Awards and Appreciate website, which helps managers reward a colleague for a job well done;
- we updated the uniform ordering process to make it easier for colleagues to order new uniforms, and we trialled the design of a new blouse for female colleagues; and
- we piloted new People Boards, to drive action on issues that matter at an individual site level, with a full launch across the business planned for 2018-19.

This year, GLS Denmark was rated as one of the country's best employers by the Great Place to Work Institute. The award application included an anonymous survey of GLS Denmark employees, with the company achieving an employee satisfaction score of 86. In their summary statement, award judges praised GLS Denmark's approach to work-life balance and personal development. GLS France was ranked 11 out of almost 100 freight transport and logistics companies in a list of the best French employers by business magazine, *Capital*.



Our values

We use our Culture Index, measured as part of the annual Employee Survey, to understand how aligned our colleagues are with our values. This year, our Culture Index score increased by 3 points to 53.

We developed a guide to our values. This supports ongoing culture change by improving coaching skills and guiding the conversations that we have with people about their development. During the year, we shared this guide with all line managers. We also developed our 'Leading with Integrity' programme, which helps managers lead by example and make decisions consistent with our values. More information on this initiative is available on page 26.

In 2017-18, we rolled out our 'We are Royal Mail' campaign. This recognises the individual contributions our colleagues make to the business and our customers every single day. From reuniting customers with lost parcels to answering letters to Santa, the campaign celebrates Royal Mail's biggest asset – its people.

Our annual Chairman's Awards for Excellence recognise the best examples of people living our values. The awards, which took place in September this year, celebrated achievements of colleagues from across the business. More information on this year's winners is available on page 43.



GLS France was ranked 11 out of almost 100 freight transport and logistics companies in a list of the best French employers by business magazine, *Capital*.

¹ This score is out of 100

WE ARE ROYAL MAIL

Our people are our biggest asset. We are celebrating the power of team, showcasing the different people and roles that come together across Royal Mail to deliver an outstanding service to our customers.

ELIZABETH ROBINSON



Granny works for Santa!

Elizabeth Robinson has worked at the National Returns Centre in Belfast for 25 years, ensuring that Royal Mail customers are reunited with their letters.

But every year, Elizabeth also takes on a rather special role lending a hand to one of Royal Mail's most special customers, Santa Claus. Elizabeth helps to manage Santa's mailbag over the Christmas period. She makes sure he receives the thousands of letters sent to him by children across the UK and helps Santa reply to every child.

Elizabeth loves spreading festive cheer right across the country. "It's wonderful to be a part of this very special team," she said, "I enjoy working at Royal Mail all year round, but look forward to Christmas every year. I've got a great-grandchild myself so I tell her she has to behave at school because Granny works for Santa!"

It's a busy job – the team received about 850,000 letters this year – but with a combination of hard work, good communication and a big pinch of festive cheer, Elizabeth and her fellow elves help to make Christmas dreams come true.

ABRAHAM OGUNLANA

Abraham started at Royal Mail 17 years ago. After roles in security and delivery, he now works in the scam mail team. He is part of Royal Mail's fight against scam mail, which has helped us successfully stop three million scam mail items from reaching UK homes since 2016.

"When the mail comes in, we sort through the bags, and when we identify scam mail, we set it aside to be dealt with," said Abraham. "Most scam mail comes in a sequence, so when we identify the sequence we put it all to one side."

Abraham has been a victim of scam mail himself. "It's hard to understand the feeling unless it has happened to you," he said. "My job is a great opportunity to stop bad people taking money off those who work hard for it. It's a chance to protect vulnerable people."

"I love what I do. I have always had a passion to help people, and we do that by working as a team."



I have always had a passion to help people.

MARK TREGKASKIS



We always do things properly.

Mark Tregkaskis is a professional driver based at the vehicle operating centre (VOC) in Plymouth, one of 30 such centres across the country. He has been at Royal Mail since 1985 and transports mail across the region.

"When I'm doing a day shift, I deal with huge bulk collections from customers all over Devon and Cornwall, mostly large printing firms," said Mark. "I bring the goods back to the VOC and other drivers pick them up. My work is local so I always go home at the end of my shift."

Mark says the job's changed quite a bit in the 30 years he's been at Royal Mail. "We have new ways of doing things and some of our newer lorries have the latest gadgets and driver aids," he said.

"I've done a little agency work, and that has made me realise how well organised Royal Mail is. We're well looked after, and the health and safety regulations make our lives easier and safer. I've heard customers say other companies are cheaper than Royal Mail, but the service isn't as good. We always do things properly."

2017 CHAIRMAN'S AWARD WINNERS

In September 2017, unsung heroes from across the business were celebrated as colleagues gathered for the annual Chairman's Awards for Excellence. The Awards recognise people across Royal Mail who have gone above and beyond what is expected of them. Some of the winners include:

POSTIE OF THE YEAR

Herminder Gill



The coveted Postie of the Year title was won by Birmingham Mail Centre's Herminder Gill. Herminder was recognised for his work in sensitively providing a link between Royal Mail colleagues and their families after they fell ill. Not only did Herminder make countless visits to his colleagues and their families, he also helped raise thousands of pounds for the hospice where they were being cared for.

CEO'S AWARD FOR BRAVERY

Caroline Britton



Postwoman Caroline Britton walked away with the CEO's Award for Bravery. She waded into York's River Ouse to talk a woman out of ending her life. Showing courage coupled with a spirit of selfless determination, Caroline's actions were thought to embody the best of the best of the Royal Mail ethos.

COMMUNITY CHAMPION

Shaun Nowak



Champion charity fundraiser Shaun Nowak has spent the last 15 years doing incredible work across his community. He has raised more than £60,000 via his own registered charity for disabled children and their families in the past two years alone. Shaun said: "I share my grandad's philosophy, which was 'I help people out because I'm able to.'"

TEAM OF THE YEAR

Glasgow Mail Centre
Women's Network



Members of the Women's Network at Glasgow Mail Centre work in a range of different roles. They share a common goal: to encourage and support a greater gender balance across the unit. So far, they have increased the female managerial population of the site by eight per cent. Team member Alison Wotherspoon said: "There are about 12 of us who try to promote confidence in other women and make sure everyone has the best development they can get. We've worked really hard over the last two years to get where we are, and we're so excited about winning."

SAFETY, HEALTH AND WELLBEING CHAMPION

Linda Anderson



Work Area Manager Linda Anderson's win was for her contribution to the reform of Royal Mail's maternity leave process. As a new mum returning to the workplace, Linda saw an opportunity for improving the support and guidance offered to colleagues, and has since carried out a phased return programme with "Welcome Back" packs and a new mothers' risk assessment.

TEAM LEADER OF THE YEAR

Gaynor Nevins



Described as a "leader by example," Gaynor's daily huddles, open communication with colleagues and talent for meeting tough conversations head-on with respect and fairness scooped her the Team Leader of the Year award.

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JUST SAY IT

Our Just Say It initiative provides all Royal Mail people with a direct line of communication to our CEO, Moya Greene, via email. Our people raise concerns, ask questions and share ideas that help to improve our business. This year, nearly 3,000 colleagues contacted Moya. They all received a reply. Feedback ranges from recognising outstanding employee efforts to ideas for product improvements.

A responsible employer

Royal Mail is proud to be a responsible employer. We offer our people good working conditions and fair pay. At the year-end, 98.7 per cent of Royal Mail employees were on permanent contracts. All permanent Royal Mail and Parcelforce Worldwide employees earn considerably above the Living Wage that is defined by the Living Wage Foundation. This exceeds the legal minimum set by the Government. As well as a competitive salary, they receive additional benefits associated with permanent employment, such as National Insurance contributions, paid holiday and a good pension.

We remain committed to providing the best pay and terms and conditions in our industry. At the same time, we work with our unions to agree changes to our working practices to enable our business to remain competitive. This process of change is necessary to sustain our business now and in the future, particularly given the continued decline in letter revenues. During the year, we reached an agreement with the CWU on a new pensions, pay and pipeline deal. We kept colleagues informed of our negotiations with the CWU through internal communications and regular face-to-face events. We held around 1,000 town hall briefing sessions across the country, reaching over 43,000 frontline colleagues. We also briefed around 2,500 frontline managers across a series of events. Further information about our new deal with the CWU is set out on page 45.



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

We were pleased to see both the Taylor Review, and the Government's response to it, published this year. We participated in the review process, attending two evidence sessions and engaging with the review team. We continue to engage the Government in support of better labour standards across the industry. This includes raising the issue when briefing politicians and civil servants. In July 2017, the Financial Times published a letter from our CEO, Moya Greene, highlighting concerns about labour standards in the broader parcels sector. We believe that better labour standards across the industry should lead to better service standards for consumers.

Rewarding people fairly

We conduct an annual review to identify any pay discrepancies between men and women. This year, our review was conducted in accordance with the new gender pay gap reporting regulations.

We were pleased with the results of our annual pay review. But, we are not complacent as there is more to do. It showed that the average salaries paid to men and women are broadly the same. On a mean basis, women are paid 2.1 per cent more than men. Women are paid more on a mean basis due to the fact that we have a greater proportion of women in senior positions, compared to junior positions and operational roles. On a median basis, men are paid 1.5 per cent more than women. The difference in median pay rates is because men are more likely to select work that qualifies for allowances, such as shift work during the evening or at night. Our full Gender Pay Report is available at www.royalmailgroup.com/responsibility/our-people

Shared ownership

Around 91 per cent of our people are Royal Mail shareholders. Since privatisation, 12 per cent of the Company was awarded to Royal Mail employees through the Royal Mail Share Incentive Plan. All of our eligible full-time employees received a maximum of 913 Free Shares, regardless of their role in our organisation. This year, we paid almost £20 million in dividends to employees who had been awarded Free Shares.

Our Save As You Earn scheme, which launched in 2014, matured in December 2017. Over 36,000 employees entered the scheme. This enabled them to exercise options over 15 million shares at a 20 per cent discount. By the year end, more than 21,000 employees had exercised that option.



Working with our unions

A productive and cooperative working relationship with our unions is central to Royal Mail's strategy. We share a common goal: to secure the future of our business, so that it can grow and remain successful.

We recognise two unions: the CWU and Unite/CMA. Around 87 per cent of our operational- and administrative-grade employees are members of the CWU, and approximately 41 per cent of our managers are members of Unite/CMA. In total, nearly 85 per cent of employees are covered by our agreements with these two unions.

In 2017–18, we lost 1,991 days to strike action, an increase from 1,093 days in 2016–17. There was an increase in days lost due to unballoted strike action this year, during a period of ongoing negotiations with the CWU on a number of issues, including pay and pensions.

In early 2018, we reached an agreement with the CWU on these issues. We have committed to working with the CWU to introduce a Collective Defined Contribution pension scheme, subject to the necessary legislative changes. A Defined Benefit Cash Balance Scheme would sit alongside it. These new arrangements would provide one scheme for all Royal Mail employees. They would target, although not guarantee, providing a similar level of member benefits as the Royal Mail Pension Plan before it closed to Defined Benefit pension accrual on 31 March 2018. We believe CDC is a progressive option, which meets our objectives of providing sustainable, affordable and secure retirement benefits for our people, while significantly reducing risk to Royal Mail.

We have made agreements with the CWU on pay increases for frontline colleagues, up to April 2020, and on implementing a shorter working week, subject to the completion of operational trials and ongoing efficiency measures. We have also committed to a joint review of the Agenda for Growth in 2019.

Just after the reporting period, we were also pleased to announce that, following extended discussions and difficult negotiations, we have reached agreement with Unite on pay, pensions and working arrangements for junior and middle managers in Royal Mail. Unite will ballot its members on the agreement with a recommendation that they accept. This is a positive position to reach and much of the agreement commits both parties to ongoing discussion to make Royal Mail the success we all want it to continue to be.

We work closely with our unions whenever we consider making adjustments that will change ways of working. During the year, we worked with Unite/CMA to introduce new processes to help standardise ways of working in deliveries. We also worked with the CWU on a number of operational projects. This included new processes and equipment for colleagues working in our collections operation.

Health and safety

Our people's safety, health and wellbeing are enduring priorities for Royal Mail. We are committed to creating a working environment where everyone is safe, healthy and free from injury, whether physical or mental.

Safeguarding our colleagues

In September 2017, we completed the deployment of our integrated Safety, Health and Environment (SHE) Management System. This system sets out our standards and procedures for managing risks and maintaining a safe, healthy and environmentally responsible workplace. We also launched an updated annual audit programme during the year. This enables us to measure compliance with our SHE Management System and highlight areas where we need to improve.

Our SHE Management System provides us with a framework for achieving continuous improvement in our safety performance. Strong, visible leadership and face-to-face coaching conversations are an important part of this approach, particularly for postmen and women who spend long periods working alone and may have formed unsafe habits over time. When senior leaders talk to their wider teams about the impact of safety performance on our business, it helps to send a clear signal about the importance we attach to this area. We also provide training for employees on our health and safety standards. This outlines employees' responsibilities for their own safety, health and wellbeing and those of others. It also provides technical information on issues such as fire hazards. During the year 3,700 managers completed safety training courses.

This year, we recorded a Lost Time Accident Frequency Rate (LTAFR) of 0.54 per 100,000 hours worked, compared with 0.49 in 2016–17. Our LTAFR was impacted by an increase in falls occurring while postal staff were out on deliveries. These types of accidents accounted for 40 per cent of all lost time accidents in 2017–18. The adverse weather during the second half of the year contributed to the increase in accidents.

Road traffic collisions are another common cause of accidents. We are working hard to reduce the number of accidents we are involved in. The Road Traffic Collision Frequency Rate (RTCFR) is one of the measures on our Corporate Balanced Scorecard. This year, we reduced our RTCFR by nine per cent, compared with 2016–17. We continue to invest in driver training and road safety campaigns to promote safe driver behaviours. We increased the frequency and scope of our road safety communications to cover more key risk areas. They include driver distractions and vulnerable road users. We also updated our driver training to improve awareness of our most common road accident type: slow manoeuvring.

It is with great regret that we report that four people lost their lives in connection with our activities in the UK in the past year. The fatalities were associated with road traffic collisions involving our vehicles. We liaise closely with the relevant authorities. We 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. This 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 also share any lessons that can be learned with the wider road safety community we play a role in.

Dog attacks remain a significant hazard for our people. Despite a reduction in the number of incidents over the last few years, an average of eight postmen and women are attacked by dogs every day in the UK. These attacks accounted for 31 per cent of the injuries sustained by our people while at work during the year. We actively support our people in securing a prosecution following an attack. We also assist their physical and mental rehabilitation. We partner with external organisations, such as the CWU and the police, on this issue. Each year we hold a Dog Awareness Week to highlight ways that our people can reduce the risk of dog attacks. Measures like this helped to reduce the number of dog attacks on our people by eight per cent compared to 2016–17.

We take the appropriate health and safety considerations into account whenever we make a change to our operation. For example, this year we began deploying 100 fully electric vehicles at our Delivery Offices. We assessed the risks involved with deploying the new vehicles, such as changes to vehicle maintenance procedures and driving styles. As a result, we developed new training for vehicle technicians and drivers of electric vehicles.

GLS has embedded a structured health and safety programme in each of its national subsidiaries. This aims to ensure the health and safety of GLS employees and those working on the company's behalf. During 2017–18, GLS reduced the Lost Time Accident Frequency Rate for its own employees from 1.77 to 1.52.

The health and safety programme includes an annual road safety campaign to reinforce safer driving behaviours among GLS's transport and delivery partners. The campaign promotes GLS's '10 golden rules' of road safety through posters, safety stickers for vans and other communications materials.

GLS's California-based subsidiary, GSO, runs a local road safety programme that uses telemetry to promote safer driving styles. Unsafe driving behaviours, like hard braking or rapid lane changes, trigger audible warnings. GSO reinforces safe driving behaviours with regular driver safety training. GSO operates a telephone line for the general public to call with any concerns about safe driving.

Safety metrics	2017–18	2016–17	2015–16	2014–15
Reduction in road traffic collisions (%)	9%	12.3%	N/A	N/A
Lost Time Accident Frequency Rate (per 100,000 hours worked)	0.54	0.49	0.49	0.70
Total accidents (number)	7,457	7,298	8,040	9,738
Days lost due to accident (number)	26,208	21,437	23,038	29,903
Fatalities (number)	4	1	2	4
Sick absence (%)	5.09%	4.63%	4.51%	4.74%

Improving health and wellbeing

Supporting the health and wellbeing of our employees is a key part of our people strategy. It boosts workplace morale and demonstrates the value we attach to our people.

This year, our levels of sickness absence saw a slight increase to 5.09 per cent, compared with 4.63 per cent in the previous year. Mental health issues and musculoskeletal injuries remain leading causes of long-term illness among our people.

Addressing mental health issues

In October 2017, we launched a new five-year mental health strategy. The strategy has four core objectives:

- increase awareness of mental health issues in the workplace;
- reduce the stigma associated with mental health conditions;
- provide tools and guidance to our people so that they know how to support themselves, their colleagues and their family members; and
- ensure our people know where to go in a crisis.



Supporting the health and wellbeing of our employees is a key part of our people strategy.

We launched a compulsory mental health e-learning module for managers. This raises awareness of mental health issues and highlights the support and resources that are available for our people. By the year-end, around 9,000 managers had completed the training. In addition, over 700 managers completed our Mental Health First Aid training course during the year.

We developed a wallet-sized mental health pamphlet for our employees, with information about where to seek help and support for mental health issues. The pamphlet was delivered to all Royal Mail sites.

We launched a pilot Mental Health Ambassador programme. This trains employees to provide support to colleagues who are experiencing mental health issues. Eighty of our people signed up to become Mental Health Ambassadors during the first phase of the pilot, including frontline colleagues, managers and union reps.

We recognise that stress is a leading cause of mental health issues, both nationally and within our business. Our Stress Guidance Toolkit, available on our intranet site, helps colleagues to understand and address the potential causes of the stress they experience.

We also launched a new mental health charity partnership with Action for Children, Mind and Mental Health UK last year. This partnership is helping to support our mental health work with our employees. More information on our progress is available on page 58.

Preventing and tackling musculoskeletal injuries

During 2016–17, we completed a survey to understand the root causes of musculoskeletal injuries among our employees. This year, we used the findings of the survey to develop a musculoskeletal injury action plan. This includes new training materials that cover both physical and desk work. We also created an e-learning module for managers on how to manage musculoskeletal problems in the workplace.

Making our equipment easy and more comfortable to use can drive long-term reductions in injuries. We take ergonomics into account whenever we develop new equipment. This year, our Wellbeing team helped to develop a new parcel trolley that is easier to push and can be mechanically tipped to empty parcels rather than requiring employees to lift them out, reducing pressure on back muscles.

Our support for employee wellbeing also includes our Feeling First Class website. The site provides employees with a range of health and wellbeing resources, including fitness programmes and relaxation techniques. During 2017–18, 17,000 employees signed up to use the site, bringing the total number of employees registered to 41,000.



CASE STUDY

INTRODUCING NEW GUIDANCE ON MANUAL HANDLING

Lifting mail is part of the daily routine for our operations employees, and the repetitive strain that can result is a potential cause of musculoskeletal injuries. During the year, we expanded our manual handling training and risk assessment processes to reflect the fact that our people now deal with bulkier and heavier items. We also launched an internal communications campaign about safe lifting techniques, especially when handling parcels.

Healthy working environment

Our SHE Management System ensures a healthy working environment for all employees. It covers 19 different elements, including noise levels, appropriate illumination, and indoor air quality. It is complemented by our Building Energy Management Systems, which allow remote monitoring and control for a large number of our buildings. They ensure appropriate temperature, lighting, and ventilation levels for a healthy and safe working environment.



Diversity and inclusion

Royal Mail employs a diverse mix of people that reflects the communities we serve. We are committed to being an equal opportunities employer. We proactively seek to recruit people from underrepresented and socially excluded groups. As part of this approach, we work with external organisations to ensure that our employment opportunities are visible and accessible to people from all backgrounds and circumstances.

Once people are working at Royal Mail, it is our policy to treat them fairly and with respect. We are committed to providing opportunities for people based on their performance and skills, with no discrimination on any grounds.

Our Diversity Council is responsible for creating a culture of inclusiveness and driving improvements in our diversity performance. The Council, which is chaired by Royal Mail's Chief of Staff, oversees the work of diversity steering groups that each represent a strand of our diversity strategy. These diversity steering groups cover:

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

We collect employee diversity information when we recruit people, provided that our new employees consent to sharing it. We also collect this information anonymously through our annual Employee Survey. Following a successful trial in our West region, we added questions to our Employee Survey this year to improve our understanding of diversity in our workforce, and highlight differences in the experiences and perceptions of diverse groups.



GLS has embedded a structured health and safety programme in each of its national subsidiaries.

Gender diversity

We have relatively high gender diversity within our most senior levels. At year end, 33 per cent of our Board were female. This conforms with Lord Davies' recommendation that Boards should have 33 per cent female representation by 2020. Women make up 31 per cent of our senior managers and 17 per cent of our operational grades.

Where appropriate, we use balanced shortlisting to help address the gender balance in our business. In 2017–18, we used this approach to recruitment for operational roles. This has helped to increase the number of women hired in these roles to 36 per cent.

We launched a Managerial Cover programme, which has enabled us to upskill our existing frontline employees while providing reliable cover when a permanent manager is on leave. The programme is due to create around 800 new managerial roles across the country. To date, we have promoted 54 females into frontline managerial roles. We have placed a further 42 female new joiners into these positions.

We have earned external recognition for the progress we have made improving gender diversity at Royal Mail. In 2017–18, *The Times* named Royal Mail as one of its Top 50 Employers for Women for the fifth consecutive year. In February 2018, we were pleased to be ranked top of our industry in the FTSE Women on Boards Leadership Index. The index ranks almost 900 companies from 10 different industries on their combined gender diversity and social impact score.

Our Springboard programme provides direct support to help develop female employees in non-managerial roles. During the year, 158 female colleagues attended 13 courses under the programme. Spring Forward follows the success of Springboard, supporting junior female managers in taking the next step on the career ladder. This year, nine managers attended Spring Forward workshops.

i

VOTE 100

We are celebrating the 100th anniversary of the first women in Britain gaining the right to vote this year through a multi-faceted internal and external communications campaign.

As part of our campaign, we are inviting colleagues to nominate 100 inspirational women to be profiled in our internal communications, to celebrate the achievements of women in our workforce. Nominations have been flooding in for female colleagues who embody our values and demonstrate how Royal Mail can be a fantastic place for women to excel.

We also released a special Vote 100 stamp issue featuring images from the Suffragette movement, and sent our first edition of 'W-Mag' – our new magazine for Royal Mail women – to colleagues' home addresses.

Our diversity steering groups for Women and Parents and Carers established a subgroup to review Royal Mail's flexible working policy. The groups are working with external partners such as Working Families and Employers for Carers to develop an action plan to help promote flexible working across our business.

Our Parents and Carers group, which supports employees caring for children and elderly relatives, is piloting a buddy system and a local peer support network for maternity returners and carers. In 2017–18, we launched a phased return programme with 'Welcome Back' packs and a new mothers risk assessment to help ease the transition back into work after maternity leave.

Gender diversity (headcount)	Royal Mail female		Royal Mail male		GLS female		GLS male	
	2017–18	2016–17	2017–18	2016–17	2017–18	2016–17	2017–18	2016–17
Royal Mail plc Board	3	4	6	4				
Senior management	730	731	1,619	1,704	50	39	301	246
Management	1,460	1,420	5,445	5,280	3,414	3,183	3,105	2,528
Administrative	1,387	1,428	970	980				
Operational	20,967	20,011	105,556	107,131	1,953	1,993	9,132	9,147

Our 2017–18 CR Performance and GRI Data appendix is available at www.royalmailgroup.com/responsibility/cr-reports, and includes a breakdown of headcount by age and ethnicity.

Ethnic diversity

Royal Mail's ethnic profile is broadly representative of the UK population. According to our 2017–18 Employee Survey, around 10 per cent of employees declared 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. During the year, Royal Mail was named as one of Vercida's Top 10 BAME employers following analysis of the various programmes and initiatives we offer to support BAME employees.

We are a member of the Race Equality Campaign's Mentoring Circles programme. During the year, this helped eight Royal Mail colleagues take the next step in their careers through help and advice from an external BAME mentor. Our BAME diversity steering group is now trialling an internal mentoring programme based on the principles of Mentoring Circles.

Supporting LGBT colleagues

We are proud to be part of Stonewall's Diversity Champions programme. It campaigns for equality for lesbian, gay, bisexual and transgender people. Stonewall helps us identify areas for improvement within our LGBT programme. This year, we focused on promoting transgender awareness and trans-inclusive policies and facilities. The transgender subgroup of the LGBT steering group held a Gender Intelligence workshop in London. We also launched a transgender awareness film featuring transgender Royal Mail employees from across the country. In addition, over 300 members of our LGBT&Friends network attended Pride and Sparkle events across the country, including Glasgow, Manchester, London, Isle of Wight and Cardiff.

This year, our Disability steering group reviewed our Disability Confident and Reasonable Adjustments training and toolkits, to ensure they provided managers with the right guidance when supporting disabled colleagues. The review identified several changes that will be made to simplify the tools that we offer.

Royal Mail also partners with the disability charity Remploy. Through our partnership, we provide jobs and work placements for people with disabilities. To date, we have employed over 2,200 disabled and disadvantaged candidates through Remploy. Further information about our approach to inclusive recruitment is available on page 47.



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. We are rated as a Disability Confident Employer in the Department for Work and Pensions' Disability Confident scheme, which replaced the Disability Two Ticks scheme in 2017.

Information collected through our 2017–18 Employee Survey shows that approximately 11 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.

Youth

Youth is the newest strand of our diversity programme. We established our Youth diversity steering group in July 2016, outside of the reporting year. The Youth diversity group ensures that the views of our youngest colleagues, aged 16–24, are represented. They also help to shape recruitment programmes traditionally targeting young people, such as apprenticeships. During 2017–18, the group developed an action plan for attracting and retaining more young talent. The plan focuses on three key strands: members, events, and communication and recruitment.



2,200

DISABLED AND
DISADVANTAGED
CANDIDATES EMPLOYED
THROUGH REMPLOY TO DATE



CASE STUDY

ALTOGETHER DIFFERENT

In January 2018, we launched our Altogether Different campaign, a learning programme that helps our people to recognise and celebrate one another's differences. During Altogether Different week, we launched an e-learning module for managers and a Work Time Listening & Learning (WTLL) video and briefing for frontline colleagues. The WTLL video was viewed over 4,000 times, with 85 per cent of sites seeing the film. We also highlighted the work of our diversity steering groups and encouraged colleagues to sign up for local diversity events.

Ensuring dignity and respect in the workplace

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

Our Business Standards set out how we expect our people to treat one another. We provide channels for colleagues to escalate any concerns they have and provide support for colleagues experiencing any issues. We also have a bullying and harassment policy that sets out the formal procedure for resolving issues. In 2017–18, we saw a decrease of 15.6 per cent in the number of bullying and harassment complaints, compared with 2016–17. Since 2011, bullying and harassment complaints have reduced by 10 per cent.

We provide our managers with training on how to address bullying and harassment and conduct thorough investigations. Where possible, we aim to resolve disputes using in-house mediation. This year, 94 per cent of mediations resulted in a successful agreement between the parties involved, compared to 87 per cent in 2016–17.



Our Business Standards set out how we expect our people to treat one another.

Learning and development

We are committed to investing in people at all levels in Royal Mail. We aim to provide our employees with the tools, knowledge and resources to deliver our business strategy while offering fulfilling careers and opportunities for continual development.

We invested £9.8 million in training, delivering the equivalent of around 18,000 training days. We rolled out a wide range of learning and development programmes to our people, covering employee wellbeing, process improvement and managerial development. Highlights from our learning and development programme during the year included:

- over 1,100 employees attending our Fleet Management Training programme for small vans, with 84 per cent agreeing that it improved their knowledge and skill;
- rolling out mental health awareness training to all managers across Royal Mail, with guidance on how to recognise mental health concerns and have meaningful, supportive conversations with colleagues; and
- nearly 500 of our frontline and managerial staff receiving training on a new parcel-sorting machine, to enhance our parcels capability and offer a better service to our customers.

GLS Denmark launched a large-scale learning and development project during 2017–18, with over 300 visits scheduled for colleagues in adjacent fields of work to share knowledge, experience and best practice.

Performance management and appraisals

We carry out annual performance reviews with all our managers, who make up approximately seven per cent of our employees in total. Managers can also self-assess their skills and find learning resources to close any gaps, using our capability framework, Success Factors. These voluntary self-assessments have the added benefit of helping Royal Mail to direct training investments towards areas of greatest need. To date, over 29 per cent of our managers have documented a development plan on Success Factors.

We do not appraise non-managers in the same way. However, we do assess the skills of our frontline postmen and women against our standard operating procedures, to identify skills gaps and development opportunities. As part of this process, line managers and workplace coaches provide coaching and action plans to help individuals improve their performance.



£9.8m

INVESTED IN TRAINING IN 2017–18, DELIVERING THE EQUIVALENT OF AROUND 18,000 TRAINING DAYS

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. In 2017–18, 113 apprentices joined our programmes, which include opportunities in Finance, Technology, Sales, Project Management, Logistics Management, Vehicle Technology and Engineering. The introduction of the Government's Apprenticeship Levy has also helped to bring additional focus to our apprenticeship programmes. During 2017–18, we launched a campaign targeting groups that are currently under-represented, such as women taking on science, technology, engineering and maths (STEM) roles.

We also offer 11 graduate programmes in Operations Management, Central Operations, Commercial, Logistics, Human Resources, Finance, Technology, Engineering, International, International Operations and Strategy. We welcomed 46 graduates onto our programmes in 2017–18.

We work closely with several organisations that represent minority groups and offer work experience that helps develop valuable workplace skills. This year, we hired 130 individuals through seven of these partner organisations. Partners include Groundwork, who work at a local level to improve people's prospects while creating a greener environment, and People Plus, who support people into work, and help them build independence and progress their careers.

As part of our campaign for mental health, we offer work placements to people with mental health issues. This year, we provided four placements to candidates through our mental health charity partners. More information on our campaign on mental health is available on page 58.



GLS updated its Code of Business Standards to include more practical guidance for employees. The Code is made available to employees in 20 languages and sets out the expectations GLS has for its employees in dealing with customers, business partners and the general public.



CASE STUDY



GROWING TALENT IN SALES

During the summer of 2017, we introduced 13 new Business-to-Business Sales apprentices into Royal Mail. Over the three years of their programme, the apprentices will be involved in real sales activity at sales centres across the country, with targets to work towards. All will attend Middlesex University on a regular basis to supplement their learning in the workplace. Graham Davis, Group Sales Director, noted that apprentices are already making a difference to sales teams, bringing fresh ideas and enthusiasm to their roles.

Breaches to our Business Standards

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

In 2017–18, 2,568 breaches to our Business Standards were recorded and closed. Around 26 per cent of these cases resulted in suspended dismissal or dismissal. Information about breaches is reviewed centrally, to inform our policies and procedures and improve coaching for managers.

During 2017–18, GLS updated its Code of Business Standards to include more practical guidance for employees. The Code is made available to employees in 20 languages and sets out the expectations GLS has for its employees in dealing with customers, business partners and the general public. The Code is available online and in hard copy for colleagues without regular computer access.

Priorities for 2018–19:

- Introduce a new Express Delivery apprenticeship for all new postal entrants, with an ambition for 500 16–18 year-olds to be placed in training units;
- Continue to focus on programmes to increase the number of women in frontline roles; and
- Develop further initiatives that will reduce the rate of musculoskeletal issues in our workforce.

>> AT A GLANCE

OUR COMMUNITIES

IN THIS SECTION:

Our social and economic impact	54	Feature: Our campaign for mental health	58
Our economic and commercial contribution	54	Doing more through our local presence	60
Socio-economic impact facts	55	Supporting national and international causes	63
Strategic community investments	56	Unlocking potential through education	63
Our community strategy	56		
Leveraging our national scale	56		



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

> KEY FACTS

£10.1bn

£10.1 BILLION ADDED TO THE UK ECONOMY THROUGH DIRECT AND INDIRECT CONTRIBUTIONS^{1,2}



82,000 FULL-TIME EQUIVALENT JOBS SUPPORTED BY ROYAL MAIL IN THE WIDER ECONOMY¹

£2.7m



£2.7 MILLION DONATED BY OUR UK COLLEAGUES TO HUNDREDS OF CHARITIES AND GOOD CAUSES THIS YEAR

£2.3 BILLION SPENT BY ROYAL MAIL ON GOODS AND SERVICES IN THE UK

7th

7TH BIGGEST CONTRIBUTION OF ANY UK COMPANY TO THE UK ECONOMY^{1,2}

£7.1 MILLION CONTRIBUTED BY ROYAL MAIL TO GOOD CAUSES AND SCHEMES FOR DISADVANTAGED GROUPS

> KEY HIGHLIGHTS

- We launched a new strategic partnership with **Action for Children, Mind and Mental Health UK** to support our **wider campaign** on mental health.
- GLS Spain worked with the mental health charity **Apunts** to build **people's confidence** and develop crucial workplace skills.
- GLS Netherlands worked with **Heppie**, a charity that focuses on providing deprived children with a **proper childhood**.
- Royal Mail was named a **global leader** in corporate citizenship in the **Dow Jones Sustainability Indices**.
- We received a **Corporate Engagement Award** for our partnership with **Missing People**.
- **We won the Breaking Barriers: Mental Health Award** at the Prince's Trust Corporate Employee Awards.
- We received the **Lifetime Achievement Award** at the Payroll Giving Awards.

> PERFORMANCE (KPIs)

CHARITY PARTNERSHIP FUNDRAISING (£)³

2017-18 ↓	2016-17	2015-16	2014-15
£220,741	£945,409	£921,889	£629,685

COLLEAGUE COMMUNITY ENGAGEMENT (£)⁴

2017-18 ↓	2016-17	2015-16	2014-15
£2.7m	£3.1m	£3.1m	£3.0m

MANAGERS TRAINED ON MENTAL HEALTH (NUMBER)⁵

2017-18*	2016-17	2015-16	2014-15
8,561	N/A	N/A	N/A

* Target achieved, see page 14 for details

¹ Finding of Cebr economic impact assessment of UKPIL, commissioned by Royal Mail in 2018. ² 2017-18; comprising direct and indirect contributions.

³ These figures include all funds raised and donated for beneficiary charities of our charity partnership programme. We launched our partnership with Action for Children part way through 2017-18. The Stroke Association (TSA) was our charity partner in 2016-17 and 2015-16. 2014-15 was a changeover year; our partnership with Prostate Cancer UK, Alzheimer's Society and Whizz Kids came to an end, and we launched a new partnership with TSA. Figures for 2014-15 therefore include funds raised and donated to all four charities. ⁴ Colleague support for charities through payroll giving, matched giving and fundraising. ⁵ Managers trained on mental health is a new KPI for 2017-18. It reflects our increased focus on mental health through our charity partnerships and wellbeing programme.

OUR SOCIAL AND ECONOMIC IMPACT

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

Royal Mail seeks to be an integral, valued and trusted part of every community that our service reaches. Our main contribution to communities is our social and economic impact. We make the seventh largest contribution of any UK company to the UK economy. One in every 194 jobs in the UK is provided by Royal Mail. 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 Economics and Business Research (Cebr) to carry out regular impact assessments of our UK business, UKPIL, which quantify our contribution to the UK economy. Cebr found that Royal Mail added £10.1 billion to the UK economy in 2017–18, comprising direct and indirect contributions. This includes our contribution through the employment we provide, the suppliers we work with and the taxes we pay.

The Universal Service that we provide has a vital role to play in the UK's economic future. It is an integral part of the strategically important digital economy, which is forecast to grow to more than 30 per cent of UK GDP by 2020. The UK is a global leader in this field. It has the highest per person spend on e-commerce, more than double the next highest country.

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 consumers, the benefits of online shopping are realised through our trusted delivery network. This includes the UK's most convenient pickup and returns locations.
- 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 large retail customers, a high-quality, nationwide, six-days-a-week service enables them to extend the reach of e-commerce to areas that would otherwise cost significantly more to serve.

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 main factors that differentiates us from our competitors. For details of our materiality assessment, see page 17.

i

CEBR METHODOLOGY

Cebr used a combination of national statistics sources and data supplied by Royal Mail, relating specifically to the UKPIL business unit. We provided the following information from the financial year 2017–18 for the study:

- taxes on UKPIL products (on a gross and net basis);
- taxes on production (e.g., business rates) and on income (e.g., National Insurance Contributions, income tax, corporation tax);
- the apprenticeship levy, for the first time;
- 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



Royal Mail seeks to be an integral, valued and trusted part of every community that our service reaches.

SOCIO-ECONOMIC IMPACT FACTS

Cebr calculated the economic contribution of Royal Mail's UK business. The analysis was commissioned by Royal Mail in May 2018 using our 2017-18 financial performance data.

> ECONOMIC IMPACT

↑ **£10.1bn**

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

£5.8bn **£4.3bn**

DIRECTLY CONTRIBUTED TO THE UK ECONOMY BY ROYAL MAIL

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

> SOCIAL IMPACT



c. 141,000

WE HAVE AROUND 141,000 EMPLOYEES ACROSS THE UK¹



82,000

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

> ECONOMIC IMPACT

7th

LARGEST CONTRIBUTION TO THE UK ECONOMY OF ALL UK CORPORATIONS



£1.8bn

CONTRIBUTED IN TAXES TO HM REVENUE AND CUSTOMS²



£2.3bn

SPENT ON GOODS AND SERVICES IN THE UK

- 1 This comprises Royal Mail, Parcelforce Worldwide and Royal Mail Property & Facilities Solutions
 - 2 This includes employer and employee National Insurance contributions, income taxes, business rates and a range of indirect taxes paid directly and through UKPIL's suppliers
- We also disclose our annual tax contribution in the PwC Total Tax Contribution 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 2017-18 financial year and the contribution that will be disclosed in the PWC study later this year

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

STRATEGIC COMMUNITY INVESTMENTS

Our presence in every community across the UK connects customers and businesses, makes commerce happen and increases prosperity. We have been fulfilling this role for over 500 years. Our heritage provides a unique opportunity to educate and inspire.

Royal Mail is proud to be a responsible business. We strive to build on our economic contribution and the jobs that we create to deliver other long-term benefits for the communities we serve. We do this through strategic community investments, including charitable initiatives that leverage our unique combination of national scale and local presence.

This year, Royal Mail contributed £7.1 million directly to good causes and schemes for disadvantaged groups. This includes the cost of our Articles for the Blind service, which totalled £4.5 million for 2017–18. We are proud to support blind and partially sighted people with this service. It allows them to send items, such as talking books, mobility aids and relief maps, free of charge. Our contribution also includes £440,000 in matched giving and grant schemes to support employees' fundraising for registered charities and good causes.

In addition, our people donated £2.7 million to hundreds of charities and good causes across the UK, including £2.3 million through our award-winning payroll giving scheme.

Our community strategy

We build on the economic and social impacts of our operations by investing in strategic partnerships and finding ways to use our heritage and business assets to contribute to society. Our strategy is to:

- **Leverage our national scale:** our charity partner programme focuses our national scale around a single cause chosen by our people, to which we can make a measurable difference.
- **Use our local presence:** our Missing People partnership uses our presence in communities to help find vulnerable, at-risk people of all ages; our Community Support and payroll giving schemes support the causes our people feel passionate about.
- **Unlock potential through education:** our online magazine, Teacher's Post, provides classroom resources, and our partnership with The Prince's Trust enables the Trust to support young people with mental health problems.

Our community programme has been recognised by some of the most prestigious ranking and award schemes this year:

- Dow Jones Sustainability Index – top score in the Corporate Citizenship and Philanthropy section in our industry for four consecutive years;
- Lifetime Achievement Award at the National Payroll Giving Excellence Awards; and
- Breaking Barriers – Mental Health Award at The Prince's Corporate Employee Awards.

In addition, we were shortlisted for two Better Society Awards: in the National Commitment to the Community category, for our partnership with Missing People, and in the Communication and Education category, for our integrated mental health programme.

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

Community metrics ¹	2017–18	2016–17	2015–16	2014–15
Total amount contributed by Royal Mail	£7.05m	£7.95m	£6.72m	£7.60m
Total amount contributed by employees	£2.70m	£3.11m	£3.12m	£3.03m
Total contributions supported by Royal Mail	£9.75m	£11.06m	£9.83m	£10.63m

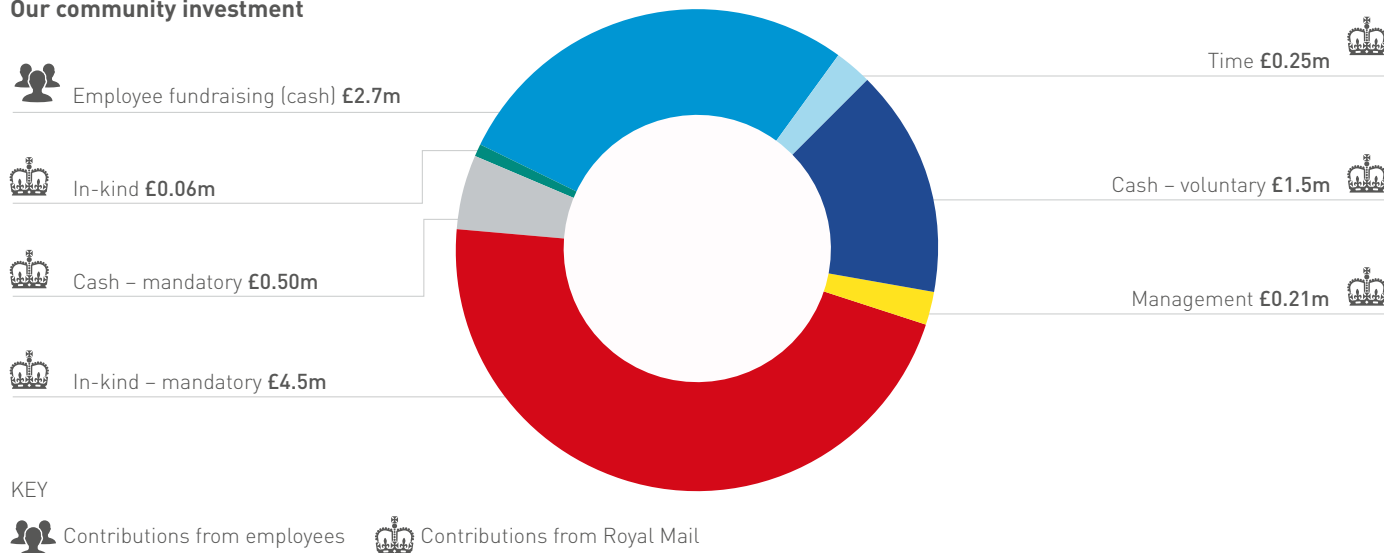
Leveraging our national scale

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

We invited our people to vote for a new charity partner from a shortlist of three charities in the 2017 Employee Survey, outside of the reporting year. The shortlist included Action for Children, Mind and Mental Health UK. Action for Children received the most votes, and we launched a new strategic partnership with them in May 2017. As part of our 'everyone's a winner' approach, Mind and Mental Health UK each received £50,000 to fund their mental health programmes.

¹ Total contributions to community causes by Royal Mail and our employees are 12 per cent lower than in the previous reporting year. This is largely due to a one-off donation made to the Postal Museum in 2016–17. Our charity partnership with Action for Children also began part way through the reporting year, in May 2017. As a result, we did not run an Operations Fundraising Challenge during the reporting year, which raised over £550,000 the previous year.

Our community investment



Mind is using the funding from Royal Mail to deliver two peer support projects. The first, based in the London Borough of Richmond, is aimed at improving the mental health of children and young people. The project, Bounce, will give 1,800 young people the ability to recognise issues and develop the skills to offer support to others when needed. The second project focuses on pregnant women and new mothers who are at risk of developing perinatal mental health issues. The project, which will be run by Coventry and Warwickshire Mind, will increase support networks for mothers in the local area.

Mental Health UK is using the funding from Royal Mail to grow their network of community support groups for people affected by mental illness, as well as for their carers and families. One of the first of these was in Southend-on-Sea, Essex, an area where similar support was not previously available. The group met for the first time in November 2017, with 17 attendees from a wide range of ages, cultures and experiences. Mental Health UK and its partners will continue to use our donation to establish at least five additional support groups like this one during the partnership.

Our partnership with Action for Children, which forms part of our wider campaign for mental health, aims to raise £2 million to fund the Blues Programme – £1 million from colleagues and £1 million in matched giving from Royal Mail. The Blues Programme is a preventative, groupwork programme delivered in schools by experienced youth workers. It helps young people aged 15–18 years who demonstrate depressive symptoms, or who are at risk of the onset of major depression or other mental health issues.

During 2017–18, the Blues Programme launched in 27 schools in three locations across the UK. More than 4,000 students completed a questionnaire, which helped to identify 1,394 pupils who were at risk of mental health issues and therefore eligible to take part in the programme. Of the 151 students who have so far completed the Blues Programme, 43 per cent said they had increased confidence, 42 per cent have improved relationships at school, and 33 per cent have improved self-esteem. 94 per cent gave the Blues Programme a score of 4 or 5 out of 5.

GLS Spain is working in partnership with the mental health charity Apunts. They provide hands-on experiences that can build people's confidence and develop crucial workplace skills. By helping to manage the delivery of parcels in five Barcelona postcodes, people with mental health issues benefit from both active training and the development of soft skills needed to work effectively with others. Building on this scheme, GLS Spain and Apunts are offering guidance to other local businesses interested in a similar approach. Apunts also supported GLS Spain in creating an internal communications campaign to raise awareness of mental health issues among GLS employees.

Further details of our progress on our campaign for mental health are set out overleaf.



The Blues Programme is already showing fantastic results with the young people taking part. We are incredibly grateful for the support of Royal Mail Group, helping ensure young people have the opportunity to receive specialist mental health support when they need it.

Sue Rogers, Blues Programme Lead, Action for Children

OUR CAMPAIGN FOR MENTAL HEALTH

Mental health is one of the leading causes of illness among Royal Mail's people. It is an area of great importance to our business and to the country as a whole. Research shows that, every year, one in four people will experience a mental health issue. 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.

In 2017, we launched a new multi-year campaign for mental health, "Because Healthy Minds Matter". It focuses on the actions we can take to make a positive difference to our employees' mental health, along with supporting the mental health of communities across the UK.

In May 2017, Action for Children was voted by our colleagues as our lead charity partner. Mind and Mental Health UK were runners up. We will be working with all three charities over the next three years as part of our strategic commitment to mental wellbeing. The partnerships cover training, awareness raising, communications, pro-bono support, work placements and fundraising.

Our campaign for mental health has five objectives, which are underpinned by key initiatives that we will deliver with our charity partners. These objectives also contribute to Royal Mail's five-year mental health strategy. More information on our mental health strategy is available on page 56.



In 2017, we launched a new multi-year campaign for mental health, "Because Healthy Minds Matter".



70

HEADS TOGETHER HEADBANDS
ADDED TO POSTBOXES ALONG
THE WORLD-FAMOUS LONDON
MARATHON ROUTE



FURTHER WORK ON MENTAL HEALTH IN 2017-18

- Signatory of the Time to Change pledge.
- Supporter of Heads Together: we added Heads Together headbands to around 70 postboxes along the world-famous London Marathon route. These matched the headbands that were provided to all 39,487 runners. The campaign will be developing a website with free-to-use mental health resources for employers. We have committed to support the testing of this. We will also be involving our supply chain in the Heads Together campaign to raise further awareness of mental health.
- Partnership with The Prince's Trust: after creating the role of Mental Health Advisor for The Prince's Trust in 2016, we have since created and launched the strategy for our partnership.
- Training our people on mental health: our mental health e-learning module was made mandatory for managers in January 2018. At year-end, around 9,000 managers had taken the training.
- Engaging our employees in mental health: 80 of our people signed up to be mental health ambassadors, providing support to colleagues who are experiencing mental health issues.
- Supporter of TARGET (the Impact of Depression in the Workplace).

Our mental health campaign has the following objectives:

INFORM AND SUPPORT OUR COLLEAGUES, PROMOTING INCREASED AWARENESS AND BETTER MENTAL HEALTH

Key initiatives:

- deliver an awareness-raising campaign for colleagues and customers, to improve understanding of mental health;
- deliver internal communications showcasing positive mental health case studies and good practice examples;
- 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.

Progress in 2017–18:

- we created and released our short film “Everyday People” to increase awareness and break down the stigma of mental health issues. The film has been viewed 86,000 times on Facebook and YouTube;
- in November 2017, we distributed 85,000 pamphlets to employees with advice on how to get help with mental health problems: for themselves, their friends or their colleagues;
- our charity partners visited 27 sites during the year, and joined 24 team meetings to talk about mental health; and
- we launched a compulsory mental health e-learning module for managers. By year-end, around 9,000 managers had completed the training.

LEVERAGE OUR BUSINESS AND EXPERTISE TO SUPPORT OUR CHARITY PARTNERS AND THEIR CLIENTS

Key initiatives:

- deliver a mentoring programme, placing our senior leaders with charity partners to provide pro-bono consulting;
- provide around 70 two-week work placements for people with mental health problems over the course of the three-year partnership; and
- provide our charity partners’ clients with priority placements for Christmas jobs.

Progress in 2017–18:

- we have been working across the business to identify a range of pro-bono consulting opportunities. Graham Davies, Director of Sales and Channels, became the new chair for Action for Children’s annual fundraising campaign, Byte Night. Our Mail Media team held training sessions with our three charity partners to give advice on using mail to grow support;
- we are working with our three charity partners to provide work placements for those they support, building confidence and providing work experience. As of the end of March 2017, we had placed four people; and
- 33 clients of our charity partners were provided with paid employment at Christmas.

USE OUR NATIONWIDE PRESENCE AND REACH TO DRIVE AWARENESS AND REDUCE STIGMA AROUND MENTAL HEALTH PROBLEMS

Key initiatives:

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

Progress in 2017–18:

- we shared our short film “Everyday People” with key business customers and all UK Members of Parliament to drive awareness of mental health issues;
- we commissioned Bournemouth University to conduct research into the impacts of scam mail, including the emotional toll it takes on its victims. The outcomes of this research are expected in 2018–19; and
- in June 2017, we began using our “Royal Mail proudly supports mental health” postmark. More than 480 million items have received this postmark, improving awareness across the country.

RAISE AT LEAST £2 MILLION TO ENABLE ACTION FOR CHILDREN TO HELP YOUNG PEOPLE WITH MENTAL HEALTH CONDITIONS

Key initiatives:

- aim to raise £2 million for Action for Children to enable the charity to employ specialist youth workers. These workers will hold face-to-face support sessions for 8,000 young people aged 15–18, helping to prevent them from developing depression and other mental health problems.

Progress in 2017–18:

- we raised £220,000 for Action for Children through colleague fundraising, payroll giving and matched giving from Royal Mail; and
- the Blues Programme launched in schools in October 2017. So far, 27 schools are registered to take part. More than 295 young people are currently participating in the programme. At year-end, more than 300 hours of support had been delivered.

LEVERAGE OUR SUPPLY CHAIN TO SUPPORT OUR CHARITY PARTNERS, RAISE AWARENESS OF MENTAL HEALTH, AND GENERATE ADDITIONAL FUNDS

Key initiatives:

- 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.

Progress in 2017–18:

- we shared our “Everyday People” film with around 730 of our key suppliers; and
- we developed a range of materials for our own people, which we will review and share with suppliers during the second year of our charity partnership.



CASE STUDY

HELPING PEOPLE WITH MENTAL HEALTH ISSUES BACK INTO THE WORKPLACE

Dyslexia and short-term memory loss had caused Aaron¹ anxiety and contributed to him being out of work for almost two years when Royal Mail invited him to take part in a work placement at Hull Delivery Office. In November 2017, Aaron spent two weeks working with our postmen and women to deliver mail to the surrounding area. This was an important step in his transition back into the workplace. "I enjoyed all of my time there and thought Melanie and Claire (two of the postwomen) were very helpful," he says. "Everyone was very polite and patient. I would like to thank you all for the opportunity you gave me."

Through our relationship with Mind, we were able to arrange for a support worker to visit the Hull Delivery Office, prior to Aaron's placement, to take part in a Work Time Listening and Learning session. The session helped raise awareness and understanding of mental health issues. It played a key role in establishing a supportive environment for people like Aaron. Royal Mail plans to offer around 70 such work placements for people with mental health issues over the course of our partnership with Action for Children, Mind and Mental Health UK.

Doing more through our local presence

Our postmen and women are the eyes and ears of their communities. Our partnership with the charity Missing People uses this local presence to support the search for vulnerable, high-risk missing people by sending location-specific alerts through our network of handheld Postal Digital Assistants (PDAs) and business television screens. During 2017–18, we issued 34 alerts, with 25 people found safe and well.



On behalf of my family and me, I would like to thank you so much for all your support. It was a comfort to know that we were not alone in the search for my father. Thank you for all your efforts.

Family member of missing person, following a Royal Mail missing person alert



Thanks to continued support from Royal Mail, this year we issued five urgent Child Rescue Alerts for missing children who were deemed to be at very high risk by the police. The longer a child is missing, the greater the chance that they'll come to harm. With financial backing from Royal Mail and operational support from every postman and woman, who receive the alerts on their PDAs, two children were found directly, and all were subsequently found safe and well.

Sophie Lapham, Director of Services at Missing People

For the third consecutive year, we provided a donation of £50,000 to fund Missing People's Child Rescue Alert system. Our support funds a 24-hour, seven-days-a-week, 365-days-a-year alert system specifically for children that have been abducted, or who are believed to be in immediate danger.

Christmas can be a difficult time when a loved one is missing. In December 2017, we provided a donation of £11,000 to ensure that Missing People's crisis line was fully resourced over the main Christmas period. The crisis line provides round-the-clock emotional support for the families of missing people.

£11,000

WAS DONATED TO ENSURE THAT MISSING PEOPLE'S CRISIS LINE WAS FULLY RESOURCED OVER THE MAIN CHRISTMAS PERIOD.



¹ Names have been changed

Empowering our people to support community causes

We enable our employees to support causes that are important to them through a range of fundraising and volunteering initiatives.

- **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 per year. We also offer colleagues the ability to apply for a grant of up to £200 to cover the cost of fundraising activities. This year, we supported around 300 charities through matched giving and fundraising grants.

We also offer retired employees £50 per person per year in matched giving for money they raise for good causes.

- **Payroll giving (including Pennies from Pay)**

We offer our people the opportunity to make donations directly from their pay to charities of their choice through Pennies from Pay and payroll giving. 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, almost 30,000 colleagues raised around £2.3 million for 800 charities through both schemes.

Donations made to our charity partner, Action for Children, through payroll giving are matched penny-for-penny by the business. By year-end, nearly 900 colleagues had signed up to give £28,000 a year in total to Action for Children through this scheme.

Our payroll giving scheme, which holds the Platinum Payroll Giving Quality Mark, is one of the largest in the UK. Since 1989, it has contributed £60 million to over 1,500 charities. In November 2017, Royal Mail was awarded the Lifetime Achievement Award at the National Payroll Giving Excellence Awards.

- **Volunteering grants**

We offer grants of up to £400 per employee per year to help cover the cost of materials used at volunteering events. In 2017–18, we distributed 67 grants totalling nearly £18,000.

- **Sports Foundation**

Our Sports Foundation supports local sports clubs. Grants given to our people provide funds for equipment, trophies and training. During 2017–18, we supported 50 sports clubs and individual sporting events by providing a total of almost £30,000 in grant funding.



CASE STUDY

MEDWAY MAIL CENTRE

Colleagues at Medway Mail Centre, which services all of the collection and delivery for Kent, have gone above and beyond in embracing the community spirit and volunteering their time to support local and national causes. The Charity and Community team, led by Tim Hyde, work alongside their day (and night) jobs in the Mail Centre to coordinate all community activity for the 1,000 people based there.

Tim and his team of volunteers help colleagues to plan activities for the charities and causes that are important to them. They also apply for matched giving and fundraising grants. During the year, they organised countless fundraising activities, from quiz nights to ten-pin bowling. They also helped renovate an Action for Children site in Folkestone. In total, colleagues at Medway Mail Centre have raised more than £20,000 for charitable causes this year.



LIFE AFTER STROKE GRANTS

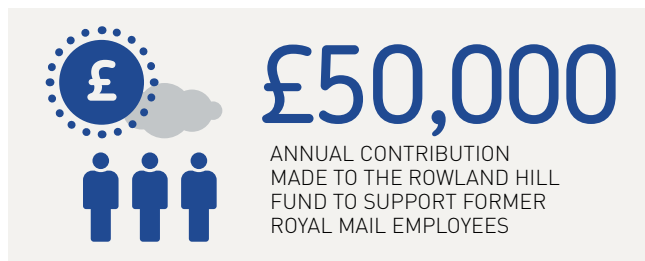
Our previous charity partnership with the Stroke Association continues to have an impact on those living with the after-effects of a stroke. The money raised by Royal Mail gives stroke survivors the funds to pay for vital home improvements and activities to help stroke survivors with their recoveries. During 2017–18, over 1,500 of these Life After Stroke grants were distributed, totalling more than £40,000.



GLS delivers for community causes

More than 60,000 children in the Netherlands are considered to be deprived. GLS works with Heppie, a charity that focuses on providing these children with a proper childhood. At Hotel Heppie, they are able to relax, play games and have fun. During the year, Heppie organised holiday camps and weekends for around 1,700 children. As a sponsor, GLS participates in these excursions. GLS also transports equipment for the charity, from toys to furniture, free of charge. During 2017, GLS made more than 100 excursions possible.

GLS trainees decorated Christmas trees and spent time with elderly people in six German cities. This is part of GLS Germany's volunteering programme to bring Christmas cheer to nursing homes. GLS Belgium launched a similar volunteering programme in July 2017, encouraging employees, transport partners and delivery drivers to engage with local causes.



CASE STUDY

THE ROWLAND HILL FUND

Helen Warren lost her independence at the age of 47 after surgery left her with difficulty bending and moving freely, and unable to walk any distance. Helen's husband, a driver at one of Royal Mail's processing units, applied for a Rowland Hill grant for his wife. The grant helped the family to purchase an Electric Powered Vehicle so Helen could get out of the house. Helen's 14-year-old daughter, Saffi, says: "We can now do so many more things together, like a real mother-daughter relationship should be. Thank you for making this happen, you have changed our lives."

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 the year, the fund provided 411 grants totalling £495,445. Royal Mail makes an annual contribution of £50,000 to the fund, plus an additional £60,100 a year in in-kind donations. Our employees donated a further £68,600 through payroll giving this year. We work with the Fund to ensure all employees are aware of the support it provides.

In April 2017, the Rowland Hill Fund, with the support of Royal Mail, launched its first fundraising week to help raise money for colleagues in need. They held car washes in South Wales, breakfasts in Dromore and Ballynahinch, cycle rides in Chester and Wirral, raffles in Greenford, and cake sales in Swansea, Birch Park and Yorkshire.

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. It also assists families where hardship is impacting upon their children.



2017 was an unprecedented year at British Red Cross in relation to our Emergency Appeals. We have been so grateful for the overwhelming support we received to ensure vulnerable communities get the help they need in a crisis. Thank you to Royal Mail for your contribution towards our Westminster Bridge, We Love Manchester and Grenfell Tower appeals. It really is much appreciated.

Charlie Baxter, Deputy Head of Corporate Partnerships Management – Business Development at British Red Cross

Supporting national and international causes

During 2017–18, Royal Mail made donations to the British Red Cross following the Manchester bombing, London terror attacks and the Grenfell Tower fire. We gave £15,000 to support the victims of these events.

The Disasters Emergency Committee (DEC) brings leading UK aid charities together in times of crisis. We set up a free PO Box at our Mount Pleasant Delivery Office, to support those wishing to make postal donations to DEC appeals. The central location allows donations to be sorted quickly and transferred to the DEC, so that funds can be put to use as soon as possible. In 2017–18, the PO Box received donations for three major international appeals: the East Africa Crisis Appeal, the Yemen Cholera Appeal, and the Emergency Appeal for People Fleeing Myanmar. The £4 million raised through over 40,000 donations to these appeals highlights the importance of giving people the ability to donate by post.

Unlocking potential through education

We are committed to helping young people develop. We created and distributed free educational resources through our online resource library, Teacher's Post.

Teacher's Post offers a wide range of educational resources that are aligned to the National Curriculum. They use real examples from Royal Mail's business and heritage to inspire the materials. During 2017–18, Teacher's Post resources were downloaded 2,174 times, reaching an estimated 108,700 students. Teacher's Post is available to view online at www.teacherspost.co.uk

As part of our support for young people's mental health, we fund a Mental Health Advisor role at The Prince's Trust. In 2017–18, this role was responsible for coordinating Youth Mental Health First Aid Training for 180 members of the Trust staff. Mental Health First Aid is an educational course that trains people to identify, understand and help a person who may be developing a mental health issue. It enables staff to direct young people to the correct support service.

During the year, more than 130 young people were offered specialist mental health support through Prince's Trust programmes. This includes counselling, group wellbeing sessions, and confidence workshops. The Mental Health advisor has also been responsible for establishing the National Mental Health Advisory Group. Members of this group met in October 2017 to create a guide that can encourage better conversations on mental health and wellbeing.

A further 350 frontline delivery partners will benefit from mental health training as a result of our partnership in 2018–19. In addition, the Trust has created a new wellbeing role for Northern Ireland, to work on mental health and wellbeing support there.



Royal Mail Group has been instrumental in supporting The Trust to develop and embed its approach to mental health. Thanks to Royal Mail, The Prince's Trust is now able to better promote and support good mental health in our staff and most importantly, our young people. We are enormously grateful for all of their continued support.

Richard Chadwick, Director of Programmes and Development, The Prince's Trust.



£4m

RAISED IN POSTAL DONATIONS FOR THE EAST AFRICA CRISIS APPEAL, THE YEMEN CHOLERA APPEAL, AND THE EMERGENCY APPEAL FOR PEOPLE FLEEING MYANMAR

Priorities for 2018–19:

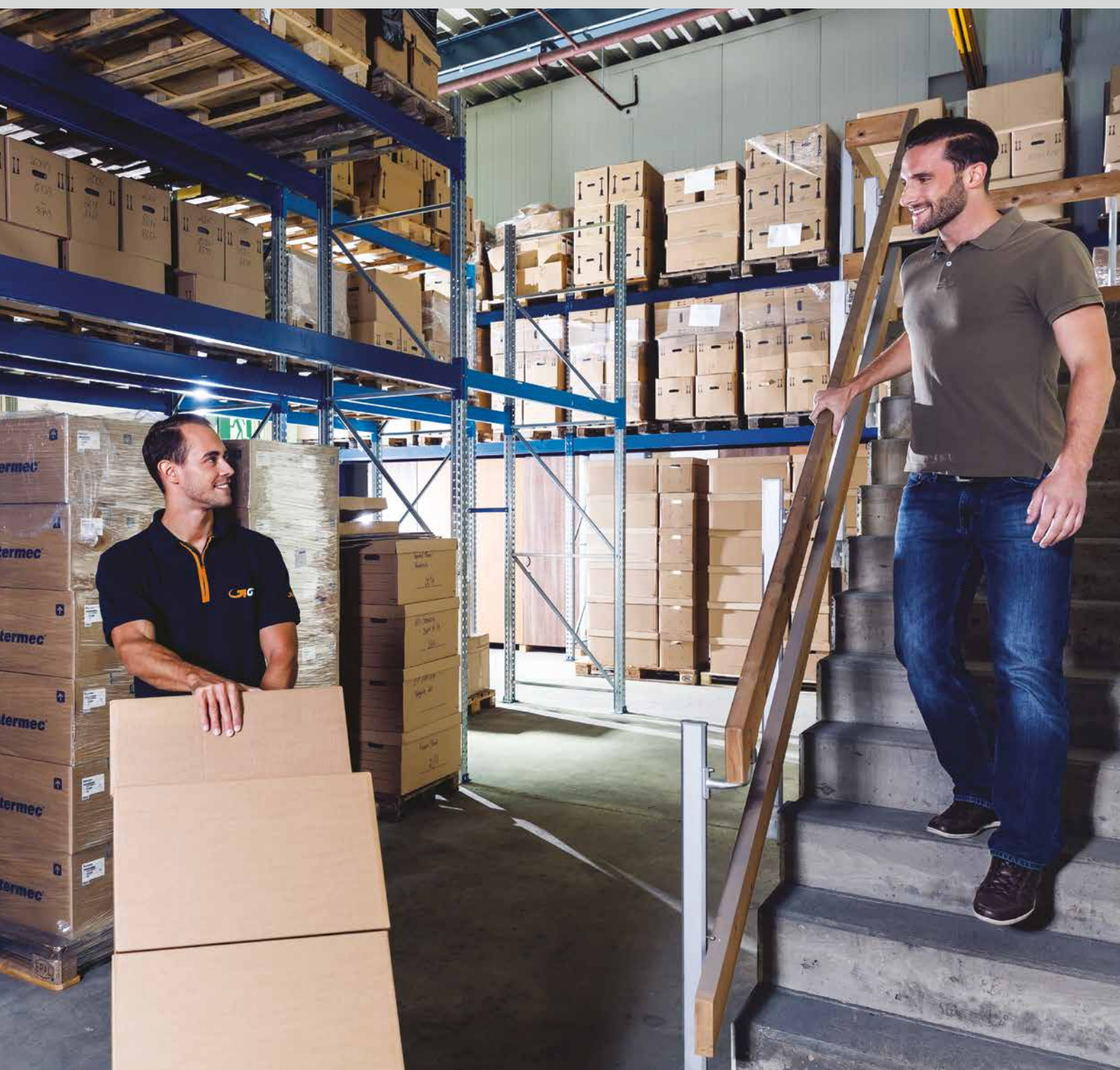
- Raise at least £1 million for our lead charity partner, Action for Children, to fund its Blues Programme. Reach around 4,000 young people who are at risk of developing mental health problems;
- Drive mental health awareness among our workforce and in UK communities through the production and dissemination of educational materials in a variety of different media; and
- Continue to leverage our assets to help tackle social issues together with charity partners.

>> AT A GLANCE

OUR SUPPLIERS

IN THIS SECTION:

Our approach to responsible procurement	66	Human rights and modern slavery	69
Implementing responsible procurement	67	Supporting SMEs in our UK supply chain	70
Identifying and assessing risk in our UK supply chain	68	Training for UK procurement employees	70
Monitoring supplier performance	69	Supplier management in GLS	70



→ We worked with around 5,000 suppliers in the UK in 2017–18. Our approach to these relationships has a major influence on our contribution to the economy, the satisfaction of our customers, and the reputation of our brand.

> KEY FACTS

SMALL AND MEDIUM SIZED ENTERPRISES WERE SUCCESSFUL IN BIDDING FOR 34 PER CENT OF NEW CONTRACTS AWARDED



5,000

WE WORKED WITH AROUND 5,000 UK SUPPLIERS IN 2017–18

96%

OVER 96 PER CENT OF SUPPLIERS TO OUR UK BUSINESS ARE BASED IN THE UK



£2.3bn

WE SPENT AROUND £2.3BN WITH UK SUPPLIERS IN 2017–18



> KEY HIGHLIGHTS

- We issued a revised **Responsible Procurement Code** with specific requirements for our suppliers' management of carbon emissions.
- GLS Germany embedded **ethical principles** into its business relationships through its **Partner Code**.
- We implemented a new **"Speak Up"** whistleblowing helpline for suppliers to Royal Mail.
- GLS has a **whistleblowing helpline** in every company it operates. It encourages its employees and its contracted partners to report criminal acts and other serious offenses.
- Our supplier management programme was shortlisted for a **Best Process Improvement Initiative award** by the Chartered Institute of Procurement and Supply.
- We published our **Modern Slavery Act** statement covering both Royal Mail and GLS.

> PERFORMANCE (KPIs)

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

2017–18*	2016–17	2015–16	2014–15
100%	100%	100%	100%

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

2017–18*	2016–17	2015–16	2014–15
100%	100%	100%	N/A

PERCENTAGE OF UK SUPPLIERS MONITORED FOR COMPLIANCE WITH UK TREASURY SANCTIONS LIST (%)²

2017–18*	2016–17	2015–16	2014–15
100%	100%	N/A	N/A

* Target achieved, see page 15 for details

¹ Covers suppliers awarded contracts by Royal Mail Group Procurement

² This KPI was formally introduced in 2016–17

OUR SUPPLIERS

We are committed to embedding high standards of social, ethical and environmental conduct across our supply chain. Working collaboratively with our suppliers helps to create economic value for our communities and deliver better experiences for our customers.

Royal Mail's procurement vision is to deliver value to our business and protect it from risk. We are committed to maximising the potential of our purchasing activities to have a positive impact on society and the environment. We do this by making our contracts attractive to SMEs, by spreading out our economic impact, by demanding high standards of social, environmental and ethical conduct, encouraging workforce diversity, and by sharing best practices to support suppliers' corporate responsibility performance. Our KPIs monitor our performance against annual targets relating to social, ethical and environmental practice. The performance table on page 65 shows our progress in 2017–18.

i

ABOUT THIS CHAPTER

This chapter mainly covers UKPIL, our core UK and international parcels and letters business, operating under the Royal Mail and Parcelforce Worldwide brands. Where stated, we have also included data and narrative for our pan-European and US 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'.

i

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 17.

Our approach to responsible procurement

Royal Mail suppliers are required to comply with our Responsible Procurement Code of Conduct. This is available to view at www.royalmailgroup.com/responsibility/policies. This sets out the ethical, social and environmental standards that we expect. It covers issues such as human rights, labour, environment, and anti-corruption. The Code is based on the Ten Principles of the United Nations (UN) Global Compact. It helps us to manage associated risks in our supply chain. We require our suppliers to communicate the Code in full to all relevant employees within their organisations.

During the year, we amended our Responsible Procurement Code with specific requirements for our suppliers' management of carbon emissions and information about our new "Speak Up" whistleblowing helpline for suppliers. We also updated the Code to make it clear that we expect our suppliers to allow all employees freedom to join, or not to join, an employee representative body, as far as any relevant laws allow. We included a further update outlining our expectation around the implementation and enforcement of effective systems and controls to manage the risk of slavery and human trafficking.

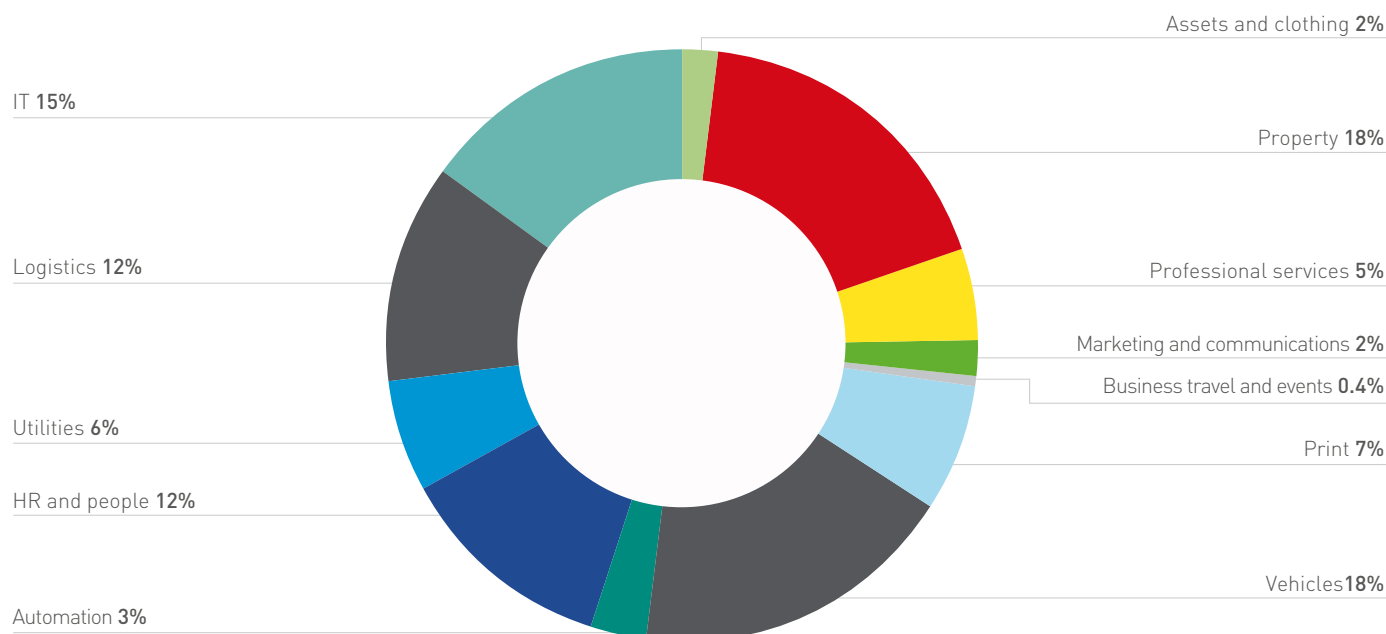
In addition to signing up to the Responsible Procurement Code, suppliers must adhere to the UN Universal Declaration of Human Rights. GLS has also embedded ethical principles in the GLS Partner Code. See page 70 for more information.

We are committed to ensuring diversity throughout our supply chain. We expect our suppliers to support our commitment to equality, diversity and fairness for all their employees and job applicants. Diversity and inclusion clauses in the contracts with our flexible resource providers help ensure temporary workers in our operation are recruited without discrimination.

We have particular responsibilities to protect the integrity and physical security of the mail. Any suppliers handling or transporting mail on behalf of Royal Mail must adhere to the Mail Integrity Code of Practice. This is a condition set out by the UK postal regulator, Ofcom. This code is designed to minimise the potential for loss, theft, damage or interference. It requires all personnel who come into contact with the mail to be vetted to the same standard as our own employees.

Our suppliers are grouped into 12 main product categories, as shown in the graph overleaf. We recognise that the different categories have different CR risks and opportunities, so we work with our suppliers on the areas that are most relevant to them.

Our supplier categories in 2017–18^{1, 2}



Our CR aims in each of our different procurement categories are as follows:

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

Implementing responsible procurement

We pre-screen all potential suppliers before asking them to participate in a tender or awarding them a contract. This pre-screening ensures that the potential suppliers meet minimum threshold standards on certain CR issues. These include bribery and corruption, money laundering, fraud, safety and modern slavery.

We use an electronic system to manage our tendering and procurement process. It holds contracts securely, runs tenders using an e-tendering process and manages procurement projects. We have approximately 800 active contracts in the system and award around 150 new contracts through it every year. We ask suppliers additional questions about their CR performance during the on-boarding process, and at the Invitation to Tender stage. This year, we updated the process to include in-depth questions on CR issues that reflect the risk areas for each supplier category. We ask additional labour standards questions for categories with a higher risk of human rights issues, for example.

During the tender process itself, we ask further questions covering a range of ethical, social and environmental topics. In 2017–18, we introduced questions around significant environmental risks, such as the use of hazardous or polluting substances. Incorporating these ethical and environmental assessments as part of the tender process encourages innovation on sustainability and responsibility. It also drives higher performance in the industry.

¹ Supplier categories for our UK Parcels, International & Letters business. Over 95 per cent of these suppliers are based in the UK

² Total does not add to 100 due to rounding



CASE STUDY



PEUGEOT ELECTRIC VEHICLES

Royal Mail works closely with suppliers to find innovative ways to reduce our environmental impact. During 2017–18, this included making an investment of around £1.6 million in 100 fully electric vehicles from Peugeot. This is the result of a major initiative in partnership with our supplier. We have been introducing the Peugeot Partner L2 Electric vans in a phased approach and, at year-end, 78 of the vans are being used on delivery rounds across the UK.

Our work with Peugeot is creating opportunities for other suppliers as well. We are working with E-Volt to install charging points, and Pertemps to provide driver training and support on integrating the electric vehicles efficiently into our fleet.

We are closely monitoring performance and usage rates for the vans, to track their impact on our environmental footprint. The initiative is anticipated to save an average of 1,350 litres of diesel per vehicle annually. This equates to 3,525kg of CO₂ and a fuel cost saving of up to £1,200. The vans also have further potential cost reductions through lower maintenance and congestion charges. This equates to an estimated operating cost saving of up to £670 per vehicle annually, with additional savings of up to £3,500 for those vehicles operating inside the London Congestion Charge zone.

Identifying and assessing risk in our UK supply chain

Royal Mail worked with around 5,000 different suppliers during the year. The breadth of this supply chain makes it imperative that we understand, identify and manage the risks involved.

We focus our risk management efforts on the suppliers that present the greatest risk to our business. We prioritise suppliers based on their geography, size, business sector, and the scope of the contract. Our procurement risk register lists the risks that are deemed critical to our business and supply chain. We regularly review this risk register, to identify new risks and opportunities to mitigate them.

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 emerging markets;
- 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;
- compliance risks, associated with the need to comply with 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 to contractors, such as construction companies, working on Royal Mail premises;
- environmental and materials provenance risks, which apply to suppliers in the Facilities and Property Management category and to the sourcing of 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.

For each new contract that is awarded, Royal Mail conducts a risk assessment. This takes into account the relevant critical risks for the supplier category. An overall 'criticality rating' is assigned to suppliers based on a number of criteria. These include business dependency, financial status, technology opportunities, and reputational, compliance and safety risks. Our Procurement team notifies the Company Secretary's Office about any contract that is considered "critical" as a result of its risk profile. This may require Board approval prior to the contract being awarded.

If we identify further risks following the award of a contract, we put corrective action plans in place to address them. We also require evidence from the supplier showing that these actions have been implemented. Depending on the severity or criticality of the risks, we may commission third-party audits of suppliers to ensure that appropriate mitigation measures are in place.

Although we work extensively to address any risks and ensure our suppliers have corrective action plans in place, there are still occasional instances where suppliers fail to meet the standards we expect from them. When this happens, Royal Mail is prepared to take decisive action. In 2017–18, we ended our relationship with a key international subcontractor and supplier of operational equipment. They had repeatedly failed to provide the transparent reporting on CR performance that we require. Despite no specific evidence of non-compliance being found, we switched to an alternative supplier that meets our requirements for CR reporting.

During the year, we used the Thomson Reuters World-Check intelligence database to screen any suppliers in sectors with medium to high risk of corruption. The database holds information on previous investigations or convictions. In particular regarding bribery, non-compliance, breaches of environmental laws, and sanctions.

Royal Mail does not contract with sanctioned entities. Sanctions declarations are part of the supplier on-boarding process. Our standard terms and conditions of contract require suppliers to operate in accordance with sanctions legislation. We check all suppliers against the UK Treasury sanctions list on a monthly basis.

Monitoring supplier performance

Our Supplier Management Portal includes a framework for assessing whether our suppliers are meeting the ethical, social and environmental requirements in their contracts. All our critical suppliers provide evidence of performance and compliance by uploading accreditations such as environmental certifications, safety standards and ethical audit reports to the portal. In July 2017, we ran training sessions for 75 suppliers on using our Supplier Management Portal.

We continue to develop KPIs and actions relating to key areas of CR risk. These include KPIs relating to modern slavery, environmental compliance and mail integrity. Our Chief Executive's Committee reviews the supplier performance dashboards on a monthly basis. This ensures business-wide engagement in our responsible procurement processes. In 2017–18, our work on our approach to supplier management was recognised in the shortlist for Best Process Improvement Initiative at the CIPS (Chartered Institute of Procurement and Supply) annual awards.

We ask any suppliers identified as having a high sustainability risk to enrol with Sedex (Suppliers Ethical Data Exchange). Sedex is an online platform that tracks environmental, social, and governance performance, and conducts third-party audits. We have set a target for 50 suppliers, which we have identified as higher risk, to be using Sedex for CR reporting by the end of 2018–19. We currently have 12 direct suppliers and a further eight indirect suppliers active on the system.

Human rights and modern slavery

We are committed to preventing modern slavery throughout our supply chain. Modern slavery refers to any activity that impinges on human freedom through servitude, forced and compulsory labour, and human trafficking. Within our Responsible Procurement Code we set out human rights expectations for our suppliers. These include adhering to the UN Universal Declaration of Human Rights and complying with the eight fundamental International Labour Organization conventions.

This year, we published our first Modern Slavery Act statement. This outlines the actions we have taken to address modern slavery risks in our business and supply chain. This statement is available to view on our website

➤ www.royalmailgroup.com/human-rights

We have undertaken several risk assessments to better understand our supplier risk profile and inform our approach to mitigating modern slavery risk in our supply chain. Although our risk of human rights violations is relatively low, we remain committed to playing our part to help eliminate it. During the year, we ran a human rights risk assessment workshop to create a category-by-category risk heat map. We also documented existing and planned activities to mitigate these risks, such as prompting high-risk suppliers to join Sedex. More information on our approach to mitigating modern slavery risk can be found in the Business Integrity chapter of this report, on page 27.



CASE STUDY



USING AUDITS AND CORRECTIVE ACTION PLANS TO MANAGE SUPPLY CHAIN RISKS

Following a report that Royal Mail commissioned from an independent auditor, we drew up a plan of corrective actions for one of our footwear suppliers. These included providing improved anti-dust masks for workers and needle guards for sewing machines. In April 2017, a follow-up audit confirmed that all of the corrective actions had been taken, and that our supplier was now fully compliant with Royal Mail's requirements. Proactively managing risks in our supply chain in this way improves safety and conditions for workers outside of direct employment with Royal Mail.



We published our first Modern Slavery Act statement. This outlines the actions we have taken to address modern slavery risks in our business and supply chain.



75

WE RAN TRAINING SESSIONS FOR 75 SUPPLIERS ON USING OUR SUPPLIER MANAGEMENT PORTAL

Supporting SMEs in our UK supply chain

SMEs play an important role in the UK economy. They contribute £1.9 trillion annually and represent around 60 per cent of all private sector employment.¹ Ensuring that SMEs are able to compete for our contracts helps to support wider economic opportunity in the UK.

Where appropriate, we make contracts accessible to businesses of all sizes, by breaking them down into smaller 'lots'. Doing so makes our contracts more attractive to SMEs while expanding Royal Mail's options and increasing our ability to appoint the best possible supplier. This year, we awarded 34 per cent of new contracts to SMEs.



CASE STUDY

CHURCHES FIRE SECURITY

During the year, we extended our contract with Churches Fire Security, an SME specialising in effective fire management systems. Since winning a competitive tender, Royal Mail has been impressed by Churches' role in ensuring that fire safety equipment is maintained to a high standard. The business is closely monitored for performance against strict KPIs. They consistently achieve 98 per cent across all indicators.

Training for UK procurement employees

As part of their induction, all new UK Procurement employees are trained on the principles of our Responsible Procurement Code and how these are applied to our suppliers. This includes training on ethics and probity issues, such as anti-bribery, competition law and sanctions compliance. All of our procurement employees complete a compliance refresher training course every year. This ensures they remain up-to-date on these issues. In 2017–18, we ran additional training sessions on vetting and mail integrity for all relevant procurement employees.



GLS expects the same high standards of ethical business practice from these partners as it follows in its own business. Every GLS employee involved in selecting business partners is responsible for ensuring that the appropriate company-wide processes are followed.

Supplier management in GLS

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

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 the responsible business standards with which GLS partners must comply.

GLS expects its partners to:

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

GLS also has a whistleblowing helpline in every company it operates. The business encourages both its employees and its contracted partners to report criminal acts and other serious offenses. They have a dedicated team responsible for investigating allegations of violations.



¹ House of Commons Briefing Paper on business statistics, December 2017



GLS's health and safety standards

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

GLS expects its transport providers to protect their employees' health and safety in accordance with relevant local law. Every year, GLS conducts a road safety campaign aimed at contracted delivery drivers. The campaign reinforces the importance of safe driving behaviours. It includes a recommended set of road safety measures and communications materials. This includes awareness-raising posters, safety stickers for vans and items promoting GLS's '10 golden rules' of road safety for delivery drivers.



GLS is committed to ensuring the health and safety of its employees and those who work on its behalf. GLS has embedded a structured health and safety system and a range of supporting activities at each of its national subsidiaries to reduce the risk of road safety incidents.

Priorities for 2018–19 (UK supply chain):

- Deliver training for 40 contract managers on Corporate Responsibility, as part of the overall contract manager training package;
- Deploy a revised Royal Mail Values Brochure to all of our critical suppliers; and
- Target 50 higher-sustainability risk suppliers and subcontractors to enrol with Sedex by the end of 2018–19.

>> AT A GLANCE

OUR ENVIRONMENT

IN THIS SECTION:

Our environment strategy	74	Fleet emissions	77
Environmental management and governance	74	Buildings emissions	78
Environmental risks and opportunities	75	Water use	79
Energy and emissions	76	Waste and recycling	80
		Customers and suppliers	81
		Biodiversity	81



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

> KEY FACTS



1,871 NUMBER OF SITES
ACROSS THE UK

1,871

c.48,000 VEHICLES IN UKPIL¹

68%

68 PER CENT OF CO₂E
EMISSIONS FROM VEHICLE
FLEET AND TRANSPORT



30%

30 PER CENT OF
CO₂E EMISSIONS
FROM BUILDINGS

> KEY HIGHLIGHTS

- We **reduced our carbon emissions** by a further 4.6 per cent in 2017–18.
- We received the **Energy Managers Association Award** for Most Inspiring Energy Reduction Project, and the edie (Environment Data and Information Exchange) award for Carbon Management.
- GLS added alternative fuel vehicles to its fleet, including **five electric vehicles** in Spain, **10 natural gas vehicles** in Romania, **64 electric vehicles** and five cargo bikes in Italy. In the UK, we bought **100 fully electric vehicles** for our fleet.
- We **diverted 99 per cent** of our UK waste from landfill. This is an increase of eight per cent compared with 2016–17.
- GLS was one of the first European parcel companies to meet the new **ISO14001 standard**.
- GLS **improved heating controls** at the Taastrup depot in Denmark and **LED lighting** at several Danish sites.

> PERFORMANCE (KPIs)

UKPIL TOTAL CARBON EMISSIONS (KT CO₂e)

2017–18*	2016–17	2015–16	2014–15
619	649	681	716

WASTE DIVERTED FROM LANDFILL (%)

2017–18*	2016–17	2015–16	2014–15
99%	91%	86%	78%

WATER CONSUMPTION ('000 m³)

2017–18	2016–17	2015–16	2014–15
1,402	1,413	1,474	1,507

* Target achieved, see page 15 for details

¹ UKPIL includes the Royal Mail and Parcelforce Worldwide brands. The figure includes c. 2,500 trailers

OUR ENVIRONMENT

The scale of Royal Mail's operations means we have a significant environmental impact. Managing this impact is a strategic imperative for our business. By increasing our efficiency and reducing our use of resources, we can help to control our costs and support business performance. At the same time, we are acting to conserve the natural environment in which we operate.

Our environment strategy

Environmental considerations are a fundamental part of how Royal Mail does business. We aim to embed these considerations in the way that we encourage our people to behave, the technology we invest in, and our contracts with our suppliers. We use a risk management process to identify and address environmental issues that result from our business.

This year, we refreshed our environment strategy to help drive continuous improvement in our performance. The five-year strategy focuses on the following key objectives:

- embedding internal and external environment standards across our operation, such as our Safety, Health and Environment management system standards for energy, carbon, waste and water management, and ISO14001;
- actively anticipating and responding to emerging environmental issues by working closely with relevant stakeholders and implementing effective governance controls;
- adopting existing and new technologies that will help us to reduce our emissions and resource use;
- building environmental awareness and encouraging behavioural change in our workforce in order to drive performance against our carbon, waste and water targets; and
- promoting the benefits of strong environmental management with customers and through our supply chain.

We will monitor our performance against our strategy using three existing targets: reducing our total carbon emissions, reducing our water consumption, and increasing waste diverted from landfill. More information on our environmental targets and 2017–18 performance are set out in this chapter. Our Environment Policy, which we review annually, is available at www.royalmailgroup.com/responsibility/policies

We use a structured framework to drive improvements across our operation. Until 2017, we used the World Class Mail (WCM) framework to support the implementation of our environment strategy. We have since begun to transition to our Continuous Improvement programme, which builds on the tools and principles of WCM. The Continuous Improvement programme will underpin the delivery of our environment strategy and prepare Mail Centres, Mail Processing Units and Distribution Centres for achieving and maintaining the ISO14001 environment management standard at an individual site level.

Why environmental management is important

Our stakeholders ranked climate strategy as one of the top five most important issues for our business in our 2017–18 materiality assessment. Our approach to managing energy, waste, water and recycling was also seen as an important issue. Stakeholders are keen to see Royal Mail continuing to reduce the environmental impact of its business operations, and offering products and services that enable our customers to do the same. For details of our materiality assessment, see page 17.

Environmental management and governance

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

Royal Mail's Safety, Health and Environment management system outlines the standards we expect our sites to adhere to, and divides them into a number of different elements. In 2017–18, we completed the deployment of these standards. This includes environmental standards for water management and biodiversity.



We use a structured framework to drive improvements across our operation.

We have aligned the environmental management system for our UK operations to the ISO14001 model for environmental management. Currently, 14 of our largest Royal Mail processing sites are individually accredited to ISO14001. In 2017, the awarding body, LRQA (Lloyd's Register Quality Assurance), confirmed these to be a representative sample (based on headcount and level of environmental risk) and granted Royal Mail company-wide ISO14001 accreditation. All of our Parcelforce Worldwide and GLS sites also have ISO14001 accreditation.

During the year, we completed the transition of our environmental management system for Royal Mail to meet the updated ISO standard ISO14001:2015. This involved completing a number of site transition audits and interviewing several senior stakeholders on our organisational commitment to environmental management. GLS was one of the first European parcel companies to meet the new standard in the last reporting year. In 2017–18, GLS renewed its certificate. We plan to complete transition of Parcelforce Worldwide to the 2015 model by the end of 2018.

We hold the Carbon Trust triple standard for carbon, waste and water for our approach to measuring, managing and reducing our environmental impact.

Environmental risks and opportunities

We maintain an environmental opportunity and risk register. The EGB and other relevant internal stakeholders review and update this regularly.

The main environmental risks for our business are:

- price rises due to resource scarcity;
- increased carbon taxes and operational costs due to climate change, such as costs related to low-emission zones;
- impacts on our operations, and our ability to deliver the Universal Service Obligation, due to increased extreme weather events;
- increased landfill taxes; and
- reputational risks associated with not effectively addressing and managing our resource use.

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

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



GLS was one of the first European parcel companies to meet the new ISO14001 standard.



Information about Royal Mail's overarching risk management framework is set out on page 40 of the 2017–18 Annual Report and Financial Statements.

We have continued to develop our flood alert system. This improves our ability to respond to flood warnings. It enables managers of at-risk sites to take early action and plan for protecting our people, customers, property and equipment to minimise operational disruption, should a flood occur. During 2017–18, we received 1,392 alerts and 30 warnings of potential flooding across England, Wales and Scotland. We are looking to expand this service to other extreme weather warnings. This will provide us with a central dashboard where we are able to quickly assess the impact of extreme weather at a national and local level.

We responded to consultations issued by both the Mayor of London and the Department for the Environment, Food and Rural Affairs (Defra) into air quality during the year. We are developing our plan to meet the Ultra-Low Emission Zone in London and the Low Emission Zones in other cities in the most efficient way possible. We are also looking further ahead, including further trials of electric and other alternative fuel vehicles.

Climate change risks and opportunities

We welcome the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), an industry-led taskforce founded by the Financial Stability Board following a request from the G20. The TCFD's recommendations aim to standardise climate-related financial reporting to make it easier for investors to assess the impact of climate-related risks and opportunities. They encourage companies to make disclosures on governance, risk management, strategy and metrics to support their approach to addressing the impacts of climate change.

Expectations for reporting in these areas will grow. As a first step, we have convened an internal working group to oversee the adoption of the TCFD's recommendations. We anticipate reporting further on these areas in future, including through our 2018 CDP submission.

Our Risk Management Committee (RMC) and Audit and Risk Committee have overall responsibility for the oversight of risk management on behalf of the Board. These committees support the establishment, communication and integration of risk management throughout the business. Climate-related risks and opportunities are assessed and managed using the Company's overarching risk management framework. In line with the TCFD's recommendations, we consider both physical and transitional risks in this assessment, among other types of risk.

To date, we have not identified any climate-related risks that have been assessed as reaching principal risk level. However, we recognise that climate change presents both risks and opportunities for our Company. Our main climate-related risks include price rises as a result of resource scarcity, and the financial impact of adapting our business to meet changing environmental legislation. These risks are balanced by opportunities resulting from improving our energy and fuel efficiency and reducing associated operating costs. We develop risk controls and mitigation plans for climate-related risks that are identified as reaching certain risk and impact levels. We also monitor emerging policy-related risks and align our policy engagement with our overall climate strategy.

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

Our public commitment to reducing our carbon emissions relates to the climate-related risks and opportunities that we have identified. We have a target to reduce our carbon emissions by 20 per cent by 2020–21, against a 2004–05 baseline. Around two-thirds of our carbon emissions are derived from our vehicles and transport. Therefore, a vital part of maintaining our performance against our carbon emissions reduction target is improving our fleet fuel efficiency. We closely monitor our fleet fuel efficiency. We take into account the volume of mail items we handle and the amount of fuel we use to deliver them. In 2017–18, we emitted 4.8 per cent less carbon dioxide equivalent (CO₂e) emissions per cubic metre of items carried, compared with the previous year.

Energy and emissions

In the UK, fleet and transport make up 68 per cent of our carbon footprint. Energy used to power and heat our buildings makes up 30 per cent. The remainder is comprised of emissions from business travel. See the 2017–18 CR Performance and GRI data appendix at www.royalmailgroup.com/responsibility/cr-reports for a breakdown of the type of energy we use.

The table below sets out our Group-wide CO₂e emissions for 2017–18, compared to the previous three years.

This year, our total UK carbon footprint decreased by 4.6 per cent compared with the previous year. It was 29.1 per cent lower than the 2004–05 baseline. On a normalised basis, emissions decreased by 4.1 per cent per £1 million of revenue last year, compared with the previous year.

Our current UKPIL carbon emissions 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 for our business, with increasing parcel volumes and the resulting increased demand on our fleet and fuel consumption. In order to maintain our performance and continue to meet our target, we are pursuing energy-saving opportunities across our fleet and property portfolio. These include exploring more efficient ways of balancing the air, rail and road transport that we use to deliver mail items and training our employees in more energy-efficient behaviours.

2017–18 CO ₂ e emissions (’000 tonnes) ^{1, 2}	2017–18			2016–17			2015–16			2014–15		
	Total	UKPIL	GLS	Total	UKPIL	GLS	Total	UKPIL	GLS	Total	UKPIL	GLS
Scope 1	451.1	436.6	14.5	458.2	444.9	13.3	473.7	458.4	15.3	483.7	470.7	13.0
Scope 2	118.1	98.3	19.8	134.4	116.3	18.1	152.2	134.1	18.2	166.4	145.4	21.0
Scope 3	83.8	83.8		87.7	87.7		88.7	88.7		100.1	100.1	
Total	653.0	618.7	34.3	680.3	648.9	31.4	714.6	681.2	33.4	750.1	716.1	34
Tonnes CO ₂ e per £1 million revenue		81.3			84.7			88.8			92.2	
Scope 2 (market-based) ³	38.3	8.5	29.8	40.3	14.3	26.0	40.7	14.1	26.6			

¹ We quantify and report our organisational greenhouse gas emissions according to the Defra Environmental Reporting Guidelines 2013. We have utilised the UK Government 2017 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 only

² Totals may differ due to rounding

³ 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 2017–18 are 573.2 kilotonnes CO₂e



Air emissions

We report on the air emissions released into the atmosphere as a result of our operations in the UK. These include carbon monoxide, nitrogen oxides, particulate matter and sulphur dioxide. This year, we reduced our air emissions across all sources.

A full breakdown of our 2017–18 air emissions is available to view in our CR performance and GRI data appendix at www.royalmailgroup.com/responsibility/cr-reports



We recognise our responsibility to reduce emissions associated with our fleet and help improve air quality in the communities in which we operate.

Fleet emissions

As provider of the UK's Universal Service Obligation, we have a requirement to maintain a large fleet of vehicles to enable us to deliver mail to over 30 million addresses, six-days-a-week. At the same time, the growth in e-commerce parcels is driving up our energy demand. We recognise our responsibility to reduce emissions associated with our fleet and help improve air quality in the communities in which we operate.

We are undertaking a number of trials and initiatives in our current fleet to drive down fuel consumption. When older vehicles come to the end of their lifecycle, they are replaced with new vehicles that meet the latest emissions standards. Our fleet also includes electric and liquefied natural gas vehicles. Over time, we plan to increase the number of alternative fuel or advanced technology vehicles in our fleet. We are engaging with vehicle manufacturers to establish a timeline for the release of alternative fuel vehicles, to build this into our future procurement plans. At the same time, we are keen to leverage our size and position to help drive innovation and demand to bring alternative fuel vehicles into the market. Our longer-term ambition is to transition to a low-carbon fleet and ensure that we are investing in a fleet that meets future legislation.

Our fleet environment strategy

Our fleet environment strategy focuses on three core areas:

- changing driving styles;
- investing in new vehicles and technologies; and
- making our transport network more efficient.

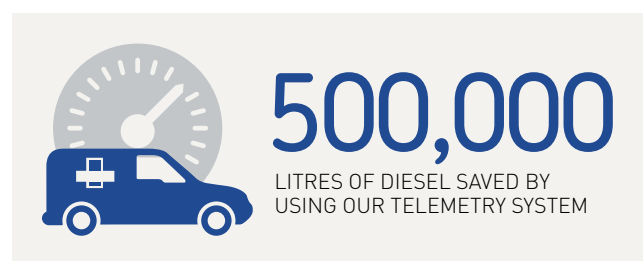
Changing driving styles

We use telemetry and training to change driver behaviour, and encourage safer and more fuel-efficient driving styles. Our telemetry systems give visible and audible warnings whenever our people drive harshly, by accelerating strongly for example. The systems also produce regular reports for our driving coaches, monitoring acceleration, breaking, turning and excess idling. Using the findings, we are able to tailor the type of driver training that we deliver for each Royal Mail site. In total, around 42 per cent of our fleet carries telemetry, including approximately 1,900 of our 7.5-tonne vehicles and 14,000 of our small vans. This year, using telemetry saved us approximately 500,000 litres of diesel, equating to over 1,300 tonnes of CO₂e.

All professional drivers undertake the Royal Mail Driver Certificate of Professional Competence (DCPC) training. This programme consists of seven different modules, which allow us to tailor training to different vehicle types. As a minimum, each driver will undertake one seven-hour module a year for the life of the five-year programme. During 2017–18, nearly 7,000 drivers completed the course. The DCPC course also features a module on 'New Vehicle Technology'. This covers several environmental elements, including the Euro 6 environment standards and how these reduce vehicle emissions.

Investing in new vehicles and technologies

Royal Mail operates a large commercial vehicle fleet in the UK. Making changes on such a big scale takes time. As the demand for parcel deliveries increases, we constantly review the size and capability of our fleet. We are committed to ensuring that the changes we make deliver sustainable reductions in emissions, while ensuring we continue to meet our customers' expectations.



In 2017–18, we bought 100 fully electric Peugeot Partner L2 vans. So far these have been deployed to 14 Delivery Offices across the UK. The vehicles are charged using charging posts installed at Royal Mail sites. We monitor information on vehicle charging and usage through a web-based platform connected to the charging posts. Royal Mail's Safety, Health and Environment Road Safety team worked closely with our driver training provider, Pertemps, to develop new training for drivers and technicians using the vehicles. All our Peugeot Partner L2 vans are fitted with our telemetry.



We continue to trial vehicles using low or zero direct emissions technology, to see if larger electric vehicles can meet the mail collection demands of our biggest sites. This year, Royal Mail partnered with Arrival, a commercial vehicle start-up, to develop fully sized electric vehicles in three classes: 3.5-tonne, 6-tonne and 7.5-tonne. Each class of vehicle will have a range of up to 100 miles. In August 2017, we commissioned nine electric-powered heavy goods vehicles to trial for transporting mail between distribution centres in London and the south east.

In recent years, we have replaced single-deck trailers with double-deck trailers, which have a lower mileage per gallon but can transport more items per journey. By the end of 2017–18, we had 1,231 double-deck trailers in our fleet. During the year, we worked with our trailer manufacturers to build a new double-deck trailer design. This maximises trailer load capacity and is more capable of using routes with restricted height access. The new design features an adjustable roof, which can be lowered after loading, reducing drag and increasing fuel efficiency.

This year, GLS added a number of alternative fuel vehicles to reduce its fleet emissions. Five electric vehicles were introduced in GLS Spain, along with 10 natural gas vehicles in Romania. GLS Italy continues to use low emission forms of transport with 64 electric vehicles and five cargo bikes in regular operation.

Making our transport network more efficient

We use routing technology to plan our transport networks for maximum efficiency, using a mix of road, rail and air. Reducing our use of air transport, which reduces both CO₂e emissions and costs, remains a key area of focus. Royal Mail uses airmail to meet First Class, Special Delivery and priority traffic obligations only. During 2017–18, we replaced air transport with road services between Newcastle and East Midlands Airport. This has reduced associated CO₂e emissions by approximately 3,000 tonnes per annum. We maximise our transport capacity by loading mail items onto aircraft and vehicles as efficiently as possible.

Fuel efficiency measurement

We measure the efficiency of our fleet using a fuel efficiency tracker. The tracker measures the amount of fuel we use against the volume of the items that we carry; i.e., it measures how efficiently we are using our vehicles. Our aim is to minimise the amount of fuel used per mail item and reduce associated emissions. In 2017–18, we emitted 4.8 per cent less CO₂e per cubic metre of items carried, compared with the previous year. We won the Fleet News Fleet of the Year Award last year, in recognition of our efforts in managing our extensive vehicle fleet.

Business travel

Business travel represents a small part of our overall carbon footprint. It accounts for around two per cent of our total CO₂e emissions. We recognise our responsibility to reduce our impact wherever possible. During 2017–18, we have continued to encourage employees to use telephone and video conferences as an alternative to travelling, where possible.

Buildings emissions

The size of Royal Mail's property estate and the scale of its energy consumption makes reducing energy use in our buildings a priority for our environment strategy. Climate change legislation, uncertainty around energy prices and changing consumption patterns also make it important for us to manage the energy efficiency of our estate.

Our approach to reducing energy use in our buildings focuses on driving continual improvement, engaging our people in energy efficiency and investing in technology to monitor and reduce energy consumption. Sourcing low-carbon energy for our building estate also helps us to manage our overall carbon footprint. All of the energy we buy is nuclear. This is considered to be a low-carbon source of energy compared with fossil fuel equivalents. We are reviewing the potential for a greater use of renewables in our energy mix.



During 2017–18, GLS added a number of alternative fuel vehicles to reduce its fleet emissions.

We continue to review the efficiency of gas boilers, which we use to heat our buildings and hot water. As a result, we replaced 43 boilers with modern and energy-efficient condensing boilers. They recover more heat than traditional boilers and discharge cooler gases to the air. We also discontinued the use of several old and inefficient gas-fuelled Combined Heat and Power (CHP) units. We now use mains electricity at those sites instead. We are reviewing the potential for installation of new, more efficient CHP units as part of our property energy strategy review.

As part of our compliance with the UK's Energy Savings Opportunities Scheme, we carried out an energy audit of Royal Mail Property and Facilities Solutions' sites. This identified opportunities to reduce our energy consumption at the site where we manufacture equipment for our Mail Centres. In 2017–18, we installed new LED high-bay lighting. This uses less energy to produce more light than the sodium lights we used previously. The new lights have helped to reduce energy consumption at the site by 19 per cent compared with 2016–17.

We have continued our UK-wide programme to replace fluorescent lights with high-efficiency LED lighting. During 2017–18, we fitted LED lights in more than 30 UK sites, including Delivery Offices and staff car parks. Several GLS sites in Denmark also installed new LED lighting during the year, saving approximately 75,000 kWh. Improved heating controls at GLS Denmark's Taastrup depot helped to save a further 170,000 kWh of energy, the equivalent of 47,000 tCO₂e.

We used our Building Energy Management System (BEMS) to maximise energy efficiency at several of our plants. The BEMS helped us to recognise inefficiencies in the set-up of the air handling units at our Glasgow Mail Centre Sorting Hall. Recommissioning the units during the year helped to save over £10,000. Solar panels at our Chelmsford Mail Centre generated 85,304 kWh in 2017–18, saving approximately 30tCO₂e.

As a result of these initiatives, our total UK electricity consumption reduced by 1.2 per cent in 2017–18, compared with 2016–17. Our total UK gas consumption reduced by 8.4 per cent compared with the same period.

Our 2017–18 CR Performance and GRI Data appendix is available at www.royalmailgroup.com/responsibility/cr-reports, and breaks down our direct and indirect energy consumption by primary source.



Reporting on emissions

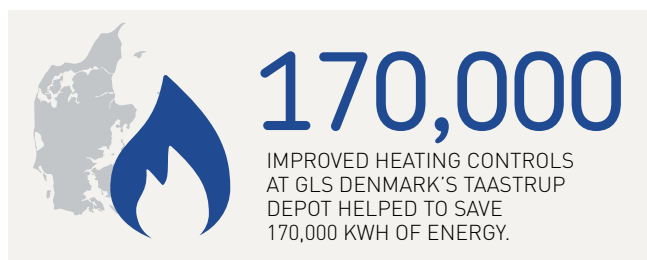
We report our carbon emissions management against the CDP framework. During the year, we were awarded a B score. This is ahead of the Air Freight Transportation and Logistics industry average score of C. We use the benchmark to inform our strategy and identify areas for improvement. Our efforts to manage our emissions gained external recognition this year. We were awarded the Energy Managers Association 'Most Inspiring Energy Reduction Project' for our work in improving energy efficiency, reducing costs and lowering our carbon footprint. We also won the Carbon Management category at the 2018 edie Sustainability Leaders Awards.

Water use

We recognise that water is a precious natural resource. We are committed to reducing the amount that we use. We use water for domestic purposes, such as washroom facilities and keeping our vehicles and equipment clean. Reducing our water consumption also presents a cost-saving opportunity for Royal Mail.

In 2017–18, our target was to reduce our water consumption by three per cent compared to the previous year. We narrowly missed our target, reducing the amount of water we use by one per cent, or 10.6 megalitres. For 2018–19, we aim to reduce our water usage by a further four per cent.

We monitor our water usage, focusing our attention on sites with higher than anticipated water consumption. During 2017–18, we began working with a third-party contractor to analyse our water usage and develop remedial actions. The analysis involved calculating average daily water usage for each type of Royal Mail site. This enabled us to pinpoint the locations where water consumption was higher than average for the site type, investigate the reasons and take appropriate action.



Detecting faults, damage and wear and tear in equipment that uses water enables us to make swift repairs and prevent water being wasted. Our internal engineering teams play a vital role in this regard. This year, we introduced a new annual inspection process for our water systems to enable faults to be identified and repaired sooner. We produced new guidance for our engineers and cleaning staff reminding them to be vigilant for signs of water loss and water damage. We also added a number of environmental elements to our unit managers' monthly site inspection checklists, including inspecting water-using equipment for faults.

Water metric ('000 m³)

	2017–18	2016–17	2015–16	2014–15
Water consumed	1,402.5	1,413.1	1,474.4	1,507.3

Waste and recycling

Reducing the amount of waste sent to landfill is a key element of our approach to waste management. In 2017–18, our target was to divert 93 per cent of our waste from landfill. In total, we diverted 99 per cent of waste, six per cent more than our target for the year.

This year, we generated 42.8 kilotonnes of waste. We use a combination of recycling and waste-to-energy initiatives to divert this waste from landfill. Around six per cent, or 2.7 kilotonnes, of the waste we generated in 2017–18 was considered hazardous. It stems from vehicle and building maintenance and cleaning products used in our buildings. We deal with all hazardous waste appropriately.

During the year, we trialled a number of waste management initiatives, including revised signage and supervisory level training, using the Chartered Institution of Waste Management WasteSmart course. These actions are focused on driving behavioural change and challenging employees to consider the full waste hierarchy before purchasing and disposing of items.

Decreasing the amount of waste that we send to landfill reduces our costs and, in some cases, presents cost-saving opportunities. We continue to reuse parts from our vehicles as part of our "Green Parts" initiative. The project extracts body, engine and gearbox parts from vehicles due for decommissioning to use as spares. During 2017–18, we have saved £615,000 through the initiative.

We use elastic bands to keep bundles of mail together. We recognise that the littering of elastic bands is a potential threat to wildlife and the environment, as well as a cost to our business. This year, we used around 326 tonnes of elastic bands, 1.5 per cent less than in 2016–17. We achieved this reduction by continuing to encourage our people to reuse elastic bands wherever possible.



In April 2017, we launched a campaign to highlight best practice for colleagues in reusing and recycling elastic bands. The campaign included posters and regular intranet stories, and was featured in our weekly RMtv programme and our monthly employee newsletter, Courier. Later in the year, we worked with the CWU and Unite/CMA on a joint campaign to emphasise the importance of reusing elastic bands.

All of the elastic bands that Royal Mail uses are biodegradable. This helps to reduce their impact on the environment. The natural rubber content means that the bands will start to biodegrade in an outdoor environment within a year.

Waste metrics ('000 tonnes)

	2017–18	2016–17	2015–16	2014–15
Waste generated	42.8	32.9	32.5	32.0
Waste to landfill	0.4	2.9	4.5	7.2
Waste diverted from landfill	42.4	30.0	28.1	24.8



During the year, we trialled a number of waste management initiatives, including revised signage and supervisory level training, using the Chartered Institution of Waste Management WasteSmart course.

Customers and suppliers

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

We set strict environmental and social standards for our suppliers, which are described in our Suppliers section on page 66. We help our customers to minimise their own 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 Offices. We collate packaging into bales at our Mail Centres, which can then be recycled 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 are posting meet our sustainability requirements.

In Germany, customers can send parcels using GLS's carbon-neutral ThinkGreen service. GLS offsets the associated emissions through supporting environmental projects in Indonesia and Borneo, creating sustainable workplaces outside of the palm oil industry. In 2017–18, 7.4 million parcels were shipped using the ThinkGreen service.

Biodiversity

Biodiversity is not one of our major environmental impacts. However, we encourage our sites to be mindful of their impact on local flora and fauna. During the year, we launched a biodiversity survey template and guidance for our sites to use on a voluntary basis. The survey is designed to map surrounding areas and identify the different species that are present. This can then be shared with colleagues to inform them about local wildlife. The guidance also covers how employees can look to increase the biodiversity at their sites, including introducing native species and leaving existing green areas to grow wild.

We accept that taking action to protect biodiversity can impact on our business. During the year, at a demolition project at Bridgewater Delivery Office, contractors discovered a nesting bird on the premises. The demolition work was halted until the young had fledged and the birds had left the nest. In November 2017, a postal worker noticed increased honey bee activity near a postbox in Leighton Buzzard. We took advice from third-party contractors concerning the best way to protect the public using the postbox while not causing detriment to a protected species. As a result we closed the postbox until the spring to ensure the risks to members of the public and the bees were minimised.



CASE STUDY:

NEW GREEN SPACE AT THE NATIONAL DISTRIBUTION CENTRE

As part of ongoing improvement plans for our National Distribution Centre (NDC) in Daventry, our colleagues transformed a previously unused corner of the yard into a peaceful garden space that acts as a haven for bees and butterflies.

Employee volunteers reused pallets and tyres to create benches and planters for the garden. It has been extended to include seating for 12 people as a result of its popularity with colleagues. "We raised £280, which helped us buy all the plants," says Hemal Bakrania, Work Area Manager at the site. "There were also a lot of donations made by colleagues, such as LED lights and plants. We used pallets that we normally recycle and we got the tyres from our fleet workshop."



7.4 million

7.4 MILLION PARCELS WERE SHIPPED USING GLS'S CARBON-NEUTRAL THINKGREEN SERVICE.

Priorities for 2018–19:

- Complete the review of our Safety, Health and Environment management system to ensure that environment is adequately covered throughout;
- Gain reaccreditation to Carbon Trust Triple Standard; and
- Complete the transition of Parcelforce Worldwide to ISO14001:2015.

PricewaterhouseCoopers LLP (“PwC”) performed a limited assurance engagement on selected performance data and statements presented in the Royal Mail Group plc (RMG) Corporate Responsibility Report 2017–18 (“the Report”). PwC accepts no liability in relation to its assurance report. The report is provided for information purposes only. If an individual or organisation relies on PwC’s report, it does so entirely at its own risk. It cannot bring any claim against PwC. PwC’s report was prepared with Royal Mail Group’s interests in mind; it was not prepared with any recipient’s interests in mind or for its use. As such, PwC’s report is not a substitute for any enquiries that a recipient should make. Finally, PwC’s assurance report is based on historical information. Any projection of information, or PwC’s opinion thereon, to future periods is subject to the risk that changes may occur after the Report is issued. For these reasons, projection of information to future periods would be inappropriate.



Independent Limited Assurance Report to the Directors of Royal Mail plc

The Board of Directors of Royal Mail plc (“Royal Mail”) engaged us to provide limited assurance on the information described below and set out in Royal Mail’s Corporate Responsibility Report and the website www.royalmailgroup.com/responsibility/cr-reportsⁱ for the year ended 25 March 2018 (“the Report”).

Our conclusion

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

- A) Nothing has come to our attention that causes us to believe that the Selected Information for the year ended 25 March 2018 has not been prepared, in all material respects, in accordance with the Reporting Criteria.
- B) Nothing has come to our attention to suggest that the description of Royal Mail’s alignment with AA1000 APS (2008) principles of Inclusivity, Materiality and Responsiveness is not fairly stated.

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

What we are assuring

The scope of our work was limited to assurance over:

- A) The information for the year ended 25 March 2018 which is summarised in the table below (the “Selected Information”). Royal Mail’s internal reporting guidelines for measuring, recording and reporting the Selected Information (the “Reporting Criteria”) are set out in Royal Mail’s criteria document **2017–18 Reporting Criteria**, available at www.royalmailgroup.com/responsibility/cr-reportsⁱ.

Selected Information	Value
Customer	
Mean business customer satisfaction score (out of 100)	78
Number of customer complaints	564,784
People	
Total number of fatalities	4
Lost time accident frequency rate (per 100,000 hours worked)	0.54
Employee engagement score (out of 100)	59
Customer focus score (out of 100)	70
Number of breaches to the Business Standards	2,568

Diversity:

Gender diversity (headcount)	Royal Mail female	Royal Mail male
Royal Mail plc Board	3	6
Senior Management	730	1,619
Management	1,460	5,445
Administrative	1,387	970
Operational	20,967	105,556

Age distribution (headcount)	<30	30–49	50+
Royal Mail plc Board	0	0	9
Senior Management	79	1,369	901
Management	586	3,556	2,763
Administrative	218	1,160	979
Operational	10,016	58,699	57,808

Ethnicity distribution (headcount)	Asian	Black	Chinese	Mixed	Other	White
Royal Mail plc Board	0	0	0	0	0	9
Senior Management	108	24	6	23	355	1,833
Management	455	224	12	72	586	5,556
Administrative	129	39	10	15	140	2,024
Operational	8,499	4,211	245	1,036	16,867	95,665

Community

Total amount contributed by Royal Mail (£'000) 7,050

Total amount raised by employees (£'000) 2,698

Environment

Scope 1 and 2 carbon emissions (tonnes of carbon dioxide equivalent) 569,213

Business Scope 3 reported carbon emissions (tonnes of carbon dioxide equivalent) 83,827

Direct energy consumption by primary energy source (TJ) 6,753.1

Indirect energy consumption by primary energy source (TJ) 1,801.9

Total waste to landfill ('000 tonnes) 0.42

Total waste diverted from landfill ('000 tonnes) 42.4

Total water consumption ('000 m³) 1,402

B) Royal Mail's description of alignment with the AA1000 APS (2008) principles of Inclusivity, Materiality and Responsiveness for the year ended 25 March 2018 which is set out in the Stakeholder Engagement section of the Report.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information', and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements' issued by the International Auditing and Assurance Standards Board, and AA1000AS (Type 1, moderate, which is the equivalent to ISAE 3000 (Revised) limited assurance). A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our Independence and Quality Control

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

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

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

Understanding reporting and measurement methodologies

The Selected Information needs to be read and understood together with the Reporting Criteria. The Stakeholder Engagement approach is included within the Stakeholder Engagement section of the Report. Royal Mail is solely responsible for selecting and applying the Reporting Criteria and Stakeholder Engagement approach.

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. The Reporting Criteria used for the reporting of the Selected Information are as at 25 March 2018.

Work done

- A) We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:
- made enquiries of Royal Mail's management including the Corporate Responsibility (CR) team and those with responsibility for CR management and group CR reporting;
 - evaluated the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information. This included visiting 4 sites including the Head Office, to understand the key processes and controls for reporting site performance data to the group CR team;
 - performed limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported; and
 - considered the disclosure and presentation of the Selected Information.
- B) In respect of Royal Mail's description of alignment with AA1000 APS (2008) principles of Inclusivity, Materiality and Responsiveness we performed the following activities:
- interviewed a selection of Royal Mail's executives, senior managers, and site managers to determine their understanding of their stakeholders, the mechanisms used to engage them and key issues that are of interest to each stakeholder group;
 - reviewed evidence on a selective basis to support the assertions made in these interviews and in the Stakeholder Engagement section within the Report;
 - assessed the outputs from the risk assessment and materiality process relating to stakeholders and Royal Mail's engagement; and
 - assessed the disclosure and presentation of the Stakeholder Engagement description included within the Report.

Royal Mail's responsibilities

The Directors of Royal Mail are responsible for:

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

Our responsibilities

We are responsible for:

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

This report, including our conclusions, has been prepared solely for the Board of Directors of Royal Mail plc in accordance with the agreement between us, to assist the Directors in reporting Royal Mail plc's Corporate Responsibility performance and activities. We permit this report to be disclosed in Royal Mail plc's Corporate Responsibility Report for the year ended 25 March 2018, to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and Royal Mail plc for our work or this report except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
11 May 2018

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



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Royal Mail plc

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