

CORPORATE RESPONSIBILITY REPORT 2019-20



Royal Mail plc

SCOPE OF THE REPORT

This is our 18th annual Corporate Responsibility Report. It details our non-financial (social, environmental and ethical) performance for the financial year 2019-20, which ended on 29 March 2020. Aspects of this report have been assured by PwC. This report is prepared in accordance with the Global Reporting Initiative (GRI) Standards: Comprehensive option.

For more information on the scope of the report, accessing our report, our website and our reporting standards see page 61.

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About us

Our purpose is to connect customers, companies and countries. We have real strengths: our brands; our heritage; our reach; and our people. We are transforming to leverage them and become the pre-eminent delivery company in all our key markets.

Our ambition is to build a more balanced and more diversified business. We are transforming from a UK-focused letters business that delivers parcels, to a parcels-led, international business, delivering letters in the UK.

COVID-19

In the short time since the COVID-19 pandemic was declared in March 2020, it has caused severe disruption to retail and supply chains around the world. In the postal industry, the crisis has augmented and accelerated underlying structural trends in letters and parcels, specifically letters decline and B2C parcels growth.

Royal Mail (UKPIL)

Our UK business has faced significant challenges for some years. Our heritage as a letters-focused business means we are not as well positioned as we would like to adapt to changing structural trends – fewer letters and more parcels.

In common with many other companies, COVID-19 presents new, fundamental challenges to our business model – and to those of our customers. Securing a sustainable future and a contemporary Universal Service requires us to respond to this unprecedented global crisis as we adapt to the changing realities of the marketplace.

We have a plan to ensure Royal Mail remains a key part of our economy, a good employer, and the UK's delivery partner of choice. Delivering it requires a step change in the number of major initiatives we can successfully deliver in a short period of time. Now, more than ever, we need to change.

GLS

The GLS business model is also undergoing significant change. B2C now accounts for almost half its volumes, with accelerated growth to come in the short term, we believe, due to COVID-19. We continue to believe that GLS provides important revenue diversification and cash generation characteristics for the Group. Our strategic priority continues to be to grow GLS, and that an international presence is clearly important, albeit there are limited synergies between Royal Mail and GLS to be had in the short term.

Our future

The postal USO is a highly specified, longstanding UK Universal Service. As the physical delivery arm of e-commerce in the UK, it is a key part of the country's broadband economy. Our employees being recognised as key workers by the UK Government indicates how vital our service is. COVID-19 has again demonstrated the key role that the USO is playing in connecting companies, customers and communities across the nation. We want to ensure Royal Mail remains a key part of the UK economy, a good employer, and the nation's delivery partner of choice.

Ultimately, the objectives at the heart of our business and CR strategies are the same. Our aim is to create value for all stakeholders and sustainable returns for shareholders.

SUSTAINABILITY AWARDS AND ESG INDICES

We are independently rated as a leading responsible business both globally and in the UK where we are headquartered. We use the results of external benchmarks and environment, social and governance (ESG) indices to identify areas for improvement in how we manage and report corporate responsibility (CR) issues. They include information that investors and other stakeholders may be interested to see in our CR Report.



92%

2020 result: **92nd percentile**

Royal Mail currently ranks in the 92nd percentile of companies included in FTSE4Good.

We are a constituent of both the FTSE4Good UK and Europe indices.



B

2019 result: **B**

We respond to CDP's Climate Change questionnaire, which covers strategy, governance, risk management and metrics concerning carbon emissions and climate change. In 2019, Royal Mail scored a B, ahead of the industry average score of C.



DJSI global leader

2019 result: **Industry leader**

We are currently the global leader of the transportation industry, a position we have held in 2014, 2015, 2017, 2018 and 2019.

Our current leadership position places us ahead of around 105 companies in our industry group, including PostNL, Deutsche Post and UPS. We are included on the Dow Jones Sustainability Indices (DJSI) World and Europe indices.



AA

2019 result: **AA**

According to MSCI, its ESG research is used by over 1,400 investors worldwide. Royal Mail is currently rated as AA (Leader).



Top 20

2019 result: **Included in Vigeo Eiris UK Top 20 Index**

We are currently the only transport and logistics company in the UK Top 20 Index.

ABOUT ROYAL MAIL GROUP

Royal Mail Group consists of two principal businesses. Around two thirds of our business comes from our domestic operation, Royal Mail (UKPIL), and a third from our international operations, GLS. In the short term, there are limited synergies between the two companies. Our UK business has faced significant challenges for some years. We have not always been as agile as we might have liked when responding to change in the marketplace and customer needs. Operationally, our heritage as a letters-focused business means we are not as well positioned as we would like to handle fewer letters and more parcels. The COVID-19 pandemic presents new, fundamental, challenges to our business model – and to those of our customers.

In the UK we have a three-point plan to ensure Royal Mail remains a key part of our economy, a good employer, and the country's delivery partner of choice.

1. Continue to address the key challenges posed by COVID-19 through the implementation of cost control activities and reviewing capital investment.
2. Accelerate the pace of change in the UK to address the longstanding challenges created by fundamental shifts in the way we communicate (fewer letters) and shop (more parcels).
3. Work with our unions, Government and the Regulator to ensure the USO is financially underpinned in a sustainable way, reflecting changing customer needs and preferences.

ROYAL MAIL UK PARCELS, INTERNATIONAL AND LETTERS (UKPIL)



Royal Mail (UKPIL) comprises our UK and international parcels and letters delivery businesses under the 'Royal Mail' and 'Parcelforce Worldwide' brands. Royal Mail's combined letter and parcel delivery network supports the collection, sorting and delivery of parcels and letters. This includes services Royal Mail provides as the UK's designated Universal Service Provider. Parcelforce Worldwide is a leading express parcel delivery provider.

We are the UK's pre-eminent delivery company. This year, we handled and delivered around 13 billion letters, and around 1.3 billion parcels. We employ around 160,500 people across our Group; 141,500 are in the UK.

Our contribution to the UK economy, including through employment and procurement, totalled £10.6 billion last year in terms of value added. We made the seventh largest contribution to the UK economy of all UK corporations¹.

¹ Cebr research, conducted for Royal Mail in May 2020



GENERAL LOGISTICS SYSTEMS (GLS)



GLS is one of the largest ground-based, deferred parcel delivery networks in Europe. Employing around 19,000 people, its network covers 36 countries and nation states in Europe. It operates in eight states in the Western US and Canada. This is through a combination of wholly-owned companies and partner companies.

This year, GLS delivered 667 million parcels for its 240,000-wide customer base. Traditionally a business to business (B2B)-focused network, GLS is growing its business to consumer (B2C) position, in line with its strategy.

A long-term international presence is important to us. GLS offers us product and geographical diversification. It is at the forefront of some key environmental initiatives.



OUR PURPOSE

CONNECTING CUSTOMERS, COMPANIES AND COUNTRIES

Our purpose is to 'Connect customers, companies and countries'.

In the UK we have a specific legal duty to deliver the Universal Service: the one-price-goes-anywhere service on a range of letters and parcels to nearly 31 million addresses across the country, six days a week. This legal corporate purpose makes us very different to other companies. There are significant financial challenges associated with delivering the USO which we set out on page 32.

Our purpose is underpinned by our strategy, values and corporate culture. In May 2019, we announced our plan to build a parcels-led, more balanced, more diversified, international business.

Our access to a global network of postal partners provides a postal option for all our customers. By combining the expertise of GLS and Royal Mail, and through partnerships with postal operators and national posts, we want to offer postal solutions to anywhere in the world, for any customer.

We believe that keeping the principles of CR at the centre of our business strategy is vital to its success.

The social and economic impacts of the resources that we expend to deliver our corporate purpose are brought to life in our CR programmes.



Our economic contribution

We engage the Centre for Economics and Business Research (Cebr) to measure our social and economic contribution, which arises from our provision of the Universal Service. Cebr estimates that we make the seventh largest economic contribution of any UK corporation to the UK economy.

Our support for e-commerce

Our products and services play a vital role in supporting economic growth. In the UK, we are the sole Universal Service Provider, delivering a 'one-price-goes-anywhere' service on a range of letters and parcels to addresses across the country. The Universal Service 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. By offering delivery services to all parts of the country, we help small to medium-sized enterprises (SMEs) compete with larger businesses while giving consumers greater choice.

The Universal Service has provided a lifeline to businesses and communities. Our continued operation has allowed numerous businesses to stay open throughout the pandemic. It has highlighted, more than ever, the need for a USO that is financially underpinned, in a sustainable way that is future-proofed to reflect changing customer needs and preferences. See our customer chapter on page 15 for more information. Internationally, GLS' FlexDeliveryService 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.

Our community impact

We seek to be an integral, valued and trusted part of every community that our service reaches. Our community footprint is one of the main factors that differentiate us. 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. We also find ways to use our heritage and business assets to contribute to society.

High quality employment

Employees who feel valued by our business are the foundation of our customer-focused culture. We believe good employment conditions drive quality. We will continue to be the best employer in our industry.

We assess the impact of our jobs and employment. Cebr estimates that one in every 194 jobs in the UK is provided by Royal Mail. Our provision of the Universal Service means that our employment follows the contours of the population: where there are more people, we provide more jobs. This, in turn, means that we make a significant contribution to social inclusion.

INTERVIEW WITH OUR COMMITTEE CHAIR



Rita Griffin
Non-Executive Director

Rita Griffin, Non-Executive Director and Chair of the Corporate Responsibility Committee talks to Lily Heinemann, Head of Corporate Responsibility.



The CR Committee is a new committee, but the work of being a responsible corporate citizen is not new to Royal Mail Group and, indeed, is deeply ingrained in all of our people.



Q – Rita, thank you for taking the time to meet me today to talk about your role as Chair of the new Corporate Responsibility Committee, and the wider CR programme at Royal Mail. Firstly, why do you believe it was important for Royal Mail Group to have a Corporate Responsibility Committee (CRC)?

The CRC was introduced in October 2019 in response to the growing interest in the area from our external stakeholders. The CRC will bring increased governance and focus to the management of CR issues across the organisation. This will ensure that we continue to be a leader within this space.

I am pleased to chair this new Committee, working with Non-Executive Directors Maria da Cunha and Simon Thompson, alongside subject matter experts from across the business, and executives with substantial experience to further drive and embed the ESG agenda within the Company. The Terms of Reference cover in detail the specific areas of responsibility for the Committee, which you can read online: → www.royalmailgroup.com/en/about-us/management-and-committees/corporate-responsibility-committee

Q – Royal Mail (UKPIL) has developed a new environmental strategy. What will the CRC be doing to ensure the business meets its ambitions in this area?

The CRC is pleased to have approved our new environment strategy for Royal Mail, covering our ambitions in emissions reduction, air quality and responsible consumption – our most material environmental impacts. Having the largest commercial fleet in the UK requires us to play our part in improving the air quality in the communities we work in. Our long-term carbon reduction ambitions are set in line with the 2015 Paris Agreement. We aim to reach net zero emissions by 2050. This ambition will be periodically reviewed and brought forward if possible. We understand that there is more to do. As such we will continue to actively explore how we can pull that target forward. Our strategy also includes resource efficiency, with key targets on both waste generation and water consumption, as we look to move towards a more circular economy.

We have big ambitions, but recognise this is a long journey. It will require us to engage with our employees, our customers, our shareholders, suppliers and communities along the way.

Q – The Company has reported significant financial challenges. How do you believe this will impact the Company's ability to deliver its CR strategy and programmes?

Despite the financial challenges we face as a business, we recognise the importance of doing the right thing. Our business has a distinct heritage that brings with it a unique responsibility to our employees, our customers and our communities. Our three-point plan – outlined on page 2 – recognises that. Fundamentally it's about delivering the USO. Ensuring we do so in an environmentally responsible manner, and that we continue to underpin our good employment terms for our employees.

❓ – What does the Company's financial position mean for the future of the USO?

The postal USO is a highly specified, longstanding UK Universal Service. As the physical delivery arm of e-commerce in the UK, it is a key part of the country's broadband economy. COVID-19 has again demonstrated the key role that the USO is playing in connecting companies, customers and communities across the nation.

We want to ensure Royal Mail remains a key part of the UK economy, a good employer, and the nation's delivery partner of choice. As part of our three-point plan we are working with the Regulator and Government on a review of the USO. This is all about ensuring it is financially underpinned, in a sustainable way, and future-proofed to reflect changing customer needs and preferences. From our own, detailed research, we anticipate that many of the current features of the USO should remain in place, subject to regulatory and Government approval. As Ofcom continues its User Needs Review about the Universal Service, we will engage with many stakeholders on the shape of a national USO for the 21st century. We look forward to the debate and engagement to come, including ensuring the Universal Service has the requisite financial resources to sustain itself.

❓ – One of the key areas of focus for the CRC is to drive improvement in the health and safety of our employees. Where will you be focusing your efforts?

As an employer, our main priority is to ensure that our people are working in a safe and healthy environment. We have worked hard to put the right systems and controls in place to minimise the number of health and safety incidents that occur. But, we recognise that there will always be more that we can do. Mental health issues remain one of the leading causes of long-term sickness absence for our people. We continue to invest in our five-year mental health strategy, to ensure that our people have the right tools and support. It is our aim that this strategy will really make a difference to the mental health of our employees. In the logistics industry, we have responsibilities concerning road safety, which Royal Mail takes very seriously. Driver training and regular road safety campaigns will remain a key focus for us.

❓ – COVID-19 has dominated the majority of 2020 to date. How has Royal Mail ensured responsibility issues remain front of mind?

These are certainly unprecedented times. The COVID-19 pandemic has impacted every community and country around the world. On behalf of the Committee, I would like to take this opportunity to express our deepest condolences to the families of those who have lost their lives to COVID-19, including the families of some of our own people.

The fact that our employees are recognised as key workers by the UK Government indicates how vital our service is. The delivery of letters and parcels is a way of keeping people connected.

Although it is still an ongoing and changing situation, our number one priority is protecting the health of everybody as much as we can. We start with very strong foundations. Ninety-nine per cent of our colleagues are permanent employees, with good pay and benefits, which include sickness absence pay. We also have strong health, safety and wellbeing programmes.



Our posties are a national treasure. They deliver an excellent and much-needed service to every house all week. They are trustworthy, reliable and care about their customers and society at large.



We have introduced increased measures to protect and support them during this crisis, altering processes and providing them with a dedicated helpline.

Many people rely on our service, so it is important to our customers that we remain open for business during the pandemic. We provide a lifeline to those who are not able to leave their homes. We have made several operational changes that will help protect our customers as our people go about their jobs, such as changing the way we deliver Signed For items and bringing in new guidance for our Customer Service Points.

❓ – A specific area of focus for the Committee is on employees, specifically the Company's culture and diversity programmes. Could you expand on this area of focus?

Our people play a key role in helping the business to achieve our strategic priorities. Engaged, committed employees are therefore crucial to our success. In recognition of this, culture and engagement are standing items of the agenda for every Committee meeting. Creating a welcoming and inclusive environment for everyone is key to ensuring our people feel engaged. This means placing fairness, diversity and respect at the heart of the business.

The Executive Board, chaired by Stuart Simpson, interim CEO Royal Mail (UKPIL), oversees our diversity and inclusion programme to help drive culture change. The Board helps define the direction of our inclusivity programme, focusing on how we influence the whole diversity and inclusion agenda across our employees, our customers and our suppliers.

OUR ROLE IN SOCIETY

At the heart of our organisation is a commitment that we will act as a responsible corporate citizen, so that we deliver value to both our shareholders and wider stakeholders.

Our role in society helps define our strategic direction. Each year we reflect on what we have achieved, the changes we have made and where we are going next.

Here we highlight some of the key achievements from the reporting year from both Royal Mail (in red and green) and GLS (in blue).



1 in 194

people employed in the UK by Royal Mail²

22%

reduction in UK Lost Time Accident Frequency Rate

6th year

Royal Mail named as a Times Top 50 Employer for Women for the sixth consecutive year³



£3.84 million

invested in more efficient boilers

2%

reduction in UK carbon emissions

295

fully electric delivery and collection vehicles at the end of 2019-20



£5.2 million

contributed to good causes and charitable schemes

35%

of new contracts awarded to SMEs

350 million

letters featured a charity or good cause postmark

² Cebr research, conducted for Royal Mail in May 2020

³ After the end of the 2019-20 reporting year, we were included in the Times Top 50 Employer for Women list for the seventh consecutive year

89%

of our customers rate us as easy to do business with

13,000

priority postboxes supported the NHS with COVID-19 test at home kits for mailing and collection

Almost 5 million

items of scam mail prevented from delivery to our customers since 2016



56

Liquefied Natural Gas (LNG) powered vehicles in GLS' fleet

100%

of GLS locations in Germany are now powered via the purchase of 100% renewable electricity

95

fully electric vehicles and three hybrids across its European operations



5th

GLS Germany awarded 5th place in the 'Best recruiters' study of 100 top employers in the country

100%

climate neutral parcel deliveries from and within Germany through GLS' KlimaProtect programme

80%

GLS ParcelShops remained open for parcel delivery and acceptance during the peak of the COVID-19 crisis in Germany



ENGAGING WITH OUR STAKEHOLDERS

The support of our stakeholders is integral to our success and the sustainability of our business. Our stakeholders include customers, investors, unions, communities, suppliers and governments. We engage with them via a number of channels. This helps us to understand their views, needs and expectations of us.

Open communication

We are committed to being as open and transparent as possible about our business. We communicate proactively with our stakeholders. We seek to understand their perspectives about our business and our responsibilities as an important part of the social and economic infrastructure of the countries in which we operate. 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/en/responsibility/our-approach/stakeholder-engagement/

We provide details of how the Board, and the wider business, engages with key stakeholder groups on pages 104-111 of the 2019-20 Annual Report and Financial Statements.



OUR MATERIALITY ASSESSMENT PROCESS

1. ISSUE IDENTIFICATION

A long list of issues was developed using current priorities, business strategy, standards and regulation, feedback from ongoing dialogue with key groups, horizon scanning and a media review

2. INTERNAL INTERVIEWS

We carried out a series of internal interviews with senior leaders, subject matter experts, function leads and operational personnel

3. RESEARCH

We reviewed the results of several external research surveys with MPs, consumers, and the wider postal industry, and undertook social media analysis looking specifically at CR topics

4. EXTERNAL STAKEHOLDER PANEL

Using external facilitators, we undertook a stakeholder panel with representatives from customers, investors, NGOs, suppliers and charities

5. REVIEW

We collated all feedback from stakeholders and developed a matrix outlining those issues deemed most material for us and our stakeholders

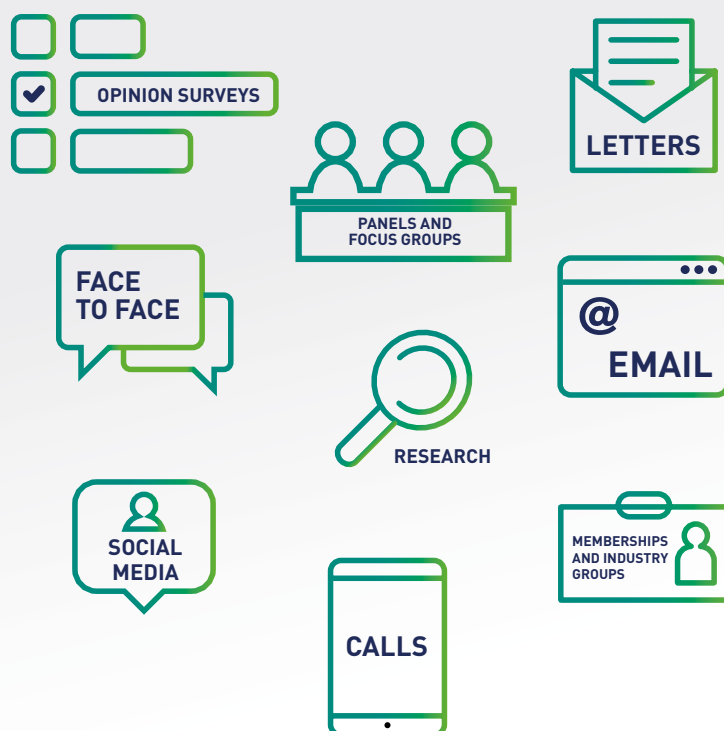
Determining materiality

The CR issues that matter most – to our business and our stakeholders – are given priority when setting our future strategy. They are also given higher profile in our reporting. Every two years, we carry out a formal materiality assessment. We also gather feedback through ongoing conversations with stakeholders we work closely with – such as our unions and our regulator.

Our most recent materiality assessment involving external stakeholders took place in January 2020. We engaged with representatives from customers, consumers, employees, our unions, shareholders, charities, suppliers and non-governmental organisations (NGOs) as part of this process. We undertook interviews, surveys and a panel discussion, asking them to discuss and rank key ESG issues in order of what they considered most important to Royal Mail Group. We also drew on feedback from regular dialogue with other stakeholders, as well as third party research about our business. Our materiality matrix maps stakeholders' priorities against those of the business.

As well as ranking issues in order of importance, stakeholders help us define the issues themselves. This year, following feedback from our stakeholders, we included diversity as a separate issue within our materiality matrix to reflect its growing relevance to our business and importance to stakeholders. Previously, the topic of diversity has been incorporated within engagement and culture on our matrix. We have also added a new issue – air quality – recognising its relevance to our industry and the need for greater focus in this area.

Due to the exceptional circumstances at the end of the reporting year, we reviewed our materiality assessment again. This was to consider stakeholders' views about Royal Mail's role during the COVID-19 pandemic. We were in a period of intense engagement with many of our stakeholder groups. For example, we worked closely with the UK Government as it developed its emergency



plans. Our UK employees were designated key workers as a result. Our customer-facing colleagues, including our social media team, kept business customers and consumers updated about our service. Stakeholders fed back that they appreciated the role Royal Mail played in keeping people and communities connected during this time. At the same time, the health and safety of our employees – and our responsibility to help protect the communities in which we operate – required special focus during the pandemic. As a result, the topic of health and safety was moved further up the axis labelled 'Importance to stakeholders' in our materiality matrix.

Key material issues

Our materiality assessment identified seven topics that are currently of highest priority to both Royal Mail Group and its stakeholders. These are set out below. Over time, the specific prioritisation of issues can change due to success in managing them, or growing public awareness of their importance. We regard all the issues identified in the materiality matrix below as important for Royal Mail to address. We cover all of them in detail in this report.

- **Climate change and emissions reduction:** Royal Mail has a visible carbon footprint in the form of our fleet. Management of our carbon footprint and preparations for the transition to a low carbon economy are key to sustainable growth.
- **Engagement and culture:** Our people are crucial to our success. Issues such as relations with our unions, internal communications and equal opportunities are central to employee engagement.
- **Labour standards and human rights:** Royal Mail's high labour standards and working conditions are seen as a vital component of our reputation for trust and reliability.

– **Customer service:** This is the foundation that will ensure Royal Mail's continued success in an increasingly competitive and fragmented marketplace.

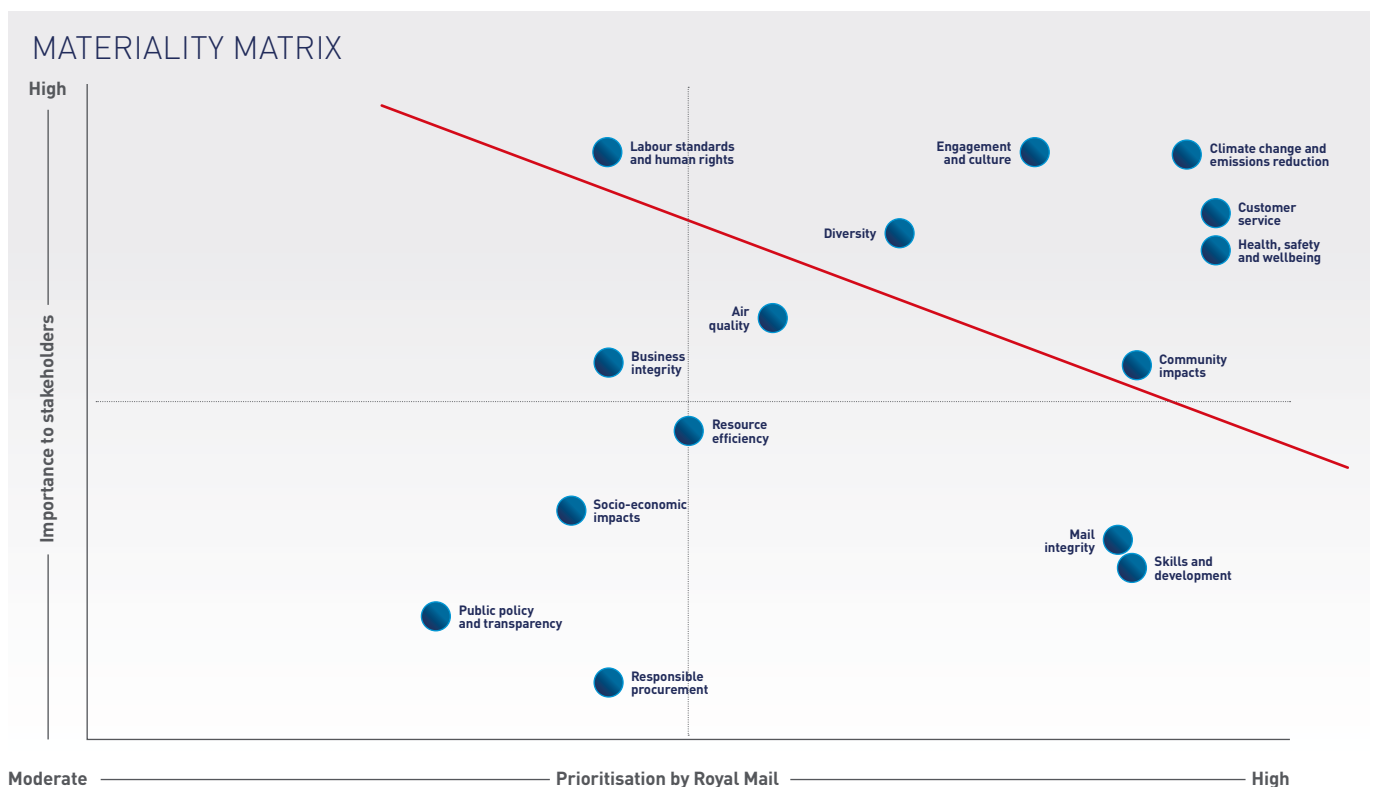
– **Health, safety and wellbeing:** Our large workforce undertakes a variety of roles, from engineering to delivering mail on foot. It is vital that we maintain a comprehensive framework of policies, procedures and training to help keep our people, customers and members of the public safe.

– **Diversity:** We recognise the importance of having a diverse workforce that represents the communities we operate in. It is important that we continue to make our roles more attractive to a wide group of candidates.

– **Community impacts:** Our community footprint is one of the main factors that differentiates Royal Mail from the competition.

GLS' MATERIALITY ASSESSMENT

GLS conducts an additional materiality analysis specific to its business. GLS involves key stakeholders from each national subsidiary. It undertook a materiality exercise in 2016. Around 2,900 online survey responses were received, with 65 per cent coming from external stakeholders. GLS' stakeholders rate data protection, health and safety (with a focus on safe driving) and customer service as key material issues. More information can be found on pages 14-15 of GLS' 2018-19 Sustainability Report: → <https://gls-group.eu/GROUP/en/our-responsibility.html>



The issues depicted on this matrix are those that are deemed most material to the successful delivery of our business strategy. Over time, the specific prioritisation of issues can change due to our success in managing them, or the relative level of their importance or impact. The issues depicted as being of highest priority to Royal Mail Group and its stakeholders are those that have been assessed to require the most focus for the next couple of years. They are aligned to the focus areas of Royal Mail's CR Committee, and are those areas of our non-financial performance that, overall, currently have the greatest influence on the success of the business.

SUPPORTING THE SUSTAINABLE DEVELOPMENT GOALS

Royal Mail supports the UN Sustainable Development Goals (SDGs), recognising them as a common definition and roadmap for a better and more sustainable future for all.

Our business operations, CR programmes and the way we do business contribute to a number of the Goals. We have identified five SDGs that are particularly relevant to the priority focus areas for our business, as evidenced by our recent materiality assessment. These are the goals to which Royal Mail Group – Royal Mail and GLS – can make a significant contribution.

We will focus on making progress against these Goals through our work in areas such as health, safety and wellbeing, our community programmes, our diversity and inclusion programmes and the implementation of our environmental strategy.

More information on the work that GLS is doing to support the SDGs is published at the following address → <https://gls-group.eu/GROUP/en/our-responsibility/thinkresponsible.html#>

OUR PRIORITIES



INTEGRATED RESPONSIBILITY



Our CR strategy is an integral part of realising the core strategic priorities for the business. The objectives at the heart of our business and CR strategies are the same – to generate sustainable stakeholder value and underpin the Universal Service in the UK. Our CR strategy is closely aligned to our most material issues. It has **six key objectives:**

- deliver economic and social benefit to the communities we serve;
- manage the environmental impacts of our business and operations;
- drive colleague advocacy for the Group and its community role;
- deliver our transformation responsibly;
- operate with integrity; and
- communicate our management of corporate responsibilities openly and transparently.

These objectives support the delivery of our business strategy. We report progress against them under the following areas.

Customers

Our ambition is to build a parcels-led, more balanced, and more diversified, international business to satisfy the changing needs of all who depend on our services. This requires us to get customer service right consistently. We are proud of the role we play in connecting customers, companies and countries across the UK through Royal Mail and internationally through GLS.

People

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

We are therefore committed to providing our people with a safe and healthy working environment and opportunities to fulfil their potential. Fair working conditions are at the foundation of how we do business.

Community

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.

We seek to be an integral, valued and trusted part of every community. We are committed to creating long-term benefits for the communities we serve.

Environment

Royal Mail Group is committed to delivering a cleaner future. We recognise our role in the transformation to a low carbon economy. The scale of our operations means we have a significant environmental impact. Ensuring we play our part is therefore a critical part of our role in society, supporting our customers' aspirations and protecting our resilience and success in the long term.

Environmental considerations are ever more fundamental to the way we do business: in the way that we encourage our people to behave, the technology we invest in, and our contracts with our suppliers.

Business integrity

We have a unique position at the heart of the communities in which we operate. We are committed to operating with integrity and transparency to protect our valued role in society.

Responsible procurement

We have thousands of suppliers. Their activities can have an impact on our stakeholders. Our suppliers help create economic opportunities in the communities we serve. We are committed to working across our supply chain to have a positive impact on society and the environment.

We will do this by embedding high standards of social, ethical and environmental conduct across our business and our supply chain.

MANAGING OUR SUSTAINABILITY RISKS AND OPPORTUNITIES

Adapting to changing structural trends – fewer letters and more parcels – alongside cost increases, is driving significant financial pressures for our business. We expect to be materially loss-making in the UK in 2020-21. GLS has delivered a good start to the year but faces uncertainties and challenges. The COVID-19 pandemic presents new, fundamental, challenges to our business model – and to those of our customers. Ensuring a sustainable, contemporary Universal Service requires us to respond to this unprecedented global crisis, as well as adapting to the changing realities of our marketplace.

The size and scope of our operations creates significant business risks. Managing these risks effectively is critical for our ongoing success. Our CR strategy and objectives play a vital role in risk management and create opportunities to develop our competitive advantage. We regularly review our long-term risks and opportunities to help us prepare our action plans. This report sets out our risk management process across the areas of customers, employees, communities, suppliers and the environment. It includes reference to the financial risks and opportunities resulting from our approach to sustainability. Further information on our principal risks is available on pages 62-72 of the 2019-20 Annual Report and Financial Statements.

| | Key risk | Our response | Key opportunity |
|------------------|---|--|--|
| CUSTOMERS | Changes in customer expectations, and in the markets in which the Group operates, could impact the demand for products and services. Given the major cultural shift underway in society – more e-commerce and therefore fewer letters and more parcels – it is very important that we change too. Failure to mitigate this risk could lead to financial and reputational damage, as well as decreased market share. | We are transforming from a UK-focused letters business that delivers parcels, to a parcels-led, international business. Letters will remain an important part of our business. We will continue to deliver customer-focused enhancements enabled by our UK 'turnaround and grow' plan. This includes implementing new technology features to improve convenience and customer control in the UK and internationally, such as in-flight redirections, shorter delivery windows, and doorstep collections. | The size and scale of our network means we offer depth of coverage, value for money and convenience for our customers. We will continue with our UK network transformation and increasing automation to a) maximise the benefits of delivering letters and small parcels together, and b) handle more Next Day delivery and larger parcels more efficiently. This will facilitate e-commerce growth and increase demand for our services. |
| PEOPLE | As our workforce ages, our physically demanding roles may become more difficult to fulfil. Furthermore, advancement in technology is leading to increased automation, which requires a different specialist skillset. Failure to attract and retain the right talent could affect employee morale, which in turn could impact customer service and overall business performance. | We monitor our workforce profile and track key external metrics such as the employment rate and demographics. We undertake market research, analysis and industry benchmarking. A Strategic Workforce Plan for Royal Mail in the UK has been developed during 2019-20 and will be reviewed once the impact of COVID-19 is more clearly understood. We invest in training across the Group to offer our employees opportunities to develop new digital skills. We are opening up new routes into employment for younger candidates, and making our jobs more flexible to make them more attractive to a wider group of applicants. | We believe strong labour standards lead to an engaged workforce, enabling the high level of service that our customers expect of us. We believe our values-based culture, and approach to responsible employment, differentiate us from our competitors. During the year, GLS Denmark won a 'CSR People' award on account of its inclusive approach. GLS Germany won a 'Best Recruiter' award, ranking fifth out of the top 100 companies in Germany. |

| | Key risk | Our response | Key opportunity |
|------------------------------|--|--|---|
| COMMUNITIES AND SUPPLY CHAIN | <p>We are a valued and trusted part of our communities. We use our core business competencies, people and brand to benefit good causes. We make the seventh biggest contribution – in terms of gross value added – of any UK company to the UK economy⁴. This is through the employment we provide, the suppliers we work with and the taxes we pay. Successfully implementing our transformation strategy is vital for the future success of our business. It underpins our ability to operate a large workforce on good terms and conditions and deliver the Universal Service Obligation in the UK, along with the benefits that it provides to communities and businesses across the country.</p> | <p>Our CR strategy is an integral part of realising our strategic priorities as a business. It supports the delivery of the Universal Service Obligation. Key to our CR strategy are the objectives to deliver economic and social benefits to the communities we serve, and to drive colleague advocacy for the Group and its community role. Our CR programmes enable the delivery of our strategy to ensure our licence to operate.</p> | <p>Our workforce, assets and our fundraising potential can create partnerships that make a significant impact in society. Through our current partnership with Action for Children, we have raised around £1.6 million and delivered a mental health programme benefitting over 5,200 young people in the UK to date.</p> |
| ENVIRONMENT | <p>As a logistics business, it is important that we manage the risks associated with climate change, ensuring we reduce our environmental impacts and resource use. There is a risk that climate change may have adverse operational, financial and reputational consequences for Royal Mail Group. In particular, how we respond to transitional risks such as policy changes and shifts in consumer preferences.</p> | <p>This year, we developed a new environment strategy. It has three key pillars: net zero, clean air, and responsible consumption. Our ambition is for our operations to be net zero by 2050.</p> <p>We will continue to undertake trials of alternative fuel vehicles with a view to increasing the number in our fleet. Our environmental commitments across the Group incorporate a strong focus on the transition to a low carbon/low emission fleet. We are also taking proactive steps to reduce our energy and water consumption, and reduce the amount of waste we generate.</p> | <p>Making sustainable changes to our business brings opportunities to embrace efficiencies, which can save on costs and reduce our resource use. Consumers are pushing for more sustainable delivery options. We are developing new products and services to meet this demand. For example, in Germany, GLS has launched KlimaProtect. This additional charge for parcel senders is primarily invested in CO₂e offsetting and other sustainability projects.</p> |
| OUR BUSINESS STANDARDS | <p>We are subject to a range of laws, regulations and contractual obligations governing the protection of confidential and sensitive data that we hold. As with all major organisations, we are the potential target of cyber-attacks. A cyber-security incident, or major breach of data protection regulation, could result in business disruption, financial losses and damage to reputation and stakeholder confidence. GLS has also identified data protection as a key material issue.</p> | <p>As external threats become more sophisticated and disruptive, we continue to invest in our cyber-security protections. Recognising that this risk cannot be eliminated – only managed – we continuously review our mitigation plans to reflect the changes in the threats we face. This is especially imperative during altered ways of working due to COVID-19. As a result of the pandemic, changes have been required to our operational processes and to working practices, including those of third party suppliers who process our data.</p> | <p>Personal data loss as a result of theft or phishing is unfortunately now a more common occurrence. We have an opportunity to develop new ways to help customers protect their personal information.</p> <p>For example, Royal Mail's Keepsafe product holds onto customers' mail while they are away on holiday, and safely returns it to them when they are back at home. This helps to prevent theft of mail – and personal information – by avoiding unopened items mounting up and potentially alerting prospecting criminals.</p> |

4 Cebr research, conducted for Royal Mail in May 2020

OUR GOVERNANCE FRAMEWORK

Our governance and CR frameworks describe key responsibilities, committees and processes used to identify and manage key CR risks and opportunities through the business at Group, Royal Mail and GLS level. Our CR governance framework underpins the delivery of our CR strategy through the following key elements.

Group – Royal Mail plc Board

The Board receives regular updates on CR activities, such as monthly health and safety briefings. There are regular Board updates on our engagement with key stakeholders, including the UK's postal industry regulator, Ofcom. Simon Thompson is the designated Non-Executive Director for engagement with the Royal Mail and GLS workforces.

The Governance section, on pages 123–125 of the 2019–20 Annual Report and Financial Statements, describes in detail how the Group manages its risks at Board level, via sub-committees, and throughout the organisation.

CR Committee

Chair: Rita Griffin, Non-Executive Director

The CR Committee also includes Non-Executive Directors Maria da Cunha and Simon Thompson, members of the Executive Board, the CEO of GLS, and subject matter experts from across the business.

The Committee's ambition is to:

- remain attuned to the changing needs and expectations of society to protect the Company's social licence to operate and ensure that it continues to be considered a good corporate citizen overall; and
- focus its efforts on the key ESG issues that are of most importance to the Company and its stakeholders, as identified through its established stakeholder engagement processes.

The Committee considers issues and performance in the following areas as part of its remit: employees, society and customers, environment, community, supply chain and reporting, transparency and benchmarking. The CR Committee reviews and approves our annual CR Report.

Executive Board (EB)⁵

During the year, our Group Chief Executive Officer took responsibility for CR. Individual members of the EB took responsibility for each of the different strands of CR activity, as follows:

- **Shane O'Riordain**, Managing Director, Corporate Affairs, Marketing and Regulation, was responsible for shaping and implementing our CR strategy, including our community investment programme.
- **Sally Ashford**, Chief HR Officer, was responsible for the people strands of our CR strategy, including health and safety.
- **Stuart Simpson⁶**, in his role as Chief Finance and Operating Officer, was responsible for financial reporting and core sustainability issues, including procurement and the environment. Stuart sits on the Royal Mail plc Board.

Inclusive Action Steering Group (IASG)

Chair: Chief Finance and Operating Officer

The IASG oversaw our diversity and inclusion strategy. The steering group included key members of the EB, National Operations Director and our National Service Delivery Director. The IASG has now been integrated into the remit of the EB.

Environment Governance Board

Sponsor: Global Director of Compliance and Sustainability

The Environment Governance Board (EGB) implements the environment strategy and took responsibility for improving

performance. The EGB included senior managers from Royal Mail and GLS. See page 53 for more information.

GLS CR Board

The GLS Group CR Board provides recommendations and guidance to the GLS CR team for implementation across the Group.

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.

GLS CR team

The GLS CR team acts as the central point of contact within the GLS Group for all topics connected to its sustainability commitment. The team coordinates and manages CR-related activities within the GLS Group, setting the course for current and future commitments.

CR framework

These are set at three different levels – Groupwide, Royal Mail and GLS – reflecting the differences between Royal Mail and GLS. These are set out below:

Groupwide policies and frameworks

Group Corporate Responsibility (CR) Policy

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

Group Environment Policy

Groupwide commitment to management of our environmental impacts.

Group Health and Safety Policy

Groupwide commitment to managing health and safety risks.

Group Anti-Bribery and Corruption Policy

Groupwide policy outlining our zero-tolerance approach, setting the standards of behaviour expected.

Royal Mail policies and frameworks

Our Business Standards

Outline the values and standards of behaviour we expect from our people.

Responsible Procurement Code

Based on the Ten Principles of the United Nations (UN) Global Compact, the code sets out the social, ethical and environment conduct we expect from our suppliers.

Equality and Fairness Policy

Our principles and approach to promoting equality, diversity and fairness.

Corporate Balanced Scorecard (CBS)

Links the remuneration of managers to Royal Mail's performance against people, customer, efficiency and financial targets. In all, a third of our scorecard metrics are CR related.

GLS policies and frameworks

Code of Business Standards

Outline the values and standards of behaviour we expect.

Supplier Code of Conduct

Expectations of our suppliers, business partners and contractors.

⁵ Our governance arrangements and Executive Board membership, as described here, are accurate as at last financial year end. However, there have been considerable changes since year end. For example, following Group CEO Rico Back's departure in May 2020, Chair Keith Williams has assumed the role of interim Executive Chair. In addition, the CEO's of the UK and GLS businesses now report directly to the Group Board

⁶ At the end of 2019–20, we announced that Achim Dünwald will take over as Chief Operating Officer from Stuart Simpson, effective 1 April 2020

OUR CUSTOMERS

31m addresses

We deliver to nearly 31 million addresses, six days a week

1.3bn parcels

We handled around 1.3 billion parcels and around 13 billion letters this year

89% satisfaction

89 per cent of our business customers rate us as "easy to do business with"¹

ENABLING E-COMMERCE AND GROWTH

Our products and services play a vital role in supporting economic growth. In the UK, we are the sole Universal Service Provider, delivering a 'one-price-goes-anywhere' service on a range of letters and parcels to addresses across the country. The Universal Service 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. By offering delivery services to all parts of the country, we help SMEs compete with larger businesses, while giving consumers greater choice. Internationally, GLS' FlexDeliveryService 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.

KPIs

First Class Retail Quality of Service² [%]

| | |
|---------|-------|
| 2019-20 | 92.8% |
| 2018-19 | 91.8% |
| 2017-18 | 91.7% |

Mean business customer satisfaction¹ [score]

| | |
|---------|------|
| 2019-20 | 79.3 |
| 2018-19 | 78.0 |
| 2017-18 | 78.0 |

Customer complaints³ [number]

| | |
|---------|---------|
| 2019-20 | 567,536 |
| 2018-19 | 582,984 |
| 2017-18 | 579,059 |



¹ A change in research partner in 2019-20 means the results are not comparable to previous years

² First Class Retail Quality of Service is included as a measure on our Corporate Balanced Scorecard (CBS)

³ 2018-19 complaints restated from 578,614 to 582,984 due to a change in complaints reporting methodology. Note that 2018-19 consisted of 53 weeks and 2019-20 of 52 weeks

We are proud of the role we play connecting customers, companies and countries. Our ambition is to build a parcels-led, more balanced, and more diversified international business. In an increasingly competitive market, we aim to make our services simple and flexible to meet the changing needs of our customers. We continue to have a high level of customer service and introduce new and enhanced products and services.

OUR CUSTOMER STRATEGY

We want to be our customers' 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 for all customers.

We measure our customer satisfaction through three KPIs: mean business customer satisfaction, customer complaints, and First Class Retail Quality of Service, which is one of measures on our Corporate Balanced Scorecard (CBS). Royal Mail managers' remuneration is linked to the performance of CBS measures. The full CBS can be found on pages 30-31 of the 2019-20 Annual Report and Financial Statements.

Customer experience

We are making progress in improving customer experience. In 2019-20, our mean business customer satisfaction score improved from 78 to 79.3. Eighty-nine per cent of our business customers rate us as "easy to do business with"⁴. Our consumer sending satisfaction score increased to 81 per cent.

Our people can also tell us how customer-focused our products and services are. We use our annual Employee Survey to ask them what they think about the customer experience. This year, we recorded a Customer Focus Index score of 81⁵. All elements of the Index saw an improvement: more colleagues would recommend our services to friends and family; there is greater understanding of our performance against customer measures; and more colleagues believe that customers are satisfied with the service we provide. Colleagues have a strong sense of being part of the community and take pride in working together as a team.

Understanding our customers' needs

As our mailbag changes, so do the expectations of our customers. We are seeing major changes in our markets, driven by consumer behaviour. Our customers are sending more parcels and fewer letters. There is now greater demand for the delivery of larger items and Next Day delivery.

We collect feedback from our customers regularly throughout the year. We survey around 1,000 business contract customers per quarter and 3,000 consumers per month as part of our ongoing customer satisfaction research. The research tells us that our customers have the following priorities:

Consumers' priorities for Royal Mail:

- items are delivered on the day and at the time they expect;
- items are delivered in good condition;
- staff are friendly; and
- items' progress is accessible via tracking data and push notifications.

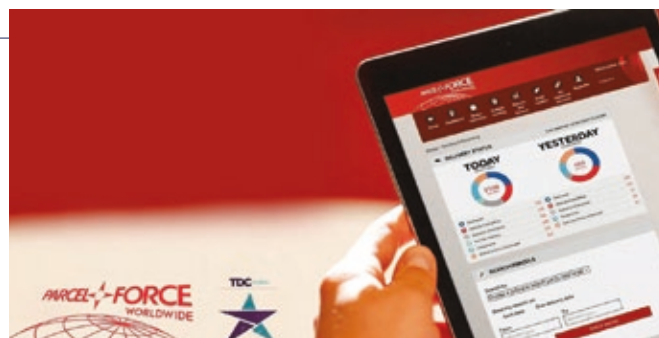
Business customers' priorities for Royal Mail:

- we provide a frictionless delivery service, without any issues;
- where issues do occur, that we are responsive, take responsibility and reach resolution; and
- we are flexible in meeting customer needs – offering options for speed, tracking and visibility of item progress to their end customers.

GLS customer targets:

GLS believes the key to success is putting quality at the heart of its service. Customer focus at GLS is supported by four targets:

- to continuously increase the high quality of our service to our customers;
- to be present locally for our customers and to precisely tailor our services to changing needs;
- to continuously improve the efficiency of our network and operating systems; and
- to keep information technology and security systems up to date at all times.



PARCELFORCE WORLDWIDE

**Winner of the 2020 Delivery Excellence
Best Customer Experience Award for its Tracking
& Reporting Dashboard.**

⁴ A change in research partner means the results are not comparable to previous years

⁵ Our Employee Survey launched during the same week as the UK national lockdown for COVID-19. The survey results were positive. However, the response rate was significantly lower than usual and as such the 2020 results are not comparable to other years. See page 21 for more information

DELIVERING THROUGHOUT THE COVID-19 PANDEMIC

The COVID-19 pandemic has been an unprecedented challenge for our customers across the world. The delivery of parcels and letters has been a key way of keeping people connected, and helping many people who have been unable to leave their homes. We have worked hard to deliver the most comprehensive service possible to all our customers. Now more than ever, the Universal Postal Service has provided a lifeline to businesses and communities across the UK. Many retailers shifted their operations online once their shops closed. Our continued operation has allowed numerous small businesses to stay open throughout the pandemic, with services such as Click & Drop and Parcel Postboxes providing businesses with a simple and easy to use process for sending products to customers no matter where they are. We have received many messages and pictures from our customers in praise of the lengths our people have gone to during the COVID-19 pandemic. We have now seen over two million comments, likes and shares from the public as part of our #ThumbsUpForYourPostie campaign in the UK.

Protecting our people and our customers

During the crisis, every decision we have made has put the health of our people and our customers first. We put in place clear governance processes to ensure that decisions on changing our procedures and policies can be taken quickly, in line with emerging health and safety guidance from governments and the health authorities. In the UK, we have established Gold, Silver and Bronze response teams which have Executive, Director and Senior Management leadership, providing regular reports to the Plc Board. Working with our unions, we quickly implemented a number of changes to our mail handling procedures to protect our colleagues and our customers. These have included the following:

- Introducing ‘contact free’ deliveries in Royal Mail, Parcelforce Worldwide and GLS to enable effective social distancing.
- Implementing a new system in the UK to capture receipt of signatures without requiring customers to touch Postal Delivery Assistants (PDAs), and waiving the requirement for consignee signatures in GLS.
- Revising standard ways of working across our sites to ensure that, wherever possible, colleagues stay two metres apart (1.5 metres in certain countries, in line with national government advice). In the UK, this included introducing a ‘one person, one van’ rule, rearranging indoor and outdoor operations, and staggering shift start times to reduce the number of colleagues on site at once.
- Committing around £40 million to buying equipment such as hand sanitiser, disposable gloves and other additional protective measures to keep our people safe. We have worked in partnership with a range of suppliers across the world to source protective equipment for our people. This has included companies that have switched their production lines to manufacture hand sanitiser, from a gin distillery in Germany to fragrance companies in the UK.

- Encouraging UK customers to arrange free redeliveries rather than visiting our Customer Service Points to collect items. We increased the retention periods for parcels and mail to ensure ample time for customers to arrange redelivery.

Working quickly to formulate and implement appropriate sick pay and absence policies. Colleagues, including those with less than a year’s service, received Royal Mail enhanced sick pay for COVID-19 or self-isolation which goes beyond statutory sick pay and our normal sick pay policy.

- Providing a substantial contribution to the Rowland Hill Fund to support UK colleagues who are struggling financially as a result of the pandemic.
- Issuing clear guidance and posters to colleagues across the Royal Mail, Parcelforce Worldwide and GLS networks on effective hygiene and protective equipment.

Supporting the Government’s COVID-19 effort

We have been a key partner in the Government’s response. We were pleased that the UK Government recognised our people as key workers during the crisis. We were chosen by the UK Government as a key partner in the delivery and return of testing kits. We are collecting samples from more than 30 regional testing sites at the end of every day and delivering them to designated testing labs first thing the next morning. We are providing home collections of testing kits UK wide, seven days a week. Our people are also delivering prescriptions, hospital appointments and other Government communications as a key priority. We have supported the Government’s public information campaign on COVID-19, delivering letters from the Prime Minister to all UK households. In addition, we added a postmark to millions of letters carrying the UK Government’s message to “Stay Home, Protect the NHS, Save Lives”. We have engaged with Government, Ofcom and other stakeholders on a constant basis throughout the crisis. Ofcom and Government have acknowledged that COVID-19 is an emergency situation, and that a pragmatic approach has been required in response. This included, but is not limited to, a temporary six-week relaxation of letter delivery frequency.





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, 79 service providers, including banks, utilities, local government and retailers, have signed up. A further 126 charities, consumer organisations, trade unions and businesses have joined the campaign too.

BECOMING A PARCELS-LED BUSINESS

The UK remains Europe's most competitive parcels market, with 15 major parcel carriers. We are transforming our business to meet the growing demand for our parcels services.

Automation will remain a key focus for us throughout our transformation. The majority of our parcels are currently processed by hand. By automating how they are sorted, we will ensure improvement gains in productivity, making parcels easier and quicker to handle.

During 2019-20, we installed ten new automated parcel sortation machines, bringing our overall total to 20 at 16 Mail Centres. The number of parcels we sort automatically has increased from 12 per cent during 2018-19, to around 33 per cent by the end of 2019-20. We want to increase the overall proportion to over 80 per cent by installing automated machines in all Mail Centres and building dedicated parcel hubs. The first parcel hub to open will be in Warrington. When operational, the hub will be able to process 40,000 items per hour.

Consumers want more options for online returns locations. Postal returns remain the preferred channel for 45 per cent of online purchases⁶. In 2019-20, we completed the rollout of 1,400 parcel postboxes, enabling 24-hour access for customers sending or returning parcels. This is the first UK-wide network of Parcel Postboxes, and the biggest change to the postbox in its 160-year history.

UNDERLINING THE IMPORTANCE OF LETTERS

Letters are an important and powerful communications tool. Research shows that mail commands more attention than email. Sixty-five per cent of people give letters their full attention, compared to only 35 per cent for email⁷. Letters are also instrumental in driving digital behaviour, with an estimated 70 per cent of customers going online after receiving mail⁸. Importantly, letters have a proven commercial impact for businesses, with over one third of people purchasing or ordering something as a direct result of receiving addressed advertising mail⁹.

Despite the recognised importance of letters, we continue to see a decline in letter volumes. We have seen this decline accelerate during the COVID-19 pandemic. In the period 30 March-28 June 2020, the business saw 788 million fewer addressed letters being sent; down 33 per cent compared with the prior year. At the same time, parcel volumes were up 38 per cent year on year (117 million more parcels).

Our business customers are increasingly interested in sustainability. We are working collaboratively with them to support them in reaching their own ambitions. During the year we have worked with customers who have chosen to move away from plastic wrapping of their mailed items, towards paper, alternative materials such as starch-based wraps, and unwrapped products.

FIXING PROBLEMS

Royal Mail handles billions of mail items every year. We want to get things right first time, every time for our customers. However, there are times when problems arise. Addressing and fixing these issues is key to Royal Mail being easy to do business with.

We take complaints seriously. Our root cause approach to dealing with complaints helps us to resolve customer issues while addressing the underlying causes. This year, we received 567,536 complaints. This is a 2.6 per cent decrease compared with last year¹⁰. The performance was driven by a focus on key processes and conformance to standards in our operation.

MAINTAINING A HIGH QUALITY OF SERVICE

Ensuring Quality of Service means delivering mail on time and in good condition. It is an essential part of the Universal Service. The postal industry regulator Ofcom sets the UK's Quality of Service targets, which are some of the highest of any major European country. We are the only UK postal services company to have postcode area targets. We publish our performance against them quarterly, available at: [→ www.royalmailgroup.com/en/about-us/regulation/quality-of-service/](https://www.royalmailgroup.com/en/about-us/regulation/quality-of-service/)

We exceeded our annual regulatory target of 98.5 per cent for Second Class mail, delivering 98.7 per cent of mail within three working days. We missed our annual regulatory target for First Class mail, delivering 92.6 per cent the next working day,

⁶ GlobalData Online Returns in the UK, 2018

⁷ Kantar TNS 2017: The Value of Mail in Uncertain Times

⁸ JICMail 2017-2018 Kantar TNS

⁹ IPA Touchpoints 2018

¹⁰ The 2.6 per cent figure is calculated based on a 2018-19 restated figure from 578,614 to 582,984 due to a change in complaints reporting methodology. Note that 2018-19 consisted of 53 weeks and 2019-20 of 52 weeks

against a target of 93.0 per cent. Up until March 15, Royal Mail was meeting its First Class target with a performance of 93.0 per cent.

We are pleased that Ofcom has taken into account the unprecedented impact of the COVID-19 pandemic on our operation when assessing our 2019-20 First Class Quality of Service performance. We worked hard to restore our service quality in 2019-20 and, were it not for the pandemic and its impact on the business in the latter half of March, we were on course to deliver the requisite First Class regulated Quality of Service target (93 per cent).

DEALING FAIRLY AND OPENLY

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

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

PROVIDING VALUE FOR MONEY

In March 2020, we increased the price of our First and Second Class stamps to 76 pence and 65 pence respectively. These changes are necessary to help ensure the sustainability of the one-price-goes-anywhere Universal Service. We understand that many companies and households are finding it hard in the current economic climate. As a result, we considered our pricing changes very carefully. Royal Mail's stamp prices are still among the best value in Europe compared with other postal operators. The UK has one of the highest Quality of Service specifications of any major European country. We are committed to providing good value for money and maintaining a high Quality of Service.

EMERGING ISSUES

Ensuring we support vulnerable customers and delivering our transformation responsibly are key elements of our customer strategy and responsibility to our customers and communities.

Detecting and reporting drugs in our network

We understand the tremendous harm that illegal drugs cause in the community. This year we received around 1,800 reports of suspicious packages. Each incident resulted in liaison with the appropriate authorities, such as the police, and seizure of the items. We work closely with law enforcement agencies to stop the carriage and delivery of illegal drugs. Border Force postal command personnel are stationed at our major international operations. In addition, we screen suspicious items using X-ray machines and deploy sniffer dogs to help detect them.

Bladed items in the post

We have reviewed the way we handle bladed items through the post this year. The Offensive Weapons Act 2019 will make it an offence to deliver bladed items to a person under the age of 18. We have launched a new product for business customers where the age of a recipient will be checked before a package is handed over, thereby helping our customers to comply with the legislation.

Fraudulent mail

Royal Mail never knowingly delivers scam mail. We urge customers to contact us if they are concerned about anything they have received. We offer freepost, telephone and online services for potential victims, or concerned relatives, to bring items to our attention. We work closely with our customers, the National Trading Standards Scams Team (NTSST), other national posts and law enforcement agencies in a coordinated response to stop scam mail. There is evidence to show that our actions have significantly reduced the amount of fraudulent mail scammers attempt to have delivered in the UK.

This year, we have:

- stopped around 330,000 items of scam mail from reaching our customers. Since strengthening our scam mail response in November 2016, we have stopped almost 5 million items of suspected scam mail;
- conducted around 1,400 investigations using our Scam Mail Helpdesk into suspected items of scam mail this year. These investigations help us shape our approach to tackling scam mail;
- hosted a session at the Universal Postal Union, an international organisation representing postal operators, on scam mail and its impact on victims;
- trained over 300 frontline employees on how to identify potential items of scam mail; and
- trained a number of our commercial managers and offered training to the wider postal industry through our work with the Strategic Mailing Partnership (SMP). The SMP is a professional body sponsored by Royal Mail, representing UK mailing houses. These are businesses that prepare and send large direct mailouts on behalf of their customers. The NTSST delivered a training session at an SMP workshop, focusing on due diligence and explaining the role that mailing houses can play in eliminating scam mail.

PRIORITIES FOR 2020-21

- ☒ Maintain our high level of Quality of Service for our customers.
- ☒ Continue to deliver improved products and services to our customers.
- ☒ Continue to support our customers to move towards more sustainable packing solutions.
- ☒ Continue to increase the levels of automated parcel sorting in line with our transformation plans.

OUR PEOPLE

One in 194

One in every 194 jobs in the UK is provided by Royal Mail

c.160,500

Around 160,500 people are employed by Royal Mail Group in the UK and overseas

32% female

32 per cent of Royal Mail (UKPIL) senior managers are female

SUPPORTING HEALTH AND WELLBEING

At year end, 315 employees had taken on the role of Health and Wellbeing Ambassador. Ambassadors play an important role locally, in promoting mental and physical health and offering peer-to-peer support.

They help deliver campaigns and initiatives to engage employees in the importance of good health and wellbeing, and signpost the support available.

KPIs

Employee engagement¹ (score)

| | |
|---------|----|
| 2019-20 | 61 |
| 2018-19 | 60 |
| 2017-18 | 59 |

Lost Time Accident Frequency Rate (per 100,000 hours worked)

| | |
|---------|------|
| 2019-20 | 0.38 |
| 2018-19 | 0.49 |
| 2017-18 | 0.54 |

Reduction in road traffic collisions² (%)

| | |
|---------|-----|
| 2019-20 | 2.5 |
| 2018-19 | 5.3 |
| 2017-18 | 9.0 |



¹ Our 2020 Employee Survey response rate was significantly impacted by the COVID-19 national lockdown. The results are not comparable to previous years due to the sample size of respondents. This score is out of 100

² Road traffic collisions per 1,000 vehicles

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. Fostering a fair, rewarding and safety-focused culture is key to our success.

Royal Mail is committed to providing our people with a safe and healthy working environment. We seek to support all our employees to fulfil their potential and create a values-based culture. We continue to promote strong labour standards in the industry and work closely with our unions to achieve changes to our business.

OUR PEOPLE STRATEGY

Our people strategy is focused on the following key objectives:

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

ENGAGEMENT AND CULTURE

Our ambition is to build an inclusive and supportive culture. Our values help shape our engagement and culture strategy. Our values – ‘Be positive, be brilliant, be part of it’ – represent the way we do things at Royal Mail. They apply to everyone. We want our employees to feel proud to play their part in delivering a quality service to our customers.

Our annual Employee Survey measures how engaged our employees are and how aligned they are with Royal Mail values. This year, for the first time, we asked employees to complete an online Employee Survey. This enabled us to access survey results and address them more quickly than in previous years. It also enabled employees to complete the survey in their own time and wherever they chose to do so. The survey launched in the same week as the UK national lockdown for COVID-19. This, combined with a change in the way we conduct the survey, resulted in a significantly lower response rate than we had hoped for. The survey results were positive. However, due to the lower response rate the results are not comparable to other years.

Our Employee Survey results for this year show an engagement score of 61. There was an increase in the number of people who say we value diversity, as well as an increase in people's pride in working for Royal Mail. There was also an increase in the number of colleagues who saw survey results from the previous year as well as action being taken to address colleagues' feedback. This plays a key part in ensuring our people are engaged and join us in making Royal Mail a great place to work.

Our culture reflects the leadership, values, beliefs and traditions of our organisation. It is a key area of focus for us. Culture and engagement are standing items on the agenda for the new Corporate Responsibility Committee (CRC). This year, the CRC reviewed outcomes of our employee engagement and inclusion activities, such as our Employee Survey and the Employee Voice Forums, as well as monitoring whistleblowing, and bullying and harassment complaints. Our Culture Index, which is measured through our Employee Survey, gauges how aligned our employees are with our values. This year, our Culture Index scored 57.

In GLS, employee engagement initiatives are implemented at a national level. For example, depots in Italy conduct regular surveys to gauge workplace satisfaction. This year GLS Germany was awarded 5th place in the ‘Best Recruiters’ study of 100 top employers in the country. GLS ranked 1st among the 15 certified transport, transport and logistics companies and was awarded the Best Recruiters’ seal of approval in gold as the industry winner.

6.7%

employee turnover rate²

17

years average employee tenure



³ Our employee turnover rate compares well with the UK average turnover rate of 20.9 per cent (XpertHR 2019)

AMBASSADOR PROGRAMME

Engaging our people with our transformation plan is crucial to its success. In February we launched our UK-wide Ambassador Programme. The programme involves more than 200 senior Operations leaders briefing colleagues face to face about our transformation journey. It offers an opportunity for colleagues to understand what the transformation means for them, and to provide feedback directly to our leadership team.

- ☒ Over 1,800 briefings conducted.
- ☒ 1,600 offices visited.
- ☒ Around 67,000 colleagues briefed.
- ☒ 91 per cent of Ambassadors agreed that frontline colleagues now have more information about our strategy update and future plans.
- ☒ 87 per cent of Ambassadors agreed that frontline colleagues now have a better understanding of the business situation and the need for change.

Listening to our people

Ensuring the views of our employees are both heard and understood plays an important part in maintaining employee engagement. We encourage employees to ask questions, make suggestions and give us feedback on workplace issues.

Our People Panel consists of representatives from across our business. We hold quarterly People Panel events around the country. These events create an opportunity for us to hear, face to face, our colleagues' views on key initiatives and ideas. Topics this year included how we recognise and reward long service, and employee uniforms.

Employee Voice Forum (EVF) sessions connect our workforce with the Board. Simon Thompson, our designated Non-Executive Director for engagement with the workforce, takes an active role in leading these sessions. EVF sessions rotate at different Royal Mail and GLS locations. They enable informal face-to-face conversations with Simon on topics that are aligned with our strategic objectives. This year, topics covered included new parcel machines and the role of workplace coaches.

Across GLS, similar initiatives take place at a local level. Once a month, GLS France holds a social and economic affairs committee, giving employees the opportunity to contribute their ideas and suggestions. In GLS Hungary, a meeting is held with the Country Director every six months, which includes an opportunity for employees to ask questions. In Italy, the annual results and latest projects are presented at three sites every year. In Germany, regular town hall meetings with the senior management team are held at the company's office locations.

WORKING WITH OUR UNIONS

We recognise two unions: the Communication Workers Union (CWU) and Unite/CMA. Around 89 per cent of our operational and administrative-grade employees are members of the CWU. Approximately 65 per cent of our managers are members of Unite/CMA⁴. In total around 98 per cent of employees are covered by our agreements with these two unions.

We work closely with our unions with the aim of maintaining a productive and positive relationship. Our Agreements are designed to support industrial stability. Yet, in 2019-20, we saw six national ballots (Royal Mail and Parcelforce Worldwide) for industrial action. During the year, we lost 1,494 days to localised strike action, an increase from 1,397 in the prior year. In March 2020, CWU balloted its members on industrial action. We were disappointed that CWU members voted in favour of industrial action. With a 63.4 per cent turnout – and taking into account frontline employees who are not union members – 53.4 per cent backed industrial action. We welcomed CWU's statement, following the ballot outcome, that now is not the time to take industrial action. We have worked with CWU and Unite/CMA to protect our people, our country and our Company. As the COVID-19 pandemic develops, we continue to work with our trade unions to formulate and implement policies and procedures to protect our people and our customers.

Looking forward

We want to work with our unions to accelerate the pace of change and build a business that better reflects the delivery market and evolving demands of our customers. Our business is facing financial challenges, which have been accelerated by the COVID-19 pandemic. We recognise the need to transform our operation from a UK-focused letters business that delivers parcels, to a parcels-led international business, delivering letters in the UK.

We are making difficult decisions. In June 2020, outside of the reporting year, we announced our proposal to restructure our management team, losing around 2,000 roles. The reductions will primarily focus on the most senior and non-operational managers. We are working with Unite/CMA on the formal consultation process. We have a good track record of managing these programmes carefully and sensitively. Wherever possible, we will try to make changes through voluntary redundancy. We will also offer our people a range of support options, from training and CV advice, to boosting our Feeling First Class wellbeing programme to help with the transition.

We have a live dispute with CWU and we take the issues in that dispute seriously. Not only do we need to resolve the dispute, but we also need to talk about the issues we now face. In June 2020, we announced formal talks with CWU to commence that process. This is an important step forward in working together to progress the changes that are needed to sustain our business.

⁴ Figure based on latest membership numbers provided by Unite/CMA in 2016

SUPPORTING OUR COLLEAGUES THROUGH COVID-19

COVID-19 dominated all our lives during the last few months of 2019-20. While the country was in lockdown, for many people, postal workers were the only familiar faces they saw. During this challenging time, Royal Mail played an important role in keeping the country connected. Royal Mail employees were designated key workers by the Government, supporting the COVID-19 response. In addition to the regular delivery of letters and parcels, many customers relied on Royal Mail to bring them medication and pharmaceutical supplies, hospital appointment letters and other crucial communications.

We announced a number of measures to protect and support both colleagues and customers during the COVID-19 pandemic. We worked closely with the CWU on our response. Our first priority was the health and wellbeing of our employees. By the end of June 2020, we had committed around £40 million to buying equipment such as hand sanitiser, disposable gloves and other additional protective measures. Ensuring our colleagues understood how to minimise their risk of catching or spreading the virus was key. We issued immediate guidance, in line with Public Health England (PHE) and World Health Organization (WHO) recommendations. We made changes to our operation to enable colleagues to work at a safe distance from each other. We altered our processes to make it easier and quicker for operational units to order cleaning products. We kept colleagues informed throughout via email, the intranet, a dedicated COVID-19 helpline, RMTv programmes and regular manager updates. Internationally, through GLS, delivery drivers and warehouse personnel were issued with clear guidance on hygiene and protective equipment. To address supply shortage of hand sanitiser, GLS Germany worked with a local gin distillery that had converted part of its production line to make alcohol-based viricidal hand gel, in partnership with a pharmacy.

In addition, we temporarily changed our sick pay policy for employees with less than one year's service, providing them with the same sick pay entitlement for any COVID-19-related absence as those employees who had been with us for longer. The policy provides full-rate sick pay for the first six months (26 weeks) of any spell of absence, followed by half-rate sick pay for all employees of Royal Mail and Parcelforce Worldwide. Absence rates affected the business with an absence of around 20 per cent at its peak. We continued to see higher than usual absence, including those away from work for shielding.



Our UK postmen and women are playing a crucial role in mitigating the impact of the pandemic. They are key workers on the frontline. Our GLS colleagues have also gone the extra mile in the many countries in which they operate to support their customers and communities. Simply put, the efforts of our people across the Group are humbling. On behalf of the Board, I want to say thank you to each and every one of them.



Keith Williams
Interim Executive Chair



HEALTH AND SAFETY

Our number one priority as an employer is to create a safe and healthy working environment for our people.

Our goal is to ensure a workplace where everyone is free from injury, with good physical and mental health.

Our new strategy

In August 2019, we launched our new Safety, Health and Environment (SHE) Strategy. Our priorities to deploy our new strategy include:

- changing behaviours – reinforcing safe behaviours and providing coaching to address unsafe behaviours;
- delivering on skills – ensuring our people have the right training;
- increasing compliance with our SHE Management System;
- learning from incidents – improving how we analyse and learn lessons from past events to reduce risk; and
- transforming through technology – using the latest technology to simplify processes and make compliance easier.

Safeguarding our people

A strong health and safety culture is key to ensuring the safeguarding of our people. Face-to-face coaching conversations play an important role in strengthening our safety culture. This is one of the ways we ensure our people understand their responsibilities and how to comply with policies.

Our safety performance

We monitor our performance in this area using key safety metrics. We strive to improve our performance each year. This year, we recorded a Lost Time Accident Frequency Rate (LTAFR) of 0.38 per 100,000 hours worked, compared with 0.49 in 2018-19. We continue to work hard to reduce this rate further. This includes a three per cent decrease in our biggest lost time accident type – slips and trips. Our Road Traffic Collision Frequency Rate (RTCFR) is a key safety performance metric we measure and report on annually. This year, we reduced our RTCFR by 2.5 per cent compared with 2018-19.

GLS SUPPORTING EMPLOYEE HEALTH AND WELLBEING

This year, Hungary and Slovakia GLS held office blood drives in order to support national blood supplies. The events were so popular that they will now be held every year.

Despite our best efforts to reduce road accidents, we regret to report that seven people tragically lost their lives last year in accidents involving our vehicles⁵. We thoroughly investigate all accidents to determine the root cause and identify any lessons to be learned. Our investigations and findings are discussed by the Board.

We conduct detailed investigations and work closely with the relevant authorities. Our Fatal and Serious Accident Protocol guides our investigations, reports and the actions we take. We look to identify any lessons that can be learned, and share them with the wider road safety community. As a result of recent lessons learned, we continue to invest in driver training and road safety campaigns. In 2019-20, we ran a series of campaigns tackling subjects including use of seatbelts, mobile phones, rushing and tyre safety. We also introduced e-learning for all agency staff and managers driving vans for short-term cover. Our focus on preventing vehicle rollaways has been particularly successful, with a reduction in these incidents of 24 per cent compared with 2018-19⁶.

The organisational standards of occupational health and safety (OHS) for GLS are defined within the OHS Directive. The GLS OHS team completed an audit in all European GLS subsidiaries to ensure the Directive had been implemented. Fifteen audits were executed during 2019-20, with good overall feedback and results. GLS will complete these country-level audits on a regular basis. Audits will take place in GLS entities in North America in 2020-21.

In addition to the country-level audits, GLS has developed an operational site audit system, which is scheduled for rollout during 2020-21. In addition to the country-level audits, GLS has developed an operational site audit system, which is scheduled for rollout during 2020-21, subject to any COVID-19 related travel restrictions. The site-level audits will ensure that every GLS-operated site is assessed, to support ongoing improvements in OHS performance.

This year, the GLS LTAFR for own employees increased from 2.29 to 2.46 per 100,000 hours worked⁴. The Corporate OHS team will hold regular meetings in selected countries in 2020-21 to support the ongoing improvement of GLS OHS systems and review the measures taken to reduce accidents.⁷

Addressing animal attacks

Animal attacks are a significant hazard for our employees, accounting for 38 per cent of the injuries sustained by our people at work. Around 49 postmen and women are attacked each week across the UK. Some of these attacks lead to permanent and disabling injuries. Following an attack, we support our people in securing a prosecution and assist with their physical and mental rehabilitation.

To find out more about our campaign with advice on how dog owners can reduce this risk → visit www.royalmail.com/personal/dog-awareness

This year we were proud to be awarded the Mental Health Wellbeing Strategy of the Year award at the Workplace Savings and Benefits Awards. We also won two awards at the International Institute of Risk and Safety Management (IIRSM) Risk Excellence Awards, winning Change Programme of the Year and Health & Wellbeing Strategy of the Year.

⁵ We report the total number of employee and third-party fatalities that have occurred in connection with Royal Mail's business activities during the reporting year. This includes fatalities from incidents occurring on Royal Mail premises, and with Royal Mail vehicles. A full definition is available in our Reporting Criteria

⁶ A rollaway incident occurs when a vehicle or trailer moves in an uncontrolled manner, independent of the driver

⁷ The 2018-19 GLS LTAFR has been restated following an update to the hours worked

IMPROVING HEALTH AND WELLBEING

Supporting the health and wellbeing of our people plays a major role in our people strategy. We have an extensive range of programmes and tools in place to support our employees' wellbeing.

This year our level of sickness absence saw a slight increase to 5.87 per cent, compared with 5.41 per cent in the previous year. We focus our attention on the issues having most impact on our employees, in either the short or long term. This means placing most emphasis on:

- respiratory issues, including flu and cold symptoms;
- musculoskeletal injuries; and
- mental health.

Respiratory issues, including flu and cold symptoms

One of the main causes of short-term sickness absence for our employees, relates to flu-like symptoms, chest infections and colds. We offer all employees free flu jabs to support their physical health, especially through winter, when flu is more prevalent.

Musculoskeletal injuries

Musculoskeletal injuries continue to be another leading cause of both short-term and long-term absence among our people. The most common absences relate to back pain, and knee, ankle and foot injuries. We continue to expand on the information available to employees, to help prevent these types of injuries from occurring. This is available on a dedicated intranet page for musculoskeletal disorders. We encourage colleagues to visit the page through regular internal communications, making full use of our range of channels. The page includes information about what musculoskeletal disorders are, how they can be prevented and how to manage problems if they arise. Work area-specific guidance is also included.

Mental health

Mental ill health remains one of the leading causes of long-term sickness absence in our employees. We are committed to offering practical support to any employees who are affected by mental health issues, whether directly or indirectly. We aspire to develop a culture where individuals feel supported and informed to take ownership of their own health, physical or mental. We want our people to be able to work every day feeling their best.

We recognise the wider role we can play in communities through a positive impact on health. Protecting and improving the health of our workforce is beneficial for our people and our business. It also delivers economic and social benefits to the communities we serve.

Our five-year mental health strategy 'Because Healthy Minds Matter' combines Groupwide programmes and local activity to support healthy minds with four clear objectives:

– Increase awareness

- Our Feeling First Class website, which provides our employees with resources including a stress measurement tool, fitness programmes and healthy recipes, now has over 54,000 employees registered on the site.
- Our 'Because Healthy Minds Matter' e-learning course has been completed over 10,500 times by employees, of which the majority are managers.

– Reduce the stigma

- We are committed to 'Target', an international campaign that focuses on mental health in the workplace.
- Royal Mail, along with our unions (CWU and Unite/CMA), signed the Time to Change Pledge. We were the first organisation to do so.
- More than 8,000 employees have viewed our series of mental health films, developed in partnership with the Mental Health Foundation.

– Provide tools and guidance

- We introduced new stress guidance, an individual stress risk assessment, and an online Stress Tool to monitor issues such as work overload, role conflict and individual factors such as personality and family problems.

– Where to go in a crisis

- Our First Class Support employee assistance helpline is available 24/7 for all employees. This year, we have seen an increase of 11 per cent in calls. Of all calls received, more than half resulted in a mental health assessment taking place. Similar forms of employee assistance are available in GLS, for example in France and Belgium.

INVESTING IN OUR PEOPLE

Royal Mail provides the best terms and conditions in our industry in the UK. Fair employment conditions are the foundations of how we do business.

We offer permanent employees a competitive salary, National Insurance contributions, paid holiday and a good pension. Around 99 per cent of our employees are on permanent contracts.

At Christmas, we recruit additional temporary workers to support the business during this busy period. These temporary workers are eligible for statutory sick and holiday pay. They are not tied to working for Royal Mail exclusively.

Supporting family life and work life balance is important to Royal Mail. We want our employees to have a positive experience at work, including when they have a family. Our generous policies are there to support our people during their pregnancy and maternity leave, adoption leave, shared parental leave, paternity leave, parental leave and during their return to work. Specifically, our policies for maternity and adoption leave offer our employees up to 26 weeks of fully paid ordinary leave. We also provide support through our special leave guidance, when our people need to take time off to deal with personal commitments.

We believe that better labour standards lead to better service standards for all customers. We continue to work with Government in relation to better labour standards across the industry.

Learning and development

We believe that commitment to learning and development drives results across our business. We offer learning and development opportunities to colleagues at all levels of our organisation. We aim to provide the tools, knowledge and resources for people to have fulfilling careers at Royal Mail. In 2019-20, we invested £7.4 million in training, equating to around 20,000 training days.

Across Royal Mail Group, we continued to deliver a range of learning and development programmes. These included technical health and safety, compliance and job-specific training. We want to empower all our people to take control of their learning and development. In the UK, we encourage our people to use our online learning platform, Success Factors. Employees are able to register on a wide variety of courses through the platform, such as Driver Certificate of Professional Competence (DCPC) modules, and courses to develop communication skills.

GLS subsidiaries have their own processes for employees to invest in their learning and professional development. For example, at GLS Belgium, employees attend several face-to-face operational training courses. Depending on their role, some employees will also use online learning tools. It is important that employees feel fully supported and able to integrate with their colleagues, wherever they come from. To support this, GLS Denmark and Netherlands offer language courses for employees who are not native speakers.

Investing in the future

Apprenticeships and graduate schemes are key to bringing new and diverse talent into the organisation. In 2019-20, 360 employees were enrolled in our apprenticeship schemes. Our programmes include opportunities in technology, logistics management and engineering.

We have been highlighted as a leading employer for Apprenticeship Levy transfer by the Education and Skills Funding Agency (ESFA). This year we transferred over £1.2 million of our Apprenticeship Levy allowance to funding apprenticeships for our charity partner Action for Children, the Ambulance Service and Seashell Trust.

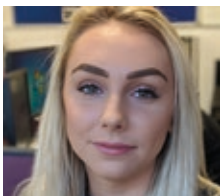
Royal Mail offers paid internships to undergraduate and postgraduate students in our Engineering function. We offer graduate programmes across a number of functions. This year we welcomed 50 graduates onto our programmes. We provide leadership development to both our graduates and higher apprentices. Our higher apprentices are those completing Level 4, 5, 6 or 7 apprenticeships⁸. → visit <https://earlycareers.royalmailgroup.com> for further information

We continue to partner with the University of Warwick to deliver our Master's degree apprenticeship for aspiring senior leaders. The programme supports managers to make a smooth transition from middle to senior roles. It is tailored to each individual's career path. In addition, we provide our executives the opportunity to complete an MBA with Henley Business School. We currently have seven individuals on the MBA programme, which was introduced in September 2019.

GLS Germany's Management Development Programme has been in place since 2012. It aims to prepare talented young staff for management positions. The participants come from all areas of the organisation. GLS Germany also offers a business management programme. It prepares junior managers for leadership positions within the company. Successful graduates can go on to complete a Bachelor's degree and have their acquired credits recognised by universities.



The level of support and guidance I've received already is amazing and I feel a valued member of the team.



Ellie Phillip
Apprentice account manager
in our Sales team

⁸ Level 4, 5, 6 or 7 apprenticeships are generally considered equivalent to an NVQ Level 4, foundation degree or the first year of an undergraduate degree, Level 6 being a full degree and Level 7 a Master's degree

A DIVERSE AND INCLUSIVE WORKFORCE

Royal Mail believes that diversity involves more than just a workforce with representation from a wide variety of groups. It also involves giving every one of those groups a voice and valuing the contributions from all of our people. We strive to create a welcoming, inclusive, fair and respectful working environment.

During the year, we replaced our Diversity Council with an Inclusive Action Steering Group (IASG). The IASG, which was chaired by Stuart Simpson, interim CEO Royal Mail (UKPIL), included senior management from Royal Mail. The level of senior involvement is testament to how serious we are about diversity and inclusion. The group met every two months to define the direction of our inclusivity programme, focusing on how we influence the whole diversity and inclusion agenda across our employees, our customers and our suppliers.

OUR UK WORKFORCE



50%

of our Board
are female

32%

of our senior managers
are women

2,600

women were hired into new
operational grades

19%

of our workforce overall
are women

ETHNIC DIVERSITY



14%

of our employees declared
themselves to be from
Black, Asian or Minority
Ethnic (BAME) backgrounds⁹

12

BAME people mentored
by BITC Mentoring
Circles programme

DISABILITY



13%

of Royal Mail
employees described themselves
as having a disability⁹

LGBT+



1%

of our people
described themselves
as transgender⁹

5%

identified as lesbian, gay
or bisexual⁹

PARENTS AND CARERS



28%

of respondents said that
they have childcare
responsibilities⁹

9%

told us that they
have other caring
responsibilities⁹

AGE



48%

are over 50

8%

are under 30

⁹ Data taken from our 2018-19 Employee Survey

CELEBRATING DIVERSITY

The key to ensuring our people feel engaged is to create a welcoming and inclusive environment for everyone. In 2019-20, we celebrated festivals and events from around the world to raise awareness throughout the year. These included International Women's Day, National Carers Week, Black History Month and International Day of People with Disabilities.



Supporting our BAME colleagues

Royal Mail's ethnic profile is broadly representative of the UK population. Fourteen per cent of our employees declared themselves to be from Black, Asian and Minority Ethnic (BAME) backgrounds in our 2018-19 Employee Survey. We want to ensure our business is a place where BAME colleagues can achieve their potential.

Royal Mail is an inaugural signatory of Business in the Community's (BITC) Race at Work Charter. We participate in BITC's Mentoring Circles programme, which offers BAME colleagues an opportunity to be mentored by someone within our organisation. We are also part of BITC's external mentoring programme. Through this, colleagues can be mentored by someone from another partner organisation.

Career progression is a key focus as we work towards improving the representation of colleagues from BAME backgrounds across all levels of the business. To support this, we have a separate Spring Forward programme for male and female BAME colleagues. This year, 26 managers attended Spring Forward workshops. They focus on personal development and aim to give colleagues the skills, knowledge and confidence to advance their careers.

In addition to our mentoring programmes, this year we held a series of focus groups to understand the challenges for BAME colleagues in our senior levels. We are using the feedback to help design Inclusive Leadership workshops, and to establish new ethnic diversity targets towards 2024.

Black History Month celebrates the contributions and experiences of the BAME community. In October 2019 we hosted an all-day event at the Phoenix Centre in London with an exhibition of art from local students, a screening of landmark drama, Hidden Figures, and a raffle in aid of the Sickle Cell Society. The raffle raised £600 for the Sickle Cell Society – a charity that works to tackle a disease which predominantly affects people of African heritage.

Gender diversity

Royal Mail understands the importance of diversity at Board level. We are proud to have achieved the target set out in the Hampton-Alexander review to have 33 per cent female representation on our Board. As at 24 June 2020, females made up 50 per cent of the Royal Mail plc Board.

In 2019-20, Royal Mail was proud to be named as one of The Times Top 50 Employers for Women for the sixth consecutive year¹⁰. Everywoman is an online platform that forms part of our strategy to increase the number of women in management.



Since taking on the role of BAME sponsor in February, I have seen real passion amongst our people to help make Royal Mail a truly inclusive place to work. However, there is still a lot that needs to be done. We have a clear commitment to zero tolerance to any form of racism or discrimination.

Pooja Bagga, IT Director, RMG operations and executive sponsor of the BAME Steering Group

¹⁰ After the end of the 2019-20 reporting year, in July 2020 we were pleased to be included as a Times Top 50 Employer for Women for the seventh consecutive year

We want to give internal candidates the confidence to apply for promotions. The platform hosts webinars, workshops, articles, videos and webcasts. To date there are over 1,700 members.

GLS Germany takes part in a nationwide project sponsored by the German Federal Ministry of Family Affairs, Senior Citizens, Women and Youth. It offers school-aged girls and boys an opportunity to visit its premises for a day and learn about the different types of roles within GLS.

Inclusive recruitment and development

We continue to take steps to make our recruitment process more inclusive and accessible. We are committed to recruiting diverse talent, so that our workforce reflects the communities we serve. We collect diversity information when we recruit people, and also via our annual Employee Survey. In our 2019 survey, over 87 per cent of applicants were willing to disclose their gender identity, sexual orientation, childcare and caring responsibilities.

This year, GLS Denmark was awarded with a CSR People award. The Horsens depot worked with a local job centre to create a more inclusive recruitment approach for residents. GLS offered a 14-day internship to local people to give them the opportunity to meet current employees and determine whether the opportunity was right for them. From the 27 offered an internship, 26 were permanently employed.

In the UK, we work with external organisations including BITC and VERCIDA, to ensure that our employment opportunities are visible and accessible to everyone. Similar partnerships are in place at GLS. For example, GLS Spain works with local charity La Calaixera to provide its clients with work experience.

The UK's Disability Confident scheme was launched in November 2016. It supports the Government's commitment to having one million more disabled people in work by 2027. Royal Mail is proud to be part of this scheme and achieve Disability Confident Employer status. We are committed to supporting disabled applicants and those with long-term health conditions, from the point of application and throughout their employment with Royal Mail. Approximately 13 per cent of our employees describe themselves as having a disability. As well as our disability helpline, we continue to ensure all Operational managers undergo mandatory Disability and Reasonable



CAITLIN SLADE

Caitlin, an apprentice vehicle technician in our Fleet team, won the top prize at the Everywoman in Transport & Logistics Awards 2019 for Apprentice of the Year.

Adjustments training. This is to ensure they are confident and effective in supporting colleagues with disabilities.

Royal Mail has been a founding member of the Business Disability Forum for 29 years. This year Dr Shaun Davis took a position on the Board, reinforcing our commitment to recruit, retain, and provide inclusive products and services to our disabled employees.

We can also provide a British Sign Language interpreter for employees on request. This year, we have assisted hearing impaired colleagues with an interpreting service on around 2,600 occasions.

ENSURING DIGNITY AND RESPECT IN THE WORKPLACE

Royal Mail is dedicated to ensuring a workplace where everyone feels respected and able to succeed. Our bullying and harassment policy was developed in consultation with the CWU and Unite/CMA. The policy sets out our formal procedure, how to raise concerns, and the support available for resolving issues. Our managers are trained to investigate all claims of bullying and harassment in any form.

In 2019, we launched a review to analyse our bullying and harassment statistics across the organisation, to ensure no group was disproportionately represented. In 2019-20 we saw a six per cent reduction in bullying and harassment complaints, compared with 2018-19. Eighty four per cent of disputes were successfully resolved through in-house mediation.

OUR GENDER PAY REPORT

We believe that all our people should be rewarded fairly for their work, regardless of gender. Every year, we conduct a Company-wide review of pay for men and women in our UK business. Our 2019 Gender Pay Gap Report found that average salaries paid to men and women are broadly the same. On a mean basis, women are paid 2.1 per cent less than men. On a median basis, women are paid 3.5 per cent less than men. The small gap is due to more men being in work that qualifies for allowances, such as shift work during the evening or night. We pay bonuses equally to men and women on a median basis. On a mean basis, our Bonus Gap is 24.6 per cent in favour of women.

Our Gender Pay Gap Report provides further information: www.royalmailgroup.com/en/responsibility/our-people/

PRIORITIES FOR 2020-21

- ☒ Continue to raise awareness and provide education and support for mental health in line with our five-year mental health strategy.
- ☒ Deliver Inclusive Leadership workshops to all our leadership population, to embed intersectionality and drive diverse teams in all departments and at all levels.

OUR COMMUNITIES

£5.7 billion

This year Royal Mail directly contributed £5.7 billion to the UK economy¹

7th largest

Royal Mail made the 7th largest contribution of any UK company to the UK economy¹

£2.8 million

Our UK colleagues donated £2.8 million to hundreds of charities and good causes

¹ Cebr research, conducted for Royal Mail in May 2020

OUR UK PAYROLL GIVING SCHEME

Our payroll giving scheme is one of the largest in the UK. It holds the Platinum-level Payroll Giving Quality Mark. Since its launch in 1989, the scheme has contributed over £64 million to charity. This year, 2,900 colleagues donated over £113,000 to Action for Children through the scheme. In addition, more than 30,500 of our people gave a further £2.3 million to over 1,800 national and local charities. These included the County Air Ambulance Trust, Cancer Research UK and Barnardo's.

KPIs

Charity partner fundraising² (£)

| | |
|---------|---------|
| 2019-20 | 528,750 |
| 2018-19 | 845,185 |
| 2017-18 | 220,741 |

Colleague community engagement (donations from employees)³ (£ million)

| | |
|---------|-----|
| 2019-20 | 2.8 |
| 2018-19 | 3.1 |
| 2017-18 | 2.7 |

Managers trained on mental health⁴ (number)

| | |
|---------|-------|
| 2019-20 | 678 |
| 2018-19 | 912 |
| 2017-18 | 8,995 |



² 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 was our charity partner in 2016-17 and 2015-16

³ Colleague support for charities through payroll giving, matched giving and fundraising

⁴ Managers trained on mental health was a new KPI for 2017-18. It reflects our increased focus on mental health through our charity partnerships and wellbeing programme. In 2018-19, the Because Healthy Minds Matter e-learning was made available to all employees through our Feeling First Class portal. This metric shows the number of employees who have completed the training, of which the majority are managers

We are a valued and trusted part of our communities. Delivering economic and social benefits to the communities we serve is one of the key objectives of our corporate responsibility strategy. We use our core business competencies, people and brand to benefit good causes.

Our social and economic impact

As the provider of the UK's Universal Postal Service, Royal Mail is in a unique position to play an integral part in the UK's economy. In 2019-20, we made the seventh largest contribution to the UK economy of any UK corporation.

We make a major social and economic contribution through our support for e-commerce. We deliver a significant proportion of items purchased online in the UK. The digital economy is crucial to the UK's economic future. UK residents spend more money online per person than any other major European country⁵.

Royal Mail is a key delivery partner for SMEs. The Universal Service provides value for money, depth of coverage and convenience. It enables SMEs to send and receive goods at affordable prices, irrespective of volumes. This helps them to compete with large businesses: facilitating competition and choice for consumers.

In 2019-20, Royal Mail contributed £2.3 billion to the UK economy through our spend on goods and services. Over 35 per cent of new contracts were awarded to SMEs this year.

We employ one in every 194 people in the UK. We make a significant contribution to social inclusion by providing employment opportunities in areas where there are fewer job opportunities.

CEBR

We commission the Centre for Economics and Business Research (Cebr) to carry out regular impact assessments of our UK business. We used 2019-20 financial performance data to quantify our contribution to the UK economy. Cebr's methodology can be found on our website at:

→ www.royalmailgroup.com/en/responsibility/policies-and-reports/

⁵ E-commerce in Europe, PostNord, 2019

OUR UK SOCIAL IMPACT

Our employment spans all four nations:

141,500

employees across the UK

67,400

jobs are indirectly supported by Royal Mail in the wider economy

£1.74 billion

contributed in taxes to HM Revenue and Customs

ECONOMIC IMPACT

£5.7 billion

directly contributed to the UK economy by Royal Mail

7th largest

contribution to the UK economy of any UK company (in terms of gross value added)

£10.6 billion

of gross value added by Royal Mail (UKPIL)

Cebr research, conducted for Royal Mail in May 2020

THE UNIVERSAL SERVICE

The postal USO is a highly specified, longstanding UK Universal Service. As the physical delivery arm of e-commerce in the UK, it is a key part of the country's broadband economy. COVID-19 has again demonstrated the key role that the USO is playing in connecting companies, customers and communities across the nation. The postal USO is also the Post Office's main customer and is therefore key to ensuring its sustainability as well.

The unique structural circumstances relating to the USO, however, remain very much in place. Ongoing, and significant, structural decline in letters is coupled with intense competition in parcels. The USO operates in a fragile ecosystem. There are significant risks to it, particularly in relation to its financial sustainability. Royal Mail has noted these risks before in a number of submissions to the Regulator and the Government.

Providing the Universal Service means being able to deliver to nearly 31 million addresses, six days a week. This requires high volumes – and revenues – to fund doing so. But, given the decline in letters, in the last ten years or so, the average number of items per address has almost halved from two to nearly one. At the same time, the ability of the regulated business to make profits to sustain itself – the USO is entirely market funded, with no Government funding – is coming under significant strain. In the last five years, the profits made by the Reported Business have fallen by about 95 per cent. It is expected to be loss-making in 2020-21.

Ofcom is continuing its User Needs Review. We believe that many of the key USO features are valued by consumers and SMEs. They include uniformity, universality, affordability and measurability. But, they all have to be paid for at a time when COVID-19 has exacerbated the underlying problems facing the USO. For example, since the beginning of this financial year (2020-21) letter volumes have declined about 33 per cent, around four times the decline rate we saw in 2019-20⁶.

For its part, Royal Mail has a stretching self-help programme in place. This involves significant investment in the Universal Service when our finances are under challenge; we expect to be materially loss-making in the UK this year. In addition, we plan to address the very specific challenges presented by COVID-19.

We do not believe, however, that successful delivery of our transformation and COVID-19 mitigation plans will be enough in themselves to underpin the long-term sustainability of the USO.

That is why, alongside engaging with our unions on our own plans to put Royal Mail in a better position, we are working with the Regulator and Government on the Universal Service.

This is all about ensuring it is financially underpinned, in a sustainable way, and future-proofed to meet customers' changing priorities. Royal Mail will engage with many stakeholders on a USO for the 21st century. From its own, detailed research, the Company anticipates that many of the current features of the USO should remain in place, subject to regulatory and Government approval. We look forward to the debate and engagement to come, including ensuring the Universal Service has the requisite financial resources to sustain itself.



KEY FACTS

- Providing the Universal Service requires us to deliver to nearly 31 million addresses, six days a week.
- Our regulator, Ofcom, sets Quality of Service targets for First and Second Class mail, which Royal Mail must publicly report on.
- Through c.1,200 Customer Service Points, c.115,000 postboxes and over 11,600 Post Office branches across the country, we are the UK's most accessible delivery operator.
- Around 80 per cent of UK addresses are within one kilometre of a Royal Mail parcel access point.
- E-substitution, where physical mail is replaced with electronic alternatives, is driving the decline in letter volumes. Since the beginning of the current financial year (2020-21) letter volumes have declined about 33 per cent, around four times the decline rate we saw in 2019-20⁶.

⁶ Between 30 March and 28 June 2020, addressed letter volumes (excluding elections) were down 33 per cent compared with the prior year. This was a result of the COVID-19 outbreak, which significantly impacted advertising mail and business mail volumes

KEEPING COMMUNITIES CONNECTED

In March 2020, the UK was largely placed into lockdown – with the exception of essential services – in an effort to contain the COVID-19 outbreak. Royal Mail played a hugely important part during this time, keeping our communities connected. Our postmen and women went above and beyond; not only to provide our essential service, but to offer help where they could.

Despite the lockdown and the additional pressures that colleagues were experiencing, our people continued to support their local communities. From fancy dress to cheer up their customers, to checking in on those most isolated, our colleagues used their role as key workers to lift spirits and keep delivering.



On 17 April we launched a national campaign with two key objectives for the business in response to the COVID-19 pandemic:

- 1) Protecting our people: health first.
- 2) Connecting communities

The campaign was designed to remind customers to observe the Government's social distancing rules while enabling the public to acknowledge and thank postmen and women while out on delivery – **by greeting them with a simple thumbs up**. Thousands of members of the public got involved with the campaign with videos, drawings and messages from children from all corners of the UK.



“It's a part of what we do as postmen and women. You know who's vulnerable and you try to help as much as you can. Everyone is keeping their distance so we do as much as we can and go that little extra for some people.”



Postman **Geoff Sacklyn** was thanked by customers in Clevedon for checking on residents and ensuring their welfare during the ongoing coronavirus pandemic.

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 more than 500 years. Our heritage provides a unique opportunity to educate and inspire.

This year, Royal Mail contributed £5.2 million to good causes and charitable schemes. This includes matched giving for colleague fundraising and the cost of our Articles for the Blind service. In addition, our colleagues raised £2.8 million for charity. This equates to a total of £8 million of community investment in 2019-20.

Our community investment 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 programmes utilise our national scale and collective size. We support causes where we can make a significant impact in society. In 2019-20, our annual Operations Fundraising Challenge raised over £180,000 for our current charity partner, Action for Children. Royal Mail provided £150,000 of matched giving.

Use our local presence

Our ongoing partnership with Missing People supports the search for vulnerable, high risk, missing people. Through our network of handheld Postal Digital Assistants (PDAs), we are able to send location-specific missing people alerts to postmen and women across the UK. This year we issued 31 alerts, with 27 people being found safe and well.

Unlock potential through education

Royal Mail is committed to helping young people reach their full potential. We support this commitment through our ongoing partnership with the Postal Museum, which provides primary schools with guided visits and tours. This year, almost 7,000 children visited the museum. In 2019-20, three volunteers from our Mount Pleasant site volunteered 146 hours of their time to support tours in the museum. To support literacy in the classroom, we have developed several online resources. During 2019-20 our online resources were downloaded over 1,000 times, reaching an estimated 54,300 pupils.

→ www.royalmailgroup.com/en/responsibility/education



On behalf of my family, 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.

Missing person family member



THE STROKE ASSOCIATION

From 2013-2016, our main charity partner was the Stroke Association. We raised £2 million for the charity to fund Life After Stroke grants. The grants provide stroke survivors with the funds to pay for vital home improvements and activities to help them with their recoveries. These grants are still being accessed today. In 2019-20, £385,216 of grants were distributed across the UK. In March 2020, in light of the COVID-19 pandemic, we worked with the Stroke Association to move £100,000 of the remaining grant budget over to an emergency fund, which will support those affected by the virus to help with emergency funds for food and household bills.



CAN'T TALK, WRITE

In April this year, together with our charity partners Action for Children and The Prince's Trust, we launched a special toolkit to support young people through lockdown. The toolkit was created to help children, young people and their parents/carers put pen to paper to support their mental health during and beyond the current pandemic.

Research reveals that children and young people believe a 'writing break' can significantly improve their mental health and emotional wellbeing. Nearly half (46 per cent) of children and young people said that writing things down made them feel better about something that had made them sad. Since launch the toolkit has been downloaded over 2,400 times. The toolkit is available to download here:

→ www.royalmailgroup.com/en/responsibility/education

PARTNERING WITH ACTION FOR CHILDREN

Our strategic community partnerships for 2019-20 have supported our multi-year campaign for mental health, 'Because Healthy Minds Matter'. In the UK, we partner with Action for Children. Research shows that every year one in four of us will develop mental health issues. It is one of the leading causes of long-term illness among our employees. Our campaign focuses on the actions we can take to make a positive difference to our employees' mental health and that of communities across the UK.

Our campaign has five key objectives:

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

In December, we focused our internal communications about mental health on the support available to our people. Our Feeling First Class support helpline provides free and confidential employee assistance and manager coaching. Read more on page 25.

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

We use our in-house expertise to support charities where resource can be limited. This year we matched Action for Children's marketing team with senior members of our Digital and Insight team. They worked on a project to improve the user experience for those wishing to become foster parents.

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

We use our postmarks to support charities and good causes across the UK. In 2019, our postmarks featured on over 350 million items, including for World Mental Health Day and Mental Health Awareness Week.

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

This year our employees raised a total of £385,000 for Action for Children. Funds raised are used to deliver better youth mental health through the Blues programme.

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

In June this year, colleagues from Group Legal and their suppliers came together to take part in the Great Cloud Walker Challenge in the Peak District. The group raised over £8,000 for Action for Children. In addition, colleagues in the Group Procurement team hosted a pub quiz in May with many of its suppliers, raising £3,500 for Action for Children.



The Blues Programme

One of the key ways we have addressed the objectives of our mental health campaign is through our partnership with Action for Children. Our people have raised around £1.8 million so far, including matched giving from Royal Mail, to fund an innovative mental health programme in schools called 'The Blues'.

The Blues is a six-week course for young people aged 13-19. The programme aims to reduce the signs of adolescent low mood and negative thoughts. A large percentage of young people who have completed the programme showed an improvement in their mental health and emotional wellbeing, with a specific decrease in depression.

This year, 3,279 young people have completed the programme; over 5,200 since the programme was launched. This is the first time a preventive mental health initiative of this scale has run in the UK.



81%

of young people reported they had increased confidence



72%

reported they had improved relationships in school



76%

reported they had increased level of self-esteem



79%

would now be able to talk about their mental health and wellbeing



I still use most if not all of the techniques I learned in the Blues Programme. Things have definitely changed for the better. I'm more confident and I find it much easier to talk about how I feel with my peers and adults. I find it easier to deal with stressful situations and not let failure affect me negatively too much.



Gabby, Blues
Programme participant

REACHING OUR LOCAL COMMUNITIES

Our people have strong connections to the communities they serve. We empower our people to support causes that are important to them, through a range of initiatives.

Charity partner matched giving

We match money raised by colleagues for our main charity partner, up to £2,500 per employee.

Pennies from Pay matched giving

We match penny for penny any money donated through pennies from pay to our charity partner, up to £2,500 per year.

Community matched giving

We match money raised by colleagues for all other charities and good causes, up to £200 per employee.

Grant schemes

This year, we supported around 50 charities through volunteering and fundraising grants. We offer colleagues grants to help cover the cost of materials used to organise events. In 2019-20 we distributed over 90 grants supporting approximately 3,350 beneficiaries.



COMMUNITY CHAMPION

In May 2019 **Tim Hyde**, Community Champion at Medway Mail Centre, was crowned 'Outstanding Employee in a Charity Partnership' at the Business Charity Awards.

Tim and his colleagues regularly access our match giving and grant schemes to support local schools and charities near the centre.



Although I don't do what I do for any reward, to be recognised in this way meant the world to me.



Tim Hyde

Community Champion at Medway Mail Centre

GLS WORKING IN THE COMMUNITY

GLS has a Group objective to achieve sustainable economic success in accordance with the protection of the environment, now and in the future.

Dicom

In Canada, GLS subsidiary Dicom has partnered with Moisson Montréal for more than 20 years. In the run-up to Christmas, employees collect food donations, which are then passed on to families in need.

GLS Denmark

GLS Denmark supports vulnerable children through a voluntary initiative. Teddy bear moms around the country make teddy bears to pass them on to children in need of a new best friend when staying in a home away from home. GLS Denmark picks up the teddy bears and then transports them to the respective homes.



COMMUNITY INVESTMENT THROUGHOUT THE YEAR

Royal Mail plc

37

Corporate Responsibility Report 2019-20

Our people are involved in our community investment programme all year round. From fundraising hikes to Letters to Santa, our people play a huge part in supporting their local community.



APRIL

The Rowland Hill Fund provides support to current and former Royal Mail employees who fall on hard times. In 2019-20, the fund provided over 400 grants totalling over £417,000. Employees donated a further £90,000 through payroll giving.



MAY

Together with Caritas, GLS Germany used International Parcel Day to show its support for inclusion. GLS and the charity took part jointly in Europe's largest family celebration for people with and without disabilities.



JUNE

Postman Barry Davies from Lampeter Delivery Office raised more than £7,800 after walking 870 miles for Cancer Research UK.



JULY

Our annual Operations Challenge ended in July. Colleagues across the business raised over £180,000 for Action for Children. Royal Mail matched this with £150,000 for the charity.



AUGUST

Royal Mail Group is proud to be a signatory of the Armed Forces Covenant. In August 2019, Royal Mail received the Ministry of Defence's highest badge of honour – the Employer Recognition Scheme Gold Award – for our support for the Armed Forces community.



SEPTEMBER

Colleagues from Southampton Mail Centre abseiled down Spinnaker Tower and raised £2,670 for Action for Children.



OCTOBER

We celebrated two years of the Blues Programme. We have reached over 5,200 young people since the programme started in October 2017.



NOVEMBER

We provide annual financial support to the Postal Museum to help it maintain its archives. It hosts a huge amount of information about how the General Post Office supported the First and Second World Wars. Each Remembrance Day, Royal Mail provides employees with materials to host commemorative services.



DECEMBER

Royal Mail once again helped Santa manage his thousands of letters from children across the UK with our free Letters to Santa service. It encourages children to develop their literacy skills by writing and posting their Christmas wish list.



JANUARY

We announced our partnership with Action for Children was extending to December 2020.



FEBRUARY

We launched this year's graduate fundraising challenge. Graduates have been tasked to raise over £19,000 to support Action for Children's Blues Programme.



MARCH

The Post Office Orphans Benevolent Institution (POOBI) fund provides support for current and former Royal Mail employees, focusing on families that fall on hard times. In March, a beneficiary of the fund graduated university as a nurse thanks to funding provided by POOBI towards her fees.

PRIORITIES FOR 2020-21

- ☒ Meet our aim of raising £2 million to fund the Blues Programme with Action for Children.
- ☒ Continue to drive employee engagement by supporting our employees' fundraising and volunteering efforts.
- ☒ Identify social issues that we would like to address with a new charity partnership from 2021.

OUR BUSINESS STANDARDS

99.7%

This year, almost all (99.7 per cent) of Royal Mail managers assigned the annual compliance training completed it. The training also includes attesting that they comply with our Business Standards

20 languages

The GLS Code of Business Standards is made available in 20 different languages to ensure understanding and application in each of the countries in which GLS operates

OUR UK COMPLIANCE ACADEMY

In May 2019, we ran a Compliance Academy event for our Compliance Coordinators – business executives from across the organisation. Part of this Academy focused on how to build team cultures where individuals are comfortable to raise issues and concerns.

Our Compliance Coordinators also receive regular training throughout the year at the bi-monthly Coordinators' meetings. Issues covered include updates to procedures and guidance, training on particular risks (such as attending industry events with competitors) or updates on our Speak Up hotline.

KPIs

Royal Mail managers trained on anti-corruption policies and procedures [%]

| | |
|---------|-------|
| 2019-20 | 99.7% |
| 2018-19 | 100% |
| 2017-18 | 99.9% |

Breaches to our Business Standards (number)

| | |
|---------|-------|
| 2019-20 | 2,787 |
| 2018-19 | 2,473 |
| 2017-18 | 2,568 |



Our Group purpose, to ‘Connect customers, companies and countries’, places us at the heart of community life. Our customers trust us to deliver for them. Maintaining their trust – and the trust of all our stakeholders – is fundamental to our success. We are committed to operating with integrity to safeguard our reputation and protect our valued place in society.

Our approach to business integrity

Our overarching business policies set out our approach to responsible business conduct. These include our Company-wide Corporate Responsibility Policy and our Business Standards.

Corporate Responsibility Policy¹

Our Corporate Responsibility Policy sets out the environmental, social and governance (ESG) principles that underpin our approach to business and help us deliver sustainable shareholder value. It applies to both Royal Mail and GLS, and anyone who performs services for, or on behalf of, the Group.

In addition, the policy outlines the key commitments we apply to our business, including the UN Global Compact Principles and the UN Guiding Principles on Business and Human Rights.

Royal Mail's Business Standards¹

Our Business Standards for Royal Mail in the UK outline the behaviours we expect to see in our people. They are about doing the right thing, following the law, acting honourably and treating others with respect. They help us to do the best job we can for our customers, keep our people safe and protect our reputation.

All new UK employees receive a copy of our Business Standards. Our Standards are discussed during employee inductions within the first eight weeks of joining. They are communicated to all employees every three years, or whenever changes are made.

This year, almost all (99.7 per cent) of Royal Mail managers assigned the annual compliance training completed it. The training also includes attesting that they comply with our Business Standards.

We regularly engage our employees around our Business Standards. For example, through a series of videos containing guidance on incorporating the standards into daily situations and routines at work. We share regular updates and reminders throughout the year via a range of communication channels, including WhatsApp, and Listen and Learn sessions. We also actively encourage employees to report any suspected wrongdoing via our ‘Speak Up’ hotline. It is available 24 hours a day, every day of the year.

GLS' Code of Business Standards²

GLS' Code of Business Standards covers the same topics as Royal Mail's Business Standards. The Standards are tailored to reflect the different types of business they cover. GLS' Code outlines the values and standards of behaviour that it expects from its employees and subsidiary companies. The Code is available in 20 different languages for all GLS employees

and business partners. It is supported by a dedicated GLS whistleblowing policy and hotline. This is for the reporting and investigation of allegations of violation of its Code of Business Standards. GLS encourages employees, business partners and third parties to report, in confidence, any concerns they have.

We take the Royal Mail and GLS Business Standards, codes and policies seriously. We deal with any potential breaches in our UK business via our Conduct Policy. Any finding of misconduct could result in action, in accordance with applicable local law, up to and including dismissal. In 2019-20, 2,787 breaches to our UK Business Standards were recorded and closed, covering issues such as the failure to follow workplace practices. In around 25 per cent of cases, the employee concerned was either dismissed or issued a suspended dismissal.

SUPPORTING POLICIES AND TRAINING

Our overarching policies are supported by a suite of subject-specific policies, including detailed guidance for employees. These include: anti-bribery and corruption; data privacy and protection; lobbying and political engagement; and whistleblowing. Policies are in place for both Royal Mail and GLS. The policies – and their coverage – are set out in more detail on the following pages.

Anti-bribery and corruption

Royal Mail Group has a strict zero-tolerance policy towards bribery and corruption. Our policy, based on the UK Bribery Act 2010, sets out the standards of behaviour we expect to minimise the risk of bribery and corruption in our business and supply chain. The policy applies to both Royal Mail and GLS, and anyone performing services on our behalf.

RAISING CONCERNS

Royal Mail's UK whistleblowing hotline, Speak Up, allows our people to raise concerns confidentially about serious wrongdoing (anonymously if they wish), with no detrimental treatment as a result of raising a concern (e.g dismissal, disciplinary action, threats or unfavourable treatment). It is available 24 hours a day, 365 days a year. It is also available to contractors, temporary workers, suppliers, business partners and their employees.

We continue to raise awareness and encourage our people to raise incidents of potential wrongdoing. Our compliance training and communications encourage our people to contact Speak Up.

GLS has a whistleblowing ombudsman system in place for the reporting and investigation of alleged violations. GLS encourages employees, business partners and third parties to report in confidence any concerns they have about criminal acts and other serious offences.

¹ Published online at www.royalmailgroup.com/en/responsibility/policies-and-reports/
² Published online at <https://gls-group.eu/GROUP/en/about-us/our-code-of-conduct>



Data privacy and protection

Royal Mail Group is committed to respecting our customers' and employees' privacy and protecting their personal data. Our privacy notices explain how we collect and use personal data and inform everyone about their privacy rights. We are dedicated to meeting the requirements of the data protection and privacy laws of every country and territory in which we operate. Our privacy notices are available online at
 → www.royalmailgroup.com/en/site/privacy-notice
 → <https://gls-group.eu/GROUP/en/data-protection.html>

Our approach to lobbying and political engagement

Royal Mail Group is a politically neutral organisation. As a matter of policy, we do not make donations to any political party. We engage with politicians and other stakeholders to ensure they understand the value that our service provides, and the relevant issues for our industry.

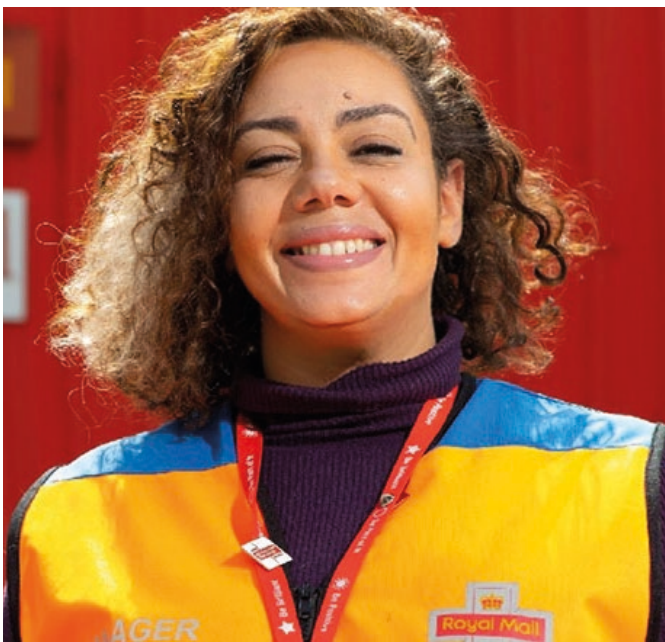
More information on our approach to responsible political engagement is available at

→ www.royalmailgroup.com/en/responsibility/our-approach/stakeholder-engagement/

Training and due diligence

Our employees complete training programmes tailored to their roles, to ensure they understand our approach and expected behaviours. These include mandatory annual compliance training, mandatory induction training, and specialist training for employees with specific responsibilities. For example, this year we provided training for Procurement team members and GLS employees with supplier management responsibilities. The training covered specific items to check when considering a new supplier, including modern slavery red flags. In addition, early in 2020-21 we rolled out new 'Leading with Integrity' training for our UK business. This training is for new people managers and aims to show them how to build a culture of compliance and ethics in their team.

Due diligence is undertaken on all potential new subsidiaries, joint ventures and intermediaries from which we procure services. This includes an assessment of compliance and labour standards to ensure they meet our standards. Where this is not the case, we require that they adopt the Royal Mail framework.



“

I found the training helpful as a new starter. It was an informative overview of Procurement's position in the business, and the high standards Royal Mail expects from us all, including our suppliers.

”

Tajinder Dhammi, UK Procurement Manager – Technology

The Audit and Risk Committee of the Board receives periodic assurance reporting on the effectiveness of the compliance framework, including anti-bribery and corruption controls. Senior leaders from each business unit are responsible for ensuring periodic risk assessments are undertaken and that identified risks are managed. Training is provided to Royal Mail Compliance Coordinators responsible for completing the risk assessment. Senior leaders are required to attest to our Group CEO that they are doing so, twice a year.

HUMAN RIGHTS AND MODERN SLAVERY

Royal Mail Group is committed to playing its part to uphold and protect human rights in our business and across our supply chain globally. We obey the laws, rules and regulations of every country in which we operate. We are committed to implementing the UN Guiding Principles on Business and Human Rights, as well as the UN Declaration of Human Rights and the International Labour Organization Fundamental Conventions. These cover freedom of association, the abolition of forced labour, equality and the elimination of child labour. We expect the same level of commitment from all our business partners, suppliers and contractors, and expect them to apply the same approach to their respective supply chains.

Our approach

Since 2016, we have conducted a series of Groupwide reviews, assessments and workshops with external compliance experts. These have enabled us to update and enhance our risk mitigation strategies.

This year, we completed a review of the risk of modern slavery incidents that have been reported to have affected other businesses, and their likelihood of occurring within our business. As a result, we have taken steps to broaden our compliance risk assessments by including new questions on human rights and modern slavery. Responsibility for completing the risk assessments sits with senior leaders from each business unit. The assessments, which are completed periodically throughout the year, help to ensure that we identify and mitigate arising risks.

Our assessments to date have focused on agency, contract and supply chain workers, where human rights issues are most likely to potentially arise. Potential issues could include forced labour, sub-standard working conditions, fair wages, discrimination, freedom of association and collective bargaining, health and safety, and privacy. We have checked our policies and procedures against these risks to ensure they are adequate and appropriately implemented. These include our Business Standards, our Groupwide CR Policy and Anti-Bribery and Corruption Policy, Responsible Procurement Code of Conduct, Supplier Values Brochure and our recruitment policies. These cover equality and fairness, as well as recruitment vetting and right to work guides.

We act on any identified human rights risks in our business or supply chain. For example, vehicle washing presents potential human rights and environmental risks for our business. The use of third-party vehicle cleaning services is considered high risk for human rights issues. However, washing our vehicles on site exposes us to environmental compliance issues. In the UK we are currently exploring options to reduce the use of third-

party vehicle washing services, in a way that helps to mitigate the identified risks. These include waterless vehicle washing, which enables our staff to keep vehicles clean without the need for traditional vehicle washing facilities to be available on site. After a successful trial in 2019-20, we are planning to expand our use of waterless vehicle washing in 2020-21 to cover more of our fleet.

The identified risk of human rights violations in our business has been assessed as being relatively low. However, we recognise that human rights violations, including forced labour and trafficking, can occur in all sectors and countries. As a responsible business, we are committed to playing our part to help eliminate them. Further information on the actions we have taken to tackle modern slavery risks in our business and supply chain is available in our Modern Slavery Statement → www.royalmailgroup.com

Working in partnership

We actively look for ways to help protect human rights, working in partnership with our customers, suppliers and other stakeholders. This year, Royal Mail continued discussions with the Shift Project and the British Retail Consortium (BRC) as part of their 'Respecting human rights in the logistics sector' project. The project seeks to deepen retailers' understanding of the pressures placed on the last mile delivery and the potential impact on those working in the industry. Along with the Shift Project and BRC, we met with several retailers to hold detailed discussions on our approach to human rights, health, safety and wellbeing, labour standards, and our workforce terms and conditions. We will continue dialogue in this area to support the project, share best practice and demonstrate how Royal Mail differs in its approach to others in the sector.

BUSINESS STANDARDS PRIORITIES FOR 2020-21

- ☒ Update the annual compliance training to make it more engaging, focused and easy to understand.
- ☒ Develop materials to be used to facilitate team discussions on compliance and ethics issues, such as encouraging people to speak up.

OUR SUPPLIERS

3,400 suppliers

We worked with over 3,400 suppliers this year

97%

Around 97 per cent of our suppliers to our UK business are based in the UK

£2.3 billion

We spent around £2.3 billion with our UK suppliers in 2019-20

WORKING WITH SMEs

This year, we awarded the Royal Mail contract for fabric-based mail conveyance products – such as mail bags – to Linnells, an SME. During the tender process, Linnells introduced an improved design for delivery pouches, with a more durable fastening. Using Linnells' new design will help increase the life of our delivery pouches and reduce wastage. The production of these types of products can be higher risk from a CR perspective, depending on the location of manufacture and the management of any environmental issues. To help manage potential risks, both Linnells and its China-based manufacturer are members of Sedex. Sedex is a platform which tracks suppliers' sustainability performance and conducts third-party audits.

KPIs

New UK suppliers that are bound by the Responsible Procurement Code or equivalent supplier policies and standards

| | |
|---------|------|
| 2019-20 | 100% |
| 2018-19 | 100% |
| 2017-18 | 100% |

Regular monitoring of all UK suppliers against UK Treasury sanctions list

| | |
|---------|------|
| 2019-20 | 100% |
| 2018-19 | 100% |
| 2017-18 | 100% |

Number of high risk suppliers and sub-contractors reporting self-assessments or third-party sustainability audits via Sedex, or directly via our Supplier Management Portal

| | |
|---------|----|
| 2019-20 | 29 |
| 2018-19 | 31 |
| 2017-18 | 20 |



This chapter mainly covers our core UK and international parcels and letters delivery business operating under the Royal Mail and Parcelforce Worldwide brands. Where stated, we have also included data and narrative from our international parcels delivery business, GLS. GLS' procurement approach is tailored to each national subsidiary.

We recognise that our suppliers have an impact on our stakeholders. They can help spread economic opportunities across the communities in which we operate. Embedding high standards of social, ethical and environmental conduct across our supply chain is essential for us to operate responsibly.

Our suppliers

Our procurement vision is to deliver value to our business and protect it from risk. One of the ways we can achieve this is through setting clear expectations for our suppliers on social, environmental and ethical conduct. Across the Group, we require them to comply with internationally recognised standards, such as the UN Global Compact Principles.

To allow the greatest impact across our supply chain, CR aims and objectives are built into the procurement strategies of each of our ten supplier categories. For example, our vehicles category aims to support emissions reduction by engaging with manufacturers on alternative fuel vehicles, and building on the success of the electric vehicles rollout. By the end of 2019-20, electric vehicles were in use at 18 operational sites across the UK, with 295 vehicles in operation.

For more information on our supplier categories and 2019-20 supplier spend, see our 2019-20 Non-Financial Data Pack

→ www.royalmailgroup.com/en/responsibility/policies-and-reports/



ENGAGING WITH SUPPLIERS ON CR ISSUES

Clothing manufacture is a high risk sector for human rights and environmental issues. CR factors were therefore a major consideration when we retendered for Royal Mail uniforms in 2019-20. All bidders were required to become members of Sedex. We awarded the contract to Dimensions, which demonstrated commitment to CR during the tendering process. Dimensions works with HERproject, which promotes financial literacy for women working in low income industries in the global supply chain.

Working with Dimensions, we will be able to recycle or reuse over 96 per cent of our uniforms when they reach the end of their life.

Our approach to responsible procurement

Responsible Procurement Code of Conduct

We believe we only engage suppliers that meet our standards in social, environmental and ethical practices. Our Responsible Procurement Code of Conduct sets out the high standards of social, environmental and ethical practices we expect from all our suppliers. Based on the UN Global Compact Principles, it promotes responsible practices in human rights, labour standards, the environment and anti-corruption. The Code also requires suppliers to adhere to the UN Universal Declaration of Human Rights, which is part of our commitment to implementing the UN Guiding Principles on Business and Human Rights. We require our suppliers to comply with the Code and communicate it in full to all relevant employees within their organisations. If we find that a supplier is failing to meet our standards, and any remedial action is found to be inadequate, we would terminate our dealings with them. The Code is published here

→ www.royalmailgroup.com/en/responsibility/policies-and-reports/

WHISTLEBLOWING

Our suppliers are encouraged to report any instances of serious wrongdoing, anonymously if they wish, through our whistleblowing hotlines. Read more on page 39.

In 2019-20, 100 per cent of new suppliers directly confirmed their compliance with the Code. A small number of suppliers did not specifically state their compliance. Where this is the case, usually for policy or legal reasons, we conduct separate due diligence activities. These include screening through the GAN Integrity screening service, which checks for previous investigations, convictions and adverse press. We also review the supplier's own CR policies and standards to ensure that they do not present CR risks, and check that the supplier complies with the CR principles set out in the Code. We review the Code annually and update when necessary.

The GLS Supplier Code is based on the same UN framework. GLS expects suppliers to respect the standards laid out in the Code, implement them using appropriate measures, and adhere to them in their business activities. They must take appropriate measures to ensure that the standards are met by their own supply chain. The Code is available to view at:

→ www.gls-group.eu/IE/media/downloads/Flyer_Coder_of_conduct_supplier_EN_A4_2020-01.pdf

Transport partners form a critical supplier group for GLS. Handling the last mile delivery between GLS depots and the item recipient, they play a crucial role in GLS' day-to-day operation. GLS Germany embeds ethical principles into its business relationships with its transport providers through its Partner Code. It includes a commitment to quality with regard to performance, and to the principles when dealing with each other, based on: partnership, fairness and responsibility. For more information: → www.gls-group.eu/DE/media/downloads/Flyer_Code_of_conduct_partners_DE-en_A4_2019-06-11.pdf

Supplier evaluation

We have acted to embed our CR values at all stages of our procurement process. We pre-screen all potential suppliers before asking them to participate in a tender or awarding them a contract. This helps to ensure that they meet essential requirements across a range of CR issues. These include anti-bribery and corruption, money laundering and safety.

During the invitation to tender stage of supplier selection, we ask suppliers additional questions about their CR performance. The requirements are tailored to high risk areas for each category of spend, for example in-depth questions about labour standards for categories with higher risk of human rights and modern slavery issues. We will not engage suppliers that are unable to meet our standards.

During the tender evaluation process, suppliers are scored according to their responses on a range of relevant questions covering sustainability topics.

In addition, all recruitment contractors are required to commit to our recruitment standards. The standards ensure workers are not charged unnecessary fees, workers' identification documents are not held by anyone, even if done so voluntarily, and that resignation by workers is voluntary and without the threat of punishment. Suppliers are also required to adhere to applicable vetting standards for the workers they supply, including proof of right to work, proof of appropriate training, and various security checks. We run quarterly business reviews for suppliers, which cover adherence to vetting standards. The results are shared with our Mail Integrity Group.

GLS expects the same high standards of ethical practice in its supply chain that it follows in its own business. Every GLS employee involved in selecting business partners and suppliers is responsible for ensuring that the appropriate Company-wide processes are followed. All GLS suppliers are expected to comply with its Supplier Code of Conduct.

IDENTIFYING AND MANAGING RISKS

We assess the risk of our suppliers based on their geography, size, business sector and the scope of the contract. We record and monitor the risks on our Procurement Risk Register. The register lists our most critical supply chain risks, along with the risks most relevant to each of our supplier categories. The primary CR risks associated with our supply chain have been identified as:

– Reputation

– Probity

– Compliance

– Safety

– Environmental and materials provenance

– Discrimination

We regularly review the register to identify new risks and mitigating actions.

We assign suppliers an overall criticality rating based on a range of criteria, including business dependency, financial status and safety risk. The Company Secretary's office is informed of any new contract considered critical in terms of its risk profile, to establish if Board approval is required before the contract is awarded.

We work extensively to ensure appropriate mitigation measures are in place to address any specific risks identified. Suppliers are required to provide evidence to show that any requested actions have been implemented. In some cases, we may require third-party audits of suppliers and sub-contractors. During 2019-20, a programme of on-site audits took place with 15 sub-contractors. The results, including remediation plans and evidence of completion, were reported via Sedex or directly through our Supplier Management Portal.

Risk intelligence

We use the GAN Integrity database to screen suppliers for previous investigations, convictions, sanctions risk and adverse press, in the following circumstances:

- those working in sectors of heightened risk of corruption, modern slavery or environmental risk;
- bidders or suppliers identified as having high sustainability risk; and
- suppliers appearing to match the UK, EU or US sanctions database.

Alerts are issued for human rights and modern slavery risks, environmental breaches, and bribery, corruption and other probity issues. Royal Mail does not contract with any sanctioned entities. We check all suppliers against the UK Treasury sanctions list on a monthly basis.

MONITORING SUPPLIER PERFORMANCE

Our Supplier Management Portal enables us to monitor our suppliers' performance against any additional social, ethical and environmental requirements in their contracts. All critical suppliers provide evidence of performance and compliance, which is reviewed on a monthly basis.

We ask suppliers identified as high sustainability risk to enrol with Sedex (Supplier Ethical Data Exchange). This online platform tracks our suppliers' environmental, social and governance performance, and conducts third-party audits to ensure accuracy of reporting. We have a target to have 50 of our higher risk suppliers and sub-contractors reporting self-assessments or third-party sustainability audits via Sedex (or directly via our own Supplier Management Portal) by the end of 2020-21. Currently, we have 29 suppliers active on the system, compared with 31 in 2018-19. The reduction this year was as a result of consolidating some suppliers in relevant categories.

In the event that a supplier fails to meet our standards, we take decisive action such as removing underperforming suppliers from our supply chain. During 2019-20, supplier performance complied with the required standards. No contracts or sub-contractors have been removed due to CR performance.

Diversity in the supply chain

Our commitment to equality, diversity and fairness extends through our supply chain. We expect all our suppliers to maintain a workplace that is fair and inclusive, free from discrimination or harassment.

Our commitment to diversity in our supply chain includes supporting SMEs. Where possible we structure our contracts into smaller lots to ensure businesses of all sizes are able to compete. In 2019-20, we awarded 35 per cent of our new contracts to SMEs.

TRAINING FOR PROCUREMENT EMPLOYEES

All new procurement employees are trained on our approach to responsible procurement during their induction. We offer training on ethics and probity issues, competition law, and our Responsible Procurement Code. All procurement employees must also complete annual compliance training.

This year, we have continued to train contract managers on key CR topics, enabling them to have more informed conversations with their suppliers. It is important that our training reaches as many of our contract managers as possible, particularly where contract managers work outside the Procurement team.

During the year, managers completed a customised online training course on how to spot potential issues and escalate potential wrongdoing. UK procurement employees received additional training on the Modern Slavery Act 2015 and associated legal requirements. This year, GLS managers and those working in higher risk roles received training on supply chain risks and how to mitigate them effectively.

UK SUPPLY CHAIN PRIORITIES FOR 2020-21

- ☒ Provide training on CR issues for at least 50 per cent of contract managers.
- ☒ Work with the Continuous Improvement team to update the current suite of supplier policies and standards, including the Contract Management Policy, Responsible Procurement Code and Vetting Standards.
- ☒ Launch a new engagement programme to increase the number of high risk suppliers and sub-contractors reporting self-assessments or third-party sustainability audits via Sedex, or directly via our Supplier Management Portal.

OUR ENVIRONMENT

48,500

We have around 48,500 vehicles in Royal Mail (UKPIL)¹

62%

Around 62% of our CO₂e emissions comes from our operational fleet

704

By year end, 704 alternative fuel vehicles were operational across the Group²

KPIs

UKPIL total carbon emissions ('000 tonnes)

| | |
|---------|-------|
| 2019-20 | 594.9 |
| 2018-19 | 606.4 |
| 2017-18 | 629.9 |

Water consumption ('000m³)

| | |
|---------|---------|
| 2019-20 | 1,419.4 |
| 2018-19 | 1,697.9 |
| 2017-18 | 1,576.9 |

Waste reused or recycled ('000 tonnes)

| | |
|---------|------|
| 2019-20 | 29.3 |
| 2018-19 | 28.7 |
| 2017-18 | 32.5 |

Royal Mail Group is committed to delivering a cleaner future. Environmental considerations are a fundamental part of the way we operate. Sustainable management of natural resources is a commercial imperative, as well as an environmental one. Effective management of environmental issues can present a competitive advantage.

We are undergoing a major transformation programme. Potential climate change impacts have been considered as part of this. For example, we are investing in new zero-emission vehicles to reduce our emissions, while continuing to meet customers' expectations. This chapter sets out the new Royal Mail (UKPIL) environment strategy, and progress made in key environmental impact areas across the Group. This year we have included more information on our climate risks and opportunities as we continue to implement the recommendations of the Task Force on Climate-related Financial Disclosures.



¹ Number of vehicles includes c.2,900 trailers

² This figure includes total alternative fuel vehicles within UKPIL and GLS. Excluding e-trikes within the UK

DELIVERING A CLEANER FUTURE

2019-20 saw an unprecedented rise in awareness, activism and urgency to acknowledge and address the climate emergency. This has resulted in new, more ambitious targets from governments, investors, customers and our competitors. We have met our 2020-21 carbon reduction target. Royal Mail (UKPIL) has developed a new strategy, to address the areas where we have the biggest environmental impacts and the most leverage.

NET ZERO

2050

We will be a net zero carbon emission business by 2050

CLEAN AIR

100%

alternative fuel fleet by 2050

RESPONSIBLE CONSUMPTION

25%

reduction in water usage by 2030

25%

reduction in total waste disposed by 2030

2022

Total review of purchase, distribution, use and disposal of single-use resources by 2022

NET ZERO

Our ambition

- We will have a net zero carbon business by 2050. This target will be periodically reviewed and brought forward if possible.

Our net zero journey aligns with the ambition agreed during the 2015 Paris Agreement of the United Nations Convention on Climate Change, of limiting warming to less than 2 degrees Celsius. Modelling places our current target in line with 1.6 degrees.

Our commitments

We will:

- reduce the emissions associated with our business operations;
- work with our suppliers and other partners to encourage the reduction of emissions across our value chain;
- do our part in meeting the ambitions and commitments set out within the Paris Agreement; and
- address both the physical and transitional risks and opportunities associated with climate change for our business through appropriate mitigation and adaptation.

Over the next five years, we will focus on efficiency across our fleet and our property estate and decarbonising the fuels that we use.

NET ZERO – OUR PROGRESS

Fleet

Providing the Universal Service requires us to maintain a large fleet of vehicles. During 2019-20, our Royal Mail (UKPIL) fleet travelled approximately 952 million miles. Our operational fleet accounts for 62 per cent of our carbon footprint.

Efficient management of our fleet is essential as we look to grow our parcels operation. We are committed to taking action to reduce our emissions and improve air quality in the communities in which we operate. Our vehicle strategy has sustainability at its heart. We are progressively acquiring low carbon vehicles and working towards zero tailpipe emissions. We focus on three key areas:

1. Improvements in fuel efficiency through behaviour and driving styles

We use telemetry data to influence driver behaviour and encourage more fuel-efficient and safer driving styles. The system produces regular reports for our driver coaches. It monitors acceleration, braking and excess idling. Using the findings, we create tailored driver training for each Royal Mail site.

In total, around 61 per cent of our fleet is fitted with telemetry. This includes 100 per cent of our heavy goods vehicles (7.5-tonnes and above) and 55 per cent of our small vans. In 2020-21, we will begin a project to ensure all letters collection and delivery vehicles are installed with telemetry. Expected to take approximately 12 months, this will cover a total of around 34,000 vehicles.

Since 2018-19, the telemetry system in our delivery and collection vehicles has helped reduce idling times by an average of five per cent. It has also saved us 459 tCO₂e and around 177,000 litres of fuel.

2. Trialling and deploying alternative fuel, advanced technology and new vehicle/delivery concepts

- **Bio-Compressed Natural Gas (Bio-CNG)**
Bio-CNG fuel can help significantly lower the emissions associated with our larger HGV fleet. It reduces CO₂e by around 85 per cent in comparison with average diesel emissions (over a comparable distance).
- In 2019-20 we invested £188,000 to introduce two HGVs fuelled by Bio-CNG into our transportation fleet. To date, the use of the Bio-CNG vehicles has saved 35 tonnes of CO₂e in comparison with the diesel vehicles they replaced. This has produced an estimated total annual saving of 107 tCO₂e. Based on current costs, they will have a payback period of approximately one year and nine months, with an estimated total annual saving of £19,000 per vehicle. We plan to increase the number of Bio-CNG HGVs in our fleet as we replace older diesel equivalents.

- **Liquefied Natural Gas (LNG)**

GLS Italy continues to expand its fleet of LNG-powered vehicles this year. It now has 56 in operation. By the end of 2020, GLS Italy plans to further expand its fleet of LNG trucks.

- **Double-deck trailers**

We maximise capacity by loading mail items as efficiently as possible. The use of trailers impacts our overall fuel efficiency and load capacity. We continue to replace single-deck trailers with double-deck models. These deliver a four per cent fuel efficiency improvement and greater load capacity³. During the year we added 211 double-deck trailers, bringing our total to 1,433.

3. Ensuring an efficient transport network through the use of cutting-edge routing technology and capacity maximisation

We use a combination of road, rail and air to deliver letters and parcels. We use cutting-edge routing technology to transport mail in the most efficient way through our network.

We continue to focus on minimising the use of air transport as far as possible to reduce both CO₂e emissions and costs. We use airmail only to meet our First Class, Special Delivery and priority traffic obligations.

We currently transport mail using eight fully electric trains to support our letters and parcels operation. We are reviewing how we may expand the use of this network in line with our parcel strategy.

Buildings and energy

Royal Mail owns, operates, leases and maintains a large property portfolio ranging in size, age and use. Climate change, uncertainty about energy prices and demand levels mean that energy management is a key priority for us. The energy used to run our buildings made up 24 per cent of our carbon footprint during 2019-20.

Our Energy Bureau monitors energy use across our UK property estate. The system enables better understanding of our energy usage to target both energy and cost savings. During the year, we began the rollout of new environmental reporting dashboards (through the Greenstone+ system). The system provides access for frontline managers, their teams and support functions to view their energy, waste and water performance.

This year, with the support of an external supplier, we identified a number of cost-effective and practical initiatives which will reduce our building energy consumption and associated emissions. These actions will form part of our wider environment strategy implementation plans.

We continue to update our property portfolio to meet business requirements, ensuring environmental performance is incorporated. During 2019-20, GLS opened a number of new sites, including a new depot in Amsterdam, which has doubled the capacity compared with the previous building.

The new depot has been fitted with a geothermal heat pump for its heating requirements and solar panels for its electricity supply. To reduce energy consumption further, prismatic domes have been fitted to the roof to capture sunlight to illuminate the distribution hall naturally. Charging stations for electric vehicles are also available.

Electricity

We power our buildings and operation with electricity 100 per cent backed by low carbon generation. This includes nuclear generation, which is considered a low carbon source of energy compared with fossil fuel equivalents.

We currently have solar panels installed at six of our sites. Solar panels at our Chelmsford Mail Centre generated 82,104 kWh in 2019-20, saving approximately 20.99 tCO₂e. We continue to look for opportunities for self-generation across our estate. We are currently reviewing the potential generation of solar energy at four additional sites in our portfolio.

We continue to install solar panels on new sites across our GLS operations. For example, the new freight depot in Belgium now has more than 900 solar panels on the roof.

Since October 2019, all the GLS locations in Germany (more than 70) are powered via the purchase of 100 per cent renewable electricity.

As the result of our new buildings standards, we have continued to invest in installing high efficiency LED lighting in our buildings over the period. This includes lighting investments at our Exeter site and our new North West hub, totalling around £470,000.

Heating

The majority of our buildings are heated using gas boilers. During 2019-20, we invested £3.8 million to replace 102 gas boilers with more efficient systems.

During 2019-20 our total electricity and gas consumption decreased by 0.7 per cent (electricity) and 6.7 per cent (gas). As a key component of our environment strategy, continuing to reduce our consumption in these areas will remain an area of focus for us.

Our carbon footprint

This year, our total UK carbon footprint decreased by two per cent compared with the previous year. On a normalised basis, emissions decreased by two per cent per £1 million of revenue, compared with the previous year.

The table below shows progress against this new baseline. Historical data is provided in our 2019-20 Non-Financial Data Pack:

→ www.royalmailgroup.com/en/responsibility/policies-and-reports/

In 2019-20, the average parcel generated

212g CO₂e

CARBON EMISSIONS CO₂e PERFORMANCE (‘000 tonnes⁴)

| | 2019-20 | | | 2018-19 ⁵ | | |
|--|-----------|-----------|---------|----------------------|-----------|---------|
| | Total | UKPIL | GLS | Total | UKPIL | GLS |
| Scope 1 | 460.2 | 443.8 | 16.4 | 459.6 | 445.4 | 14.2 |
| Scope 2 | 92.1 | 70.6 | 21.5 | 100.4 | 80.1 | 20.3 |
| Scope 3 | 80.5 | 80.5 | | 80.9 | 80.9 | |
| Total | 632.8 | 594.9 | 37.9 | 640.9 | 606.4 | 34.5 |
| Tonnes CO ₂ e per £1m revenue | | 77.1 | | | 78.4 | |
| Scope 2 (market-based) | 43.2 | 10.2 | 33.0 | 39.4 | 9.7 | 29.7 |
| Energy Consumption ‘000 kWh | 2,337,343 | 2,191,154 | 146,189 | 2,316,580 | 2,188,675 | 127,905 |

⁴ We report our carbon emissions in line with the Greenhouse Gas (GHG) Protocol Corporate Standard. The standard classifies a company's GHG emissions into three 'scopes'. Scope 1 emissions are direct emissions from sources that are owned or controlled by Royal Mail, including combustion of fuel and operation of facilities. Scope 2 emissions are indirect emissions from the purchase of electricity, heat, steam and cooling purchased for own use. Scope 3 emissions are all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. For Royal Mail, this includes GHGs emitted through the use of third-party road or air freight for the transportation of mail. UK and offshore data is reported within the UKPIL column. GLS includes all global emissions and consumption, excluding the UK and offshore. Energy efficiency actions taken throughout the period can be found within the fleet and building emissions, and air quality sections below

⁵ 2018-19 data has been restated for Scope 1 emissions following the provision of data which was previously estimated. Scope 2 market-based data has been restated following an update to emission factors associated

Fuel efficiency improvement of four per cent per trailer at 56mph

Carbon emissions directly associated with the delivery, collection, processing and transportation of letters and parcels, and apportioned between letters and parcels using a per cent revenue split

CLEAN AIR

Our ambition

- 100 per cent of our fleet will be powered by alternative fuel by 2050.

Our ambition, along with the rollout of measures by local authorities to mitigate air pollution within urban environments, with clean air zones, makes this an area of strategic priority for us.

We aim to reduce the emissions associated with our fleet to improve the air quality in the communities in which we operate.

Our commitments

We will:

- improve the emissions associated with our operations, while continuing to provide the Universal Service and meet our contractual obligations;
- meet the targets set out to reduce air emissions across the UK; and
- work with Government, vehicle manufacturers and infrastructure companies to accelerate the adoption at scale of zero tailpipe emission vehicles.

Over the next five years, we will continue to trial and deploy new approaches to reduce the environmental impact of our fleet.

CLEAN AIR – OUR PROGRESS

OUR FLEET

Royal Mail is unique in that a large proportion of our last mile deliveries are undertaken on foot, rather than using vehicles. During 2019-20, 13.2 per cent of our delivery routes were undertaken purely by foot, and an additional 52.1 per cent using the 'park and loop' method (a combination of predominantly on foot with some van-based transport). This method of delivery has significant environmental benefits, as the on-foot element produces no direct emissions of GHGs and other air pollutants. It also helps to reduce congestion by taking vehicles off the road. On-foot delivery will remain a core part of the way we operate. In total Royal Mail Group owns/operates 704 alternative fuel vehicles with plans to expand.

Our electric fleet

Our delivery and collection fleet includes 295 fully electric vehicles, an increase of 195 from 2018-19. These operate out of 18 operational sites across the UK. This year, our use of electric vehicles has saved a total of 151 tonnes of CO₂e compared with the diesel vehicles they replaced.

In addition, GLS currently operates 95 fully electric vehicles and three hybrids across its European operations.



OPTIMISE PRIME

Royal Mail is part of the Optimise Prime consortium, the world's biggest trial of commercial electric vehicles. Royal Mail has delivered on phase one of the trial with the installation of charging posts, and the operation of 190 vehicles. We will continue to support the project as it moves into its later stages of implementation.



Vehicle trials

We continue to review and trial a number of electric and alternative fuel vehicles, along with new solutions to improve the efficiency and emissions of our fleet. These include:

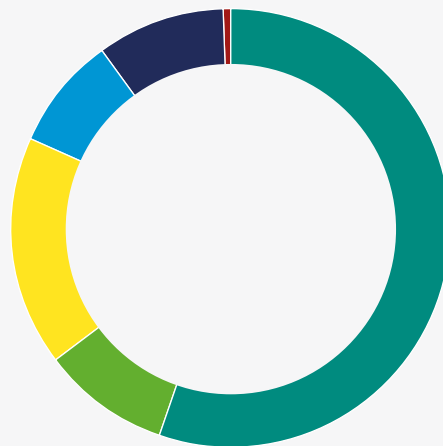
- We trialled electric cargo bikes to understand their suitability for our urban delivery routes. Our trial during 2018-19 involved eight bikes operating out of three UK locations. This trial received positive feedback from local teams and the CWU, and provided the business with valuable experience of incorporating this form of transport into our operations. We are planning further trials of electric cargo bikes for different use cases – for example different urban and suburban areas – and are working towards a model of zero-emission offices, towns and cities.
- GLS Germany participated in a joint project together with four of the largest parcel service providers, to test sustainable solutions for urban deliveries. In a 12-month test phase, the KoMoDo project in Berlin used cargo bikes in combination with micro-depots to deliver parcels in the city. The project was funded by the Federal Ministry for the Environment.
- In partnership with Aberdeen City Council, our Delivery Office in Aberdeen will trial a hydrogen-fuelled delivery vehicle, planned for operation early in 2020-21.

Zero tailpipe emission offices, towns and cities

We plan to establish and roll out emission-free offices, towns and cities across our operations. GLS operates emission-free deliveries in four Dutch city centres – Apeldoorn, The Hague, Utrecht and Zwolle – using E-Vans.

LOW EMISSIONS VEHICLES

In total Royal Mail Group owns/operates 704 alternative fuel vehicles, with plans to expand. The chart below details our current fleet of alternative fuel vehicles and bikes.



| | |
|-------------|-----|
| Electric | 390 |
| Cargo bikes | 66 |
| CNG | 119 |
| LNG | 60 |
| LPG | 66 |
| Hybrid | 3 |

RESPONSIBLE CONSUMPTION

Our ambitions

- 25 per cent reduction in waste generated and water used by 2030.
- Complete a total review of purchase, distribution, use and disposal of packaging and single-use resources, (both internal and external) by 2022.

We are aware of the serious impact that over-consumption and single-use items have on the environment. We are committed to reducing our waste and driving behaviours to a circular economy approach. We encourage employees to consider life-cycle cost and full waste hierarchy before purchasing and disposing of items.

We recognise that water scarcity will become a reality across many parts of our operations as a result of climate change. We understand our role in driving down the consumption of this precious resource.

Our commitments

We will:

- reduce the volume of natural resources consumed by our operations;
- reduce the use of single-use items across our business, and support our customers to do the same;
- adapt our behaviours, considering the life-cycle cost and waste hierarchy before purchasing and disposing of items; and
- keep products, equipment and infrastructure in use for longer, to minimise resource inputs and the associated creation of waste, pollution and emissions.

RESPONSIBLE CONSUMPTION – OUR PROGRESS

WASTE

Royal Mail looks to manage its waste in accordance with the waste hierarchy (prevention, reuse, recycling), with a focus on reducing waste and taking a life-cycle approach to our resource management. During 2019-20 we generated 38,692 tonnes of waste, an increase of ten per cent from the previous year. This was due to a combination of site waste clearance projects and improvements in data reporting. Around three per cent of the waste we generated in 2019-20 was considered hazardous. It stemmed from vehicle and building maintenance and cleaning products used in our buildings. We deal with all hazardous waste appropriately.

Prevention

Accumulated materials project

This project resulted in the redeployment of over £100,000 of unused equipment back into the business. We plan to extend the scope of the project across a number of sites.

Reuse

Vehicle parts – Green Parts

Our Green Parts programme removes all reusable parts from end-of-life vehicles, for reuse within the business or for resale to others. During 2019-20, green parts were reused within the business, saving an estimated £2.4 million.

Uniforms

We introduced a takeback programme for unused, used or damaged items of uniform. Returned materials are redeployed where possible. Unbranded usable footwear is sent to Africa for reuse. Branded uniforms are processed and made into a wide range of products.

Equipment

Our apprentices designed and developed new waste signage, using obsolete High Capacity Trolleys. The signs are part of a wider project to improve waste management on Royal Mail (UKPIL) sites.

Recycling

Packaging

We baled around 61 per cent of our cardboard packaging waste in 2019-20. Baling ensures more good-quality, usable material is fed into recycling as a raw material. In total, 99.8 per cent of our cardboard packaging was recycled.

GLS Italy introduced ecoLoop packaging. This is made from old films within a closed-loop recycling process and is 100 per cent recyclable.

Elastic bands

We use elastic bands to keep bundles of mail together.

This year, we used around 296 tonnes of elastic bands, 3.4 per cent less than in 2018-19.

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

WATER CONSUMPTION

Our water use remains predominantly for domestic purposes, such as washroom facilities and cleaning vehicles.

During the year we worked with our water retailer for England and Scotland to establish new regimes for regular meter reading and billing. In 2019-20, we used 1,419,440m³ of water.

This year we successfully trialled waterless vehicle washing. This was to reduce water consumption and avoid the risk of permit non-compliance on our sites. Waterless washing uses non-hazardous solutions and microfibre towels to break down and encapsulate dirt from vehicles. It saves over 150 litres of water per wash and eliminates run-off waste water. Following the trial at our Home Counties North Mail Centre, we are looking to use this method of washing for the whole fleet at the site in early 2020-21. We will continue to assess the suitability of rolling out to other sites across the UK.



MANAGING OUR ENVIRONMENTAL IMPACTS

Environmental governance

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

These Committees are supported by the CR team and the Environment Governance Board (EGB). The EGB is made up of subject matter experts and senior managers, including from GLS. The EGB provides oversight and governance over actual and emerging environmental risks and issues for the business.

The outcomes of the EGB are reported to the Board via the Global Compliance and Sustainability Director.

Reporting into the EGB are four working groups. Their role is to actively investigate best practice, promote internal integration within our own operations and make recommendations to the EGB for agreement. The working groups cover the following areas:

- Task Force on Climate-related Financial Disclosures (TCFD)
- Resource Efficiency & Circular Economy
- Alternative Fuelled Vehicles and Energy
- Environmental Management Systems

Environmental management approach

Our Environmental Management System is aligned to the requirements of BS EN ISO 14001. Management systems standards and guidance documents enable our sites to appropriately manage identified environmental aspects and associated impacts, as well as legal and other compliance requirements.

Our Environment Policy sets out how we manage the environmental impacts of our operations, products and services, and reflects our key strategic objectives. It is available online:

→ www.royalmailgroup.com/en/responsibility/policies-and-reports

Certified within our UK operations (UKPIL) are 14 sites, including some of our largest processing and distribution sites, and Royal Mail Head Office. All Parcelforce Worldwide operational sites and head office are certified to the Environmental Management System standard. We will continue to review our ISO 14001 coverage to ensure it remains appropriate for our business operations.

GLS has a Groupwide Environmental Management System, which is certified in accordance with ISO 14001:2015.

BIODIVERSITY

We recognise that business has both an direct and indirect impact on biodiversity and ecosystem services. This is through land and resource use, pollution, supply chains and investment decisions.

From April to September 2019, more than 3.5 million parcels were shipped by GLS Germany customers using the ThinkGreen service. The ThinkGreen service offset emissions associated with parcel delivery through supporting projects in Indonesia and Bolivia, creating sustainable workplaces outside of the palm oil industry.

In October 2019, the KlimaProtect programme was introduced in Germany replacing ThinkGreen. The programme will offset around 160,000 metric tonnes of CO₂ emissions each year using a certified project. All emissions resulting from transportation of parcels and business activities in Germany are offset via PRIMAKLIMA e.V. The non-profit organisation protects existing forests and plants new trees around the world. GLS is currently supporting a Verified carbon standard/ Climate, Community and Biodiversity Standard certified project in Indonesia for the protection of peat bog forests.

CLIMATE RISKS AND OPPORTUNITIES

We are working to implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This means ensuring we have appropriate governance, risk management, strategy and metrics to address the impacts of climate change on our business.

Strategy and metrics

Royal Mail is undergoing a major transformation programme, covering every aspect of our operations, namely: collections, processing, logistics, sorting and delivery. Potential climate change impacts have been considered as part of this programme. For example, we are investing in new zero-emission vehicles to deliver sustainable reductions in emissions, while ensuring that we continue to meet our customers' expectations.

This year, we have developed a new environment strategy for our Royal Mail (UKPIL) business. Our strategy includes the following ambitions:

- **Delivering net zero**
- **Clean air**
- **Responsible consumption**

For more information see pages 47-53.

Our long-term carbon reduction target aligns to the Paris Agreement. This aims to limit global temperature increase to well below 2 degrees Celsius. See pages 48-51 for more information about our strategy to reduce building and fleet emissions, as well as our use of resources.

Governance

The Board oversees the management of climate-related opportunities and risks. It is supported by the Audit and Risk Committee of the Board and the Risk Management Committee. The management of climate-related risk is integrated into the Company's overarching risk management framework. Our Environment Policy is published at

→ www.royalmailgroup.com/en/responsibility/policies-and-reports/

Risk management

'Environment and sustainability' is one of our principal risks, given its major significance internally and externally. The underlying Environment Risk and Opportunity Register is maintained by the ECB. In line with TCFD recommendations, we consider both physical climate impacts, such as flooding, and transitional risks, such as regulatory actions designed to limit global warming. We also consider potential opportunities presented by environmental issues such as climate change.

The Risk Management Committee reviews business units' risk registers on a regular basis. It ensures risks on the Company's consolidated Environment Risk and Opportunity Register are reflected in business units' risk registers, as appropriate. Risks may be owned by several different units, depending on their salience. As such, they may appear on multiple units' registers.

A standard methodology, based on probability and potential impact, is used to rank environmental risks based on their significance and materiality. Where climate-related risks and opportunities are identified, individual business units are required to factor the actual and potential impacts into their strategy and financial planning, and develop mitigation plans as necessary. For example, relevant business units would be required to factor increasing stakeholder expectations for clean delivery methods – and related risks and opportunities – into their strategies.

Royal Mail is on a journey to quantify its climate risks and opportunities based on our operations, our locations and our legal obligations. In line with the recommendations from the TCFD, we plan to undertake a detailed scenario analysis in 2020-21 to better understand the financial impacts of risks and opportunities facing our business. Our current view of risks and opportunities is set out in the table on pages 55-57.

Key:

P Physical

R Risk

T Transitional

O Opportunity

OUR EARLY VIEW FOR KEY CLIMATE CHANGE RISKS AND OPPORTUNITIES

| Risk | Status | How we are mitigating the risk |
|--|---|--|
| EXTREME WEATHER EVENTS P R | | |
| <p>An increase in the frequency and impact of extreme weather events, such as flash flooding, storms and prolonged heatwaves, will result in damage to buildings and equipment, and endanger our people and customers.</p> <p>Extreme weather events may result in disruption to our operations, impacting our ability to meet the Universal Service and/or contractual obligations.</p> <p>Risk of increased costs associated with insurance premiums, investment in flood defences and storm mitigation, and any associated repairs.</p> | <p>We recognise the increased frequency of weather events and the potential impact this has on our ability to deliver the USO.</p> <p>Records show trends of increasing rainfall on seasonal and annual timescales. For example, since 1998, the UK has seen six of the ten wettest years on record. Rainfall experienced in a single extreme event is made 59 per cent more likely by climate change. Seven of our sites (including parking) have been affected by flooding in the past two years.</p> <p>We are seeing an increase in the number and intensity of storms – including high winds – which may impact our ability to deliver the USO and other contractual obligations.</p> <p>We continue to monitor and record delivery routes not completed due to adverse weather.</p> | <p>We undertake an assessment of sites for flood risk as part of our due diligence and business continuity processes, which includes the use of routing tools to divert mail, for example.</p> <p>Implementation of a flood alert system across 700 of our sites. The system strengthens forecast capabilities ensuring business continuity arrangements can be invoked.</p> <p>Ongoing, targeted investment in local flood defences.</p> |
| IMPACT OF CHANGING CLIMATE ON EMPLOYEE WELLBEING P R | | |
| <p>Working conditions for employees may change due to more extreme and unpredictable weather patterns.</p> <p>There is a risk of increased employee absence associated with heatwaves, slips and trips in snow and icy conditions, flooding, or storm damage to employee's homes/assets.</p> <p>Warmer climates could result in the increased transmission of diseases and viruses as mosquitoes and other disease carrying vectors are able to survive longer in new regions.</p> | <p>A large proportion of our employees predominantly work outdoors. Our physically demanding roles may become more difficult to fulfil in extreme weather conditions such as heatwaves. This could be exacerbated within certain demographic groups.</p> <p>We have recorded increases in slips, trips and falls during extreme weather events and storm conditions.</p> | <p>Ensuring that our people have the right equipment to deal with all weather conditions is an important element of our Health & Safety approach. We use a severe weather risk assessment approach to identify and manage extremes. This is reflected in our Health & Safety Risk Register and reviewed periodically.</p> <p>We regularly review and adjust uniforms to ensure they are appropriate to changing weather conditions, for example snow shoe spikes for operations staff and improved quality and water resistance of uniforms.</p> <p>Our communication channels provide employees with guidance during weather events i.e. taking regular breaks and carrying water during heatwaves.</p> |
| INTRODUCTION OF CLEAN AIR AND ULTRA-LOW EMISSION ZONES T R | | |
| <p>Risk of increased operational costs and fines if the business is unable to operate a delivery fleet that fully complies with the increasing standards and requirements associated with emissions.</p> | <p>A number of cities and locations across the UK and Europe have introduced, or are consulting, on measures relating to clean air. These include Clean Air, Ultra-Low and Zero Emission Zones.</p> | <p>We engage with local authorities as they consult on potential plans for cleaner air or other measures.</p> <p>Our fleet strategy ensures our continued compliance with local clean air measures to avoid associated financial penalties.</p> |

| Risk | Status | How we are mitigating the risk |
|--|---|--|
| BAN ON THE SALE OF PETROL AND DIESEL VEHICLES IN THE UK T R | | |
| Increased uncertainty on the effective date for the ban of petrol, diesel and hybrid vehicles in the UK. Uncertainty increases the risk of non-compliance, and inability to suitably plan for operational and purchase changes required. | <p>In support of net zero ambitions, the EU and the UK Government have set dates for the ban on the sale of vehicles driven by fossil fuels. Governments are continually reviewing these dates, and consulting on potentially bringing them forward. In the UK, for example, the Government has announced consultations on bringing the current date of the ban forward to 2035 or earlier.</p> <p>Our environment strategy incorporates a strong focus on the transition to a low carbon/low emission fleet.</p> | <p>The business will engage with consultations relating to the ban on the sale of fossil fuelled vehicles.</p> <p>Our fleet strategy will be reviewed periodically to ensure our fleet remains compliant with any changes to requirements.</p> <p>We continue to trial and deploy alternative fuel vehicles, non-vehicle delivery and collaborative models across the business.</p> |
| SHIFTING CUSTOMER DEMAND T R O | | |
| Increasing customer demand for clean delivery mechanisms may require additional investment to ensure no loss of market share to new entrants or competitors. | <p>Customer relationship management programmes ensure strong long-term working relationships. We work to support customers on their environmental improvement journeys.</p> <p>Regular consumer and marketplace surveys ensure we are informed of emerging patterns of behaviours and consumer/customer interest.</p> | <p>Our environment and fleet strategies respond to increasing customer demand for clean delivery mechanisms.</p> <p>We continue to invest in and deploy new technology vehicles, and tools to promote efficiency, i.e. telemetry, driver training.</p> <p>Opportunities identified include the increased demand for doorstep collections.</p> |
| TAXATION T R | | |
| <p>Any introduction of a carbon tax in due course would increase energy, fuel and associated operational costs.</p> <p>Any introduction of an e-commerce delivery levy could impact parcel volumes and pricing.</p> | <p>Royal Mail Group operate a large commercial vehicle fleet and property estate, both of which consume energy and fuel which are subject to some current taxation.</p> <p>The UK's Department for Transport Science Advisory Councils has proposed the consideration of a number of measures to control emissions and congestion. One proposal is the introduction of a mandatory charge on delivery cost.</p> | <p>Our environment improvement programmes aim to increase efficiency and reduce consumption of both energy and fuel sources. This will mitigate the impact of any additional carbon tax to the business.</p> <p>A reduction in the use of fossil-based fuels and energy form key parts of environment improvement programmes.</p> <p>The business will engage with consultations on future taxation proposals and programmes in this area which could impact the business.</p> |
| WATER SCARCITY P R | | |
| Changing weather patterns will result in water scarcity in numerous locations across the UK and globally. There is a risk this would increase costs and introduce new controls on its usage. | <p>The water industry has committed to making its water services resilient to a changing climate and to reduce emissions to net zero. Their plans include encouraging customers to use less water.</p> <p>We predominantly use water for domestic/washroom facilities and vehicle washing.</p> | <p>Royal Mail (UKPIL) has set water consumption reduction targets as part of its environment strategy.</p> <p>We plan to roll out waterless vehicle washing to reduce our water usage.</p> <p>Our building standards include the use of water-efficient equipment.</p> |

Key:

(P) Physical

(R) Risk

(T) Transitional

(O) Opportunity

| Risk | Status | How we are mitigating the risk |
|---|---|---|
| SUPPLY CHAIN | | |
| Extreme weather events may lead to potential shortages in the raw materials for, or the production of components for, our vehicles, equipment and operational supplies. Shortages may result in price increases. | Our UK Procurement Risk Register lists the risks that are deemed critical to our UK business relating to the supply chain. We regularly review this risk register to identify new risks and opportunities to mitigate them. | <p>We require all suppliers to commit to comply with our corporate responsibility codes for responsible procurement, which cover social, environmental and ethical issues, or to demonstrate compliance with the codes. The codes specifically cover suppliers' management of carbon emissions.</p> <p>We have UK business continuity plans which operate at a supplier category level to ensure we can put in place alternative suppliers for critical suppliers and goods. Additionally, critical and bottleneck suppliers are required to have their own continuity plans and maintain them on our supplier management portal.</p> |
| STAKEHOLDER EXPECTATIONS | | |
| <p>Risk of reputational damage, and potential legal action, through the failure to respond appropriately to stakeholder expectations and disclosure requirements.</p> <p>Flow of capital to the business would be impacted if the business fails to engage and respond to increasing investor expectations on ESG risks, including climate change.</p> <p>Opportunity to differentiate Royal Mail Group from its competitors and peers by providing clear direction and action on climate risk.</p> | Growing interest from shareholders relating to ESG performance, including disclosure and mitigation of climate change risks. | We communicate proactively with our stakeholders through a range of channels. We regularly engage with them to obtain their views and to understand their expectations. |

SUPPORTING CUSTOMERS AFFECTED BY ADVERSE WEATHER

As a condition of the Universal Service Obligation, Royal Mail is required to deliver to every address, six days a week. In cases where adverse weather conditions or flooding make this impossible for us to do safely, or where our customers are not able to return to their homes, we offer our customers the option of collecting from their local delivering office, or their mail being delivered to an alternative, unaffected address in the area.

PRIORITIES FOR 2020-21

- ☒ Implement the new Royal Mail (UKPIL) environment strategy and long-term ambitions, including engaging our employees in how they can support its delivery.
- ☒ Continue to review our pace of change and ambition in the transition to a low carbon economy.
- ☒ Develop and implement our new buildings energy strategy.
- ☒ Continued planning of environmental considerations to be incorporated into the proposed new Midlands parcel automation hub.



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/en/responsibility/policies-and-reportsⁱ for the year ended 29 March 2020 (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 29 March 2020 has not been prepared, in all material respects, in accordance with the Reporting Criteria.
- B) Nothing has come to our attention to suggest that the description of Royal Mail's alignment with AA1000 APS (2008) principles of Inclusivity, Materiality and Responsiveness is not fairly stated.

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

Selected Information

The scope of our work was limited to assurance over:

- A) The information for the year ended 29 March 2020 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, 2019-20 Reporting criteria available at <http://www.royalmailgroup.com/responsibility/cr-reports>ⁱ.

| Selected Information | Value |
|--|-------|
| People | |
| Total number of fatalities | 7 |
| Lost time accident frequency rate (per 100,000 hours worked) | 0.38 |
| Number of breaches to the Business Standards | 2787 |

Diversity

| Gender diversity (headcount) | Royal Mail female | Royal Mail male |
|------------------------------|-------------------|-----------------|
| Royal Mail plc Board | 4 | 5 |
| Senior Management | 748 | 1,585 |
| Management | 1,577 | 5,661 |
| Administrative | 1,388 | 959 |
| Operational | 22,873 | 103,862 |

| Age distribution (headcount) | <30 | 30-49 | 50+ |
|------------------------------|--------|--------|--------|
| Royal Mail plc Board | - | - | 9 |
| Senior Management | 93 | 1,262 | 978 |
| Management | 622 | 3,636 | 2,980 |
| Administrative | 204 | 1,110 | 1,033 |
| Operational | 10,105 | 54,628 | 62,002 |

| Ethnicity distribution (headcount) | Asian | Black | Chinese | Mixed | Other | White |
|------------------------------------|-------|-------|---------|-------|--------|--------|
| Royal Mail plc Board | - | - | - | - | - | 9 |
| Senior Management | 96 | 21 | 6 | 23 | 501 | 1,686 |
| Management | 516 | 222 | 17 | 83 | 632 | 5,768 |
| Administrative | 143 | 44 | 13 | 17 | 144 | 1,986 |
| Operational | 8,654 | 4,246 | 237 | 1,148 | 16,408 | 96,042 |

Environment

| | |
|--|---------------|
| Scope 1 and 2 carbon emissions (tonnes of carbon dioxide equivalent) UKPIL & GLS | 552,371 |
| Business Scope 3 reported carbon emissions (tonnes of carbon dioxide equivalent) UKPIL | 80,477 |
| Direct energy consumption by primary energy source (KwH) | 1,992,619,770 |
| Indirect energy consumption by primary energy source (KwH) | 608,612,458 |
| Total waste to landfill ('000 tonnes) | 1.025 |
| Total waste diverted from landfill ('000 tonnes) | 37.667 |
| Total water consumption ('000 m ³) | 1,419.440 |

- B) Royal Mail's description of alignment with the AA1000 APS (2008) principles of Inclusivity, Materiality and Responsiveness for the year ended 29 March 2020, which is set out in the Stakeholder Engagement section of the Report.

Professional standards applied and level of assurance

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

Our Independence and Quality Control

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

We apply International Standard on Quality Control (UK) 1 and accordingly maintain a comprehensive system of quality control

including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our work was carried out by an independent and multi-disciplinary team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

The Selected Information needs to be read and understood together with the Reporting Criteria. The Stakeholder Engagement approach is included within the Stakeholder Engagement section of the Report. Royal Mail is solely responsible for selecting and applying the Reporting Criteria and Stakeholder Engagement approach. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. The Reporting Criteria used for the reporting of the Selected Information are as at 29 March 2020.

Work done

- A) In respect of the Selected Information, 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 two sites to understand the key processes and controls for reporting site performance data to the group CR team;
 - performed limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported; and
 - considered the disclosure and presentation of the Selected Information.
- B) In respect of Royal Mail's description of alignment with AA1000 APS (2008) principles of Inclusivity, Materiality and Responsiveness, we performed the following activities:
- interviewed a selection of Royal Mail's executives, senior managers, and site managers to determine their understanding of their stakeholders, the mechanisms used to engage them and key issues that are of interest to each stakeholder group;
 - reviewed evidence on a selective basis to support the assertions made in these interviews and in the Stakeholder Engagement section within the Report;
 - assessed the outputs from the risk assessment and materiality process relating to stakeholders and Royal Mail's engagement; and
 - assessed the disclosure and presentation of the Stakeholder Engagement description included within the Report.

Royal Mail's responsibilities

The Directors of Royal Mail are responsible for:

- designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing objective Reporting Criteria for preparing the Selected Information;

- measuring and reporting the Selected Information based on the Reporting Criteria;
- reporting the Stakeholder Engagement description in the Report; and
- the content of the Report.

Our responsibilities

We are responsible for:

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

This report, including our conclusions, has been prepared solely for the Board of Directors of Royal Mail in accordance with the agreement between us, to assist the Directors in reporting Royal Mail's Corporate Responsibility performance and activities. We permit this report to be disclosed in Royal Mail's Corporate Responsibility Report for the year ended 29 March 2020, 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 for our work or this report except where terms are expressly agreed between us in writing.



PricewaterhouseCoopers LLP
Chartered Accountants
London
21 May 2020

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

SCOPE OF THE REPORT

This report mainly covers our UK business, UK parcels, international and letters (Royal Mail UKPIL). It employs 88 per cent of Royal Mail Group's employees and contributes 71 per cent of the Group's revenue. We continue to expand the coverage of the GLS business throughout the report. GLS represents 12 per cent of our employees and 29 per cent of our revenue¹. In addition to the content within this report, GLS publishes a standalone CR report which can be found at <https://gls-group.eu/GROUP/en/our-responsibility>

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'.

Unlike in previous years, we have incorporated material information that sits outside of the reporting period. This is because we have sought to detail our response to the COVID-19 pandemic and the impact it has had on our business and customers.

ACCESSING THE REPORT

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

OUR WEBSITE

This report provides a high level overview of our CR programme and strategy, key governance tools, and information on our performance and activity throughout 2019-20. Further detail, as well as additional case studies and performance data, can be found on our website.

www.royalmailgroup.com

Email: corporateresponsibility@royalmail.com

REPORTING STANDARDS

Aspects of this report have been assured by PwC. We appreciate this independent verification of, and opinion on, our material data points and assertions, which are incorporated within our reported activity for the year. This comprehensive assurance process takes place throughout the year. It includes the sampling of key data points, testing of the systems and processes used to collect the data, interviews with senior managers, and a number of site visits to gain a strong understanding of the business and how our policies and processes are operationalised. PwC's independent assurance statement is available on pages 58-60 of this report.

Full definitions of the key performance indicators (KPIs) included within PwC's assurance are available in our Reporting Criteria, which can be accessed on our website at www.royalmailgroup.com/en/responsibility/policies-and-reports

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

¹ For the financial year 2019-20

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Royal Mail plc, registered in England and Wales, number 08680755, registered office: 100 Victoria Embankment, London, EC4Y 0HQ. Parcelforce Worldwide is a trading name of Royal Mail Group Limited. Parcelforce Worldwide is a GLS network partner.



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