

Responsibility leader

1st 

Dow Jones Sustainability Index global leader two years in a row in the Transportation and Transportation Infrastructure sector

FTSE4Good

Royal Mail constituent of FTSE4Good, ranking in the 96th percentile

Our performance

1st 

Delivery business retained triple certification to the Carbon Trust Standard for carbon, water and waste

85% 

Adults surveyed in the UK think Royal Mail is an important part of local communities

Winner

In partnership with Missing People, Royal Mail won Business Charity Awards and Charity Times Award in 2015

30% 

Reduction in our Lost time Accident Frequency Rate since 2014-15

Corporate responsibility

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

CR strategy objectives	Winning in parcels	Defending letters	Growing in new areas
 Delivering economic and social benefit to the communities we serve	✓	✓	✓
 Driving colleague advocacy of the Group and its community role	✓		✓
 Managing the environmental impacts of our business and operations	✓		✓
 Delivering our transformation responsibly	✓	✓	✓
 Communicating our management of corporate responsibilities openly and transparently	✓		✓

Our CR strategy comprises five key objectives. They help us to deliver our corporate strategy, as set out in the table above. We report progress against our corporate responsibility objectives under the areas of Customer, People, Community, Environment and Suppliers. Further information will be available online in the 2015-16 Corporate Responsibility (CR) Report.

Measuring our progress

We are independently rated as a leading responsible business. We have been named global leader in the Dow Jones Sustainability Indices for the second year in a row in the transportation and transportation infrastructure industry. As the top-scoring company, Royal Mail has been included in both the Dow Jones Sustainability World Index and the Dow Jones Sustainability Europe Index.

Royal Mail was included in the FTSE4Good Global Index in 2015, scoring 4.1 out of 5 in the criteria, with a ranking in the 96th percentile.

Our customers

Our strategy is underpinned by putting the customer at the heart of everything we do. Ipsos Mori's Corporate Image Survey found 78 per cent of our customers say they are favourable to us, while 86 per cent are satisfied with the service we provide, putting us ahead of most companies surveyed¹.

Our customers, both business and consumer, want convenience and value from their delivery provider. We have introduced a range of new measures to make sending and receiving items easier for our customers. Since October 2014, more than 30,000 registered users have used our new Click & Drop service, which integrates data from online shopping platforms to make it quicker and easier to buy postage and print address labels online. We have launched a trial for SMEs and online marketplace sellers in the North West, offering next day parcel collection on their doorstep.

¹ Ipsos MORI Corporate Image Survey Winter 2015

We engage with our customers to assess how we are doing, improve service levels and evolve our products, so we can continue to be their provider of choice. Through two ongoing research initiatives, we speak with around 600 businesses and 3,000 consumers every month. We carry out post-call surveys and an Online Satisfaction Survey to learn about customers' experiences when they interact with us.

Our own people can also tell us how customer-focused our products and services are. We use our annual Employee Survey to ask employees four questions to understand what they think about the customer experience. This year we achieved a Customer Focus Score of 67 out of 100.

Recognising and fixing problems in our service is an important element of being easy to do business with. We strive to get things right the first time. But in an operation where we deliver around 16 billion items a year, sometimes problems arise. We were disappointed to see that the number of complaints we have received has increased from 452,538 in 2014-15 to 476,040 in 2015-16. We are prioritising our efforts to tackle the root causes of these complaints, as outlined in the Chief Executive Officer's review.

Customer Focus, business customer satisfaction and complaints are three of the four customer KPIs included on the Corporate Balanced Scorecard for 2015-16, which is linked to managers' remuneration. [For more information, see page 75.](#)

Our people

Labour standards

Royal Mail is a people business. We are one of the largest employers in the UK with one in every 175 employees in the country working for Royal Mail².

We are committed to providing the best labour standards in our industry. All our permanent employees earn above the Living Wage.

Engagement and culture

Employee engagement is fundamental to developing our customer-focused culture. Engagement is one of the four people-related KPIs on our Corporate Balanced Scorecard. Our Employee Survey helps us identify the areas where we are doing well and those where we need to improve. The engagement score has increased by one point to 57. 67 per cent of our people say they understand how their jobs contribute to the success of Royal Mail.

² Cebr research, conducted for Royal Mail in May 2016

During the year, we worked closely with our unions on the development of new values for Royal Mail, which put the customer at the heart of everything we do. We measure the success of our cultural change journey through the incorporation of a Cultural Index within our annual employee survey. Our Cultural Index measure, which tracks how well we are embedding our values and behaviours, was 48 out of 100.

Creating a culture of ownership

The transition that the vast majority of our people have made from employees to shareholders is an important part of the Royal Mail's transformation. It gives them a personal, financial stake in the customer-focused culture that we are building. During 2015-16, HM Government disposed of all of its remaining shareholding in Royal Mail meaning that the Company is now 100 per cent privately owned. Eligible full-time employees have received a maximum of 832 Free Shares, regardless of grade. This is one of the largest free employee stakes of any major UK privatisation. This is in addition to our popular Save As You Earn (SAYE) scheme, which launched in September 2014 and resulted in more than 34,000 employees setting aside money from their salary for options to buy Royal Mail shares.

Industrial relations

We took several key steps in advancing initiatives under the Agenda for Growth agreement during 2015-16. We created a new, unified Conduct Policy that is more focused on informal resolution and incorporates a new approach to precautionary suspension, which should only be used in serious incidents.

We continued the roll-out of our Together for Growth joint training programme, which forms a key part of our Agenda for Growth agreement with our unions and has now reached over 6,000 managers and union representatives.

Health and safety

The safety and wellbeing of our workforce is an enduring priority for us and is crucial to our people strategy. A focus on wellbeing engages colleagues with the business and its future, reduces the costs and disruption of sick absence and makes it easier to build our customer-focused culture.

Our safety goal is to reduce the number of accidents to zero and reduce our sick absence rate, commitments that are driven by specific safety KPIs in our Corporate Balanced Scorecard.

During 2015-16, we once again succeeded in reducing our Lost Time Accident Frequency Rate, now down to 0.49. The number of accidents and days lost due to accidents fell to 8,040 and 23,038, which amounted to a saving of over £1 million.

It is with great regret that we report two people lost their lives in connection with our activities in the UK in the past year. Both fatalities were associated with road traffic collisions involving our vehicles. We liaise closely with the relevant authorities and undertake our own detailed investigations to establish the root cause of each accident and, where possible, to determine what lessons can be learned. We have a fatal and serious accident standard and protocol, which tracks the investigations. This is discussed at Board level and is communicated across the Group.

We responded to an increase in the level of sick absence during 2014-15 by launching an Attendance Management Taskforce and rolling out a new system of occupational health management for mental health and musculoskeletal cases. A dedicated occupational health adviser supports both the employee and their manager throughout the absence. In 2015-16, we have dealt with 3,616 cases in this way, cutting the length of absence by an average 18 days for musculoskeletal issues and 23 days for cases which involved an individual's mental health. As a result, in 2015-16, days lost due to sickness reduced by 8.7 per cent compared with 2014-15.

We are prioritising mental health to further reduce sick absence and ensure our people are supported. Moya Greene signed the Time to Change pledge with the CMA/Unite and the CWU. In 2015, 140 of our people attended stress awareness workshops and 55 managers participated in a pilot, Mental Health First Aid, to help deal with crisis situations should they occur. Our programme 'Feeling First Class' aims to remove the stigma and raise awareness of mental health conditions and the support available. We partnered with the Mental Health Foundation to produce a series of five mental health awareness training films, which have been watched by over 4,500 managers.

Diversity

Royal Mail employs a diverse mix of people that reflects the communities we serve. We are

committed to being an equal opportunities employer and we proactively seek to recruit people from socially excluded groups. It is our policy to provide opportunities for our employees based on an individual's performance and skills, with no discrimination.

We continue to make strong progress in improving gender diversity at Royal Mail, and we are proud to be named as a Times Top 50 Employer for Women. At our Board and senior management grades, we have relatively high gender diversity. At Board level, 38 per cent of members are female, compared with a FTSE 100 average of 26 per cent. At senior management level, 29 per cent of employees are female, compared with 15 per cent in operational functions. We are committed to improving the gender balance across all areas of the business. Following a successful pilot programme, we rolled out a balanced shortlist approach to recruitment during 2015-16, which has seen an increase in the number of women hired to fill frontline operational roles, from 28 per cent to 32 per cent.

Royal Mail's ethnic profile is broadly representative of the UK population. Around 10.2 per cent of our employees declare themselves to be from ethnic minority backgrounds. We work with Business in the Community's (BITC) Opportunity Now and Race for Opportunity programmes, which promote best practice in equal opportunities.

Safety metrics ³	2015-16	2014-15	2013-14	2012-13
Lost Time Accident Frequency Rate	0.49	0.70 ⁴	0.81 ⁴	1.17
Sick absence (%)	4.51	4.74	4.34	4.33

³ Data represents UKPIL safety performance

⁴ 2014-15 figure restated from 0.67 to 0.70 and 2013-14 figure restated from 0.77 to 0.81 due to a change in reporting methodology

Gender distribution (number of people)	UKPIL		GLS	
	Female	Male	Female	Male
Royal Mail plc Board [*]	3	5	n/a	n/a
Senior Management	686	1,651	36	242
Management	1,399	5,441	2,783	2,314
Administration	1,495	1,016		
Operational	19,030	108,642	1,768	6,848

* The Board represents Royal Mail Group

As a Disability Two Ticks employer, we welcome job applications from candidates with a disability or health condition. Approximately eight per cent of Royal Mail employees identify themselves as having a disability, compared with 16 per cent of working age adults in the UK⁵. We make reasonable adjustments to the workplace to support employees who become disabled, and provide additional training where required.

We are a member of Stonewall's Diversity Champions programme, which campaigns for equality for lesbian, gay, bisexual and transgender (LGBT) people. We have more work to do to improve our overall ranking in the Stonewall Equality Index, but we were pleased to see our activities resulted in a 110 per cent increase in our score.

We are committed to dignity and respect in our workplace and are determined to eliminate any form of behaviour that undermines our people and their ability to flourish and thrive at Royal Mail. We have worked with our unions to develop a new campaign, 'We can sort it out', which highlights the damage that a lack of respect and not listening can cause. After just six months, the film had been watched more than 5,500 times, across 85 per cent of our sites.

Learning and development

We are committed to the training and development of our people at all levels of Royal Mail, providing them with opportunities to learn new skills, and equipping them to help deliver our business strategy.

We invested over £20.5 million in training during 2015-16, delivering the equivalent of 90,000 training days. We focused this investment more closely on the transformation of our business through an updated training and development programme. In 2015-16, our learning and development activities included:

- The launch of Welcome to Royal Mail, our new induction programme, which reflects our new business values and supports our aim of building a customer-focused culture.
- Our new Manual Parcel Scanning (MPS) training, which prepared an estimated 15,000 employees for using our new PDAs and Finger Scanners in our mail processing units.
- The 500th Royal Mail leader completing our Executive Leadership Development Programme (ELDP), which has been developed with Oxford Saïd Business School and has now received the EFMD Excellence in Practice Gold Award 2015.
- A further 1,856 employees completing our Customer and You training course, which builds skills for first-class customer service in our Enquiry Offices.

The launch of the My Future careers portal is designed to make self-directed learning more accessible to all Royal Mail employees. The portal has so far been used by more than 25,000 of our people. GLS is working to embed similarly structured approaches to employee development. In Denmark, for example, every employee is invited to participate in an annual personal development interview with their manager.

We expanded our apprenticeship programme to include Finance in addition to Project Management, Vehicle Technician and Engineering apprenticeships. Fifty apprentices joined our programme in September 2015. The Telegraph's Top Apprenticeships Careers List for 2015 named Royal Mail as one of the Top 10 service and retailer employers in the apprenticeship market.

Our communities

Royal Mail helps keep communities connected, no matter where they are in the UK. Nearly 80 per cent of residences are within one kilometre of a Royal Mail access point, making it easier for customers to receive and send their items. Local Collect, our click and collect service, remains the largest network in the UK, enabling

businesses to offer greater flexibility to their customers.

Overall, Royal Mail's UK businesses directly contribute £5.6 billion to UK GDP and a further £5.2 billion through indirect and induced impacts. Together they equate to about 0.57 per cent of UK GDP⁶.

Our community investment programme seeks to build on the social impact our business already has through delivering the Universal Service. In 2015-16, Royal Mail contributed £6.7 million to charities, good causes and schemes for disadvantaged groups. Our people raised a further £3.1 million for charities and good causes across the UK.

Our two year partnership with Charity of the Year, the Stroke Association, saw the creation of the Operations Fundraising Challenge. This three month campaign saw an estimated 10,000 employees support fundraising activities and was shortlisted by the prestigious Business Charity Awards as an outstanding example of employee engagement. It helped us pass the £1 million mark in fundraising, when our matched giving was included, making good progress towards our fundraising target of £2 million. The partnership is also raising awareness about the importance of good health to reduce the risk of stroke.

We are also using the partnership and the reach of our business to raise awareness of the risk factors leading to stroke. The Stroke Association visits our sites to measure colleagues' blood pressures and raise awareness about healthy lifestyles. More than 10,000 blood pressure readings have been completed since the start of the partnership, marking solid progress against our target of 15,000.

Royal Mail's employees engage with communities across the UK on a daily basis. This local knowledge and understanding is a powerful asset, which we are drawing on through our Missing People partnership. Since the beginning of the partnership, we have distributed 70 alerts for high-risk missing people to our network of around 139,000 people. We built on our partnership by contributing £50,000 to fund the national Child Rescue Alert system, which sends out alerts when a child's life is in imminent danger. This contribution will support the operation of the system for one full year.

We also launched a new freepost service designed to encourage Missing People to take the first step in getting back in touch

⁵ <https://www.gov.uk/government/statistics/disability-facts-and-figures>

⁶ Cebr research, conducted for Royal Mail in May 2016

with their families. Freepost Missing People enables missing people to send a message to their families, and to do so without being traced if they choose.

Our people continued to support a range of good causes. They donated £2.4 million through our award-winning payroll giving scheme. They also fundraised for charities, which Royal Mail supported with nearly £557,000 in matched funding.

Royal Mail has a long-standing commitment to helping young people develop across the UK's communities. We provide materials to teachers and students through our online magazine, Teacher's Post, which is scheduled to be published eight times a year. During 2015-16, Teacher's Post resources were downloaded on more than 500 occasions, reaching an estimated 26,000 pupils. In August 2015, we launched a new partnership with the charity Career Ready in which 66 Royal Mail employees are mentoring 16-19 year-olds for the world of work.

Our environment

The scale and scope of the Universal Service makes managing our use of natural resources a commercial and environmental imperative. We have the largest vehicle fleet in the UK and maintain sites all around the country. We manage our environmental impacts by focusing on energy use, waste, water and engaging with customers and suppliers. Prioritising efficiency and reducing waste will help us cut operating costs, engage our people and build a sustainable and competitive business.

Our environment strategy and performance is overseen by the Environment Governance Board (EGB). During 2015-16, the EGB has taken the lead in streamlining our approach to environmental management and embedding our World Class Mail (WCM) system within our Safety, Health

and Environment (SHE) management system. We have also worked to align this management system more closely with environmental standard ISO14001. As a result, we now have group-wide standards for energy use in our buildings, waste, water, fuel and carbon management. We have maintained our accreditation to ISO 14001 for Parcelforce Worldwide and Royal Mail. Currently, all of our Parcelforce Worldwide sites are accredited, as well as 14 Royal Mail sites and all GLS sites.

A new Environment Policy, which outlines our commitment to managing environmental issues, is scheduled to be published in 2016-17. Our Environment Policy can be accessed online at: www.royalmailgroup.com/responsibility/policies.

The table below sets out our Group carbon dioxide equivalent (CO₂e) emissions for 2015-16. In 2015-16, our total UK carbon footprint decreased by 2.7 per cent compared with the previous year. On a normalised basis, emissions decreased by 1.6 per cent per £1 million revenue. Our target is to achieve a 20 per cent reduction in our UKPIL emissions (including Scopes 1, 2 and 3) by 2020-21, compared with a 2004-05 baseline. Emissions are still down by 16.8 per cent against the 2004-05 baseline, but our target remains very challenging due to parcel volumes increasing and the length of time and investment needed to make any changes to fleet.

We diverted 86 per cent of waste from landfill last year through a combination of recycling and waste to energy initiatives. We also recorded a reduction of two per cent in our use of water during the year.

Our suppliers

Royal Mail's supply chain is an important part of the impact our business has on our communities and on the environment. Our suppliers provide vehicles, manage and

supply our buildings and systems and help deliver mail. Managing these relationships correctly is essential for us to compete effectively and deliver the right experiences for our customers, while broadening the economic opportunities that we create. In the UK, we spent nearly £2.5 billion on goods and services in 2015-16 from more than 4,800 suppliers.

We expect all our suppliers to adhere to our Responsible Procurement Code, confirmation of which is required when registering as a supplier. The Code requires suppliers to maintain high standards of social, ethical and environmental conduct, including complying with the Ten Principles of the United Nations (UN) Global Compact. Suppliers must also comply with our mail security procedures and our approach to anti-bribery and corruption. By setting out our requirements clearly and working with our suppliers to meet them, we can help to spread responsible business practice.

We expanded our Responsible Procurement Code in 2015-16. Suppliers are required to promote fair participation and equality of opportunity for all their employees and job applicants, and to provide an environment free from discrimination or harassment. In addition, standards are being developed on safety, health and environment, which will be implemented in 2016-17.

Ethical principles are embedded in the Partner Code used by GLS Germany. The Code requires suppliers working with GLS to adhere to principles relating to anti-bribery and corruption and health and safety.

We seek to spread the positive economic impacts of our supply chain by promoting diversity in our supply chain and making contracts accessible to suppliers of all sizes. Of the suppliers that were awarded contracts in 2015-16, 25 per cent were SMEs.

2015-16 CO ₂ e Emissions by Scope ('000 tonnes) ^{i iii iiiiv}	2015-16			2014-15			2013-14		
	Total	UKPIL	GLS	Total	UKPIL	GLS	Total	UKPIL	GLS
Scope 1	518.6	503.3	15.3	514.1	501.1	13.0	473.1	457.6	15.5
Scope 2 (Location-based)	152.3	134.1	18.2	166.4	145.4	21.0	149.7	132.6	17.1
Scope 3	88.7	88.7		100.1	100.1		119.2	119.2	
Total	759.6	726.1	33.4	780.5	746.5	34.0	742.1	709.5	32.6
Tonnes CO ₂ e per £1m revenue		94.7			96.2			91.1	
Scope 2 (Market-based)	40.7	14.1	26.6						

ⁱ Carbon dioxide equivalent emissions (CO₂e) have been calculated in accordance with the UK Government's Environmental Reporting Guidance (2013 version). Data has been consolidated according to the 'financial control' approach. We have reported all material Scope 1 and Scope 2 emissions for which we consider ourselves responsible and exclude immaterial sources such as fugitive emissions from air conditioning in owned vehicles

ⁱⁱ UKPIL CO₂e emissions for 2014-15 have been restated to 746,500 tonnes, due to improvements in invoicing

ⁱⁱⁱ CO₂e emissions have been assured by EY, except for Scope 2 (Market-based) figures

^{iv} Totals may differ due to rounding

Human rights

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

During 2015-16, we undertook a review of our business against the UN Guiding Principles on Business and Human Rights with the support of independent advisers Corporate Citizenship. Despite the review noting that Royal Mail's human rights footprint is low, we are strengthening measures to ensure human rights are protected across all our operations.

We have measures in place to protect against modern slavery, which will be set out in our 2015-16 CR Report. We are reviewing these measures to ensure we continue to minimise the potential for slavery and human trafficking in our business and supply chain. We will make our formal Modern Slavery Act statement available in accordance with the Act and within the statutory timescales.

Our commitments and expectations – both for ourselves and for our suppliers – are set out in our Corporate Responsibility Policy and our Responsible Procurement Code of Conduct (www.royalmailgroup.com/responsibility/policies).

Our taxation principles

Royal Mail has adopted a set of tax principles. Our Taxation Principles can be accessed online at: www.royalmailgroup.com/responsibility/policies

The Strategic report was approved by the Board on 18 May 2016.

Moya Greene
Chief Executive Officer
18 May 2016

Matthew Lester
Chief Finance Officer
18 May 2016

