

# Key performance indicators

Our Key Performance Indicators (KPIs) for 2015-16 are divided into People, Customer, Efficiency and Financial segments, as represented in our business model and our Corporate Balanced Scorecard. As the business transforms and faces new challenges, we may adapt our KPIs.

In 2015-16, we made the following changes to our KPIs: sick absence was introduced under People; composite parcels Quality of Service was moved to Customer; the Performance quadrant was replaced with a new Efficiency quadrant, which includes UKPIL people and non-people costs in place of total UKPIL costs; and Group revenue was moved to the Financial quadrant.

Further details relating to the link between our KPIs and Executive Remuneration, and the Corporate Balanced Scorecard for 2016-17, can be found in the Directors' remuneration report on page 75.

Key			
Link to strategy	Winning in parcels	Defending letters	Growing in new areas
			<span style="background-color: red; color: white; padding: 2px;">Below threshold</span> <span style="background-color: yellow; padding: 2px;">Threshold</span> <span style="background-color: green; color: white; padding: 2px;">Target/stretch</span>
People			
KPI and strategic link(s)	Measured by	Key activities and achievements in the year	Performance against target
<b>Safety (%)</b> 	The year-on-year reduction in the number of work-related accidents resulting in an absence on the next day or shift per 100,000 hours worked <sup>1</sup> .	<ul style="list-style-type: none"> <li><b>We continue to deliver reductions to Lost Time Accident Frequency Rate</b></li> <li>Reduced number of road traffic collisions</li> <li>Driver training programmes, directed by a Road Safety Taskforce of vehicle operators across Royal Mail, including our unions</li> <li>Upgraded Royal Mail Group Safety, Health and Environment (SHE) Management System</li> <li>Established a Dog Working Group to undertake a national review of the Group Management of Dog Attack Risk Standard and to identify best practice engagement</li> </ul>	<span style="background-color: green; color: white; padding: 2px;">2015-16</span> Actual: 30% 2014-15: 14% <sup>2</sup> (above target) 2013-14: 31% <sup>2</sup> (above target)
<b>Sick Absence (%)</b> 	Sick Absence hours as a percentage of expected working hours.	<ul style="list-style-type: none"> <li><b>We have reduced Sick Absence across Royal Mail</b></li> <li>Focus on compliance with management procedures and wellbeing support</li> <li>One of only four companies to have achieved number one company status in BITC (Business in the Community) Wellbeing benchmark</li> <li>'Time to Change' pledge affirms our commitment to our mental health programme, First Class Mental Health</li> </ul>	<span style="background-color: yellow; padding: 2px;">2015-16</span> Actual: 4.51% 2014-15: not a KPI 2013-14: not a KPI
<b>Employee engagement (score)</b> 	An annual survey by Ipsos MORI measuring involvement, alignment and loyalty of colleagues through a number of questions, including: what our people think about Royal Mail, their job, supporting our strategy and their place in contributing to Royal Mail Group's success.	<ul style="list-style-type: none"> <li><b>We achieved our employee engagement index score</b></li> <li>Promoted employee engagement within the business through: 'My Future', a career development website accessible to all employees; 'Appreciate', a recognition scheme to recognise our people for a job well done; and 'My Bundle', a new employee benefits portal</li> <li>'Big Conversation' with 23,000 colleagues</li> <li>Embedding our Operations Standards, with a focus on safety quality; efficiency; and people</li> </ul>	<span style="background-color: green; color: white; padding: 2px;">2015-16</span> Actual: 57 2014-15: 56 (above target) 2013-14: 54 (above target)
<b>Employee customer focus (score)</b> 	An annual survey by Ipsos MORI measuring how focused our people are on delivering improvements in customer service.	<ul style="list-style-type: none"> <li><b>Our employee customer focus index score reduced in 2015-16</b></li> <li>Introduced new and improved products and services at pace for sending and receiving customers</li> <li>Last acceptance times in Mail Centres and RDCs now as late as midnight</li> <li>Delivered a great Christmas – even better than last year. Extensive planning ensured we had the capacity to accommodate additional volumes from retail customers and other delivery operators</li> </ul>	<span style="background-color: red; color: white; padding: 2px;">2015-16</span> Actual: 67 2014-15: 69 (threshold) 2013-14: 69 (above target)

<sup>1</sup> For 2015-16 the lost time accident KPI was changed from an absolute in-year metric to a year-on-year reduction metric

<sup>2</sup> Prior year results are stated on a year-on-year reduction basis as per the 2015-16 KPI metric definition

Customer			
KPI and strategic link(s)	Measured by	Key activities in the year	Performance against target
<b>First Class Quality of Service (%)</b> 	An independent, audited measure of Quality of Service for First Class retail products delivered by the next working day, which may be adjusted for force majeure <sup>3</sup> .	<ul style="list-style-type: none"> <li>• <b>We narrowly missed the 93.0 per cent First Class mail target</b></li> <li>• Exceeded 98.5 per cent Second Class mail target</li> <li>• Met or exceeded the minimum target of 91.5 per cent for First Class delivery in 104 out of 118 postcode areas</li> </ul>	<b>2015-16</b> Actual: 92.6% 2014-15: 93.1% (above target) 2013-14: 93.3% (above target)
<b>Composite Parcels Quality of Service (%)</b> 	A measure of the overall Quality of Service performance of core network parcels delivered by their service specification, weighted by traffic volume.	<ul style="list-style-type: none"> <li>• <b>Embedding our Operations Standards to support high Quality of Service</b></li> <li>• Improvements in first time delivery rates through Delivery to Neighbour, Nominate a Neighbour and With your Neighbour</li> </ul>	<b>2015-16</b> Actual: 94.4% 2014-15: 95.0% (above threshold) 2013-14: 95.1% (target)
<b>Mean business customer satisfaction (score)</b> 	Mean business customer satisfaction scores include the impact of a number of issues including price, service quality and customer experience.	<ul style="list-style-type: none"> <li>• <b>We maintained good levels of satisfaction amongst our business customers</b></li> <li>• Expanded support to key business customers and online marketplace traders, including eBay sellers</li> <li>• Extended e-retailers' access to our network to seven days a week</li> <li>• More flexible about the size and shape of parcels we can deliver</li> </ul>	<b>2015-16</b> Actual: 76 2014-15: 76 (stretch) 2013-14: 75 (target)
<b>Customer complaints ('000)</b> 	Number of complaints (not claims) opened by our Customer Service team.	<ul style="list-style-type: none"> <li>• <b>Customer complaints have increased in two out of our four major categories: redirections, redeliveries, misdeliveries and 'Something for You' cards</b></li> <li>• Operations Standards help us to work more efficiently and consistently across the business</li> <li>• Rolling out Customer and You training to around 4,000 employees as we seek to improve our customers' experiences at the Enquiry Office</li> </ul>	<b>2015-16</b> Actual: 476 2014-15: 453 <sup>4</sup> (above target) 2013-14: 466 (stretch)
Efficiency			
KPI and strategic link(s)	Measured by	Key activities in the year	Performance against target
<b>Productivity for collections, processing and delivery (%)</b> 	Percentage change year-on-year in the number of weighted items per gross hour paid in Delivery Units and Mail Centre Units (delivery and processing including regional logistics and collections).	<ul style="list-style-type: none"> <li>• <b>An improvement in productivity was achieved through a reduction in frontline hours despite an increase in workload</b></li> </ul>	<b>2015-16</b> Actual: 2.4% 2014-15: 2.5% (above target) 2013-14: 1.7% (threshold)
<b>UKPIL people costs (£m)</b> 	Adjusted people costs for UKPIL.	<ul style="list-style-type: none"> <li>• <b>UKPIL people costs reduced by one per cent due to a 2.0 per cent reduction in frontline hours, savings from the management reorganisation programme last year and the impact of our cost avoidance programme</b></li> </ul>	<b>2015-16</b> Actual: £4,764m 2014-15: not a KPI 2013-14: not a KPI
<b>UKPIL non-people costs (£m)</b> 	Total non-people costs for UKPIL.	<ul style="list-style-type: none"> <li>• <b>Total non-people costs reduced three per cent, driven by our cost avoidance programme</b></li> </ul>	<b>2015-16</b> Actual: £2,294m 2014-15: not a KPI 2013-14: not a KPI

<sup>3</sup> This accounts for the impact of factors which are beyond Royal Mail's control, such as weather

<sup>4</sup> Total number of complaints for 2014-15 has been restated from 445,476 to 452,538 to include 7,062 complaints relating to mail consumables

Financial			
KPI and strategic link(s)	Measured by	Key activities in the year	Performance against target
<b>Group revenue (£m)</b>  	Group revenue adjusted for budgeted foreign exchange rate.	<ul style="list-style-type: none"> <li>• <b>Group revenue increased by one per cent</b></li> <li>• Revenue growth in GLS offset a decline in UKPIL revenue</li> </ul>	<b>2015-16</b> Actual: £9,191m  2014-15: £9,556m (above threshold) 2013-14: £9,436m (above threshold)
<b>Group operating profit before transformation costs (£m)</b>  	Adjusted Group operating profit before transformation costs, adjusted for budgeted foreign exchange rate.	<ul style="list-style-type: none"> <li>• <b>Adjusted Group operating profit before transformation costs increased</b></li> <li>• Tight cost control meant that UKPIL underlying operating costs before transformation costs reduced by one per cent</li> </ul>	<b>2015-16</b> Actual: £738m  2014-15: £620m <sup>5</sup> (target) 2013-14: £670m <sup>5</sup> (above threshold)
<b>Free cash flow (£m)</b>  	Free cash flow before cash flows relating to London development property portfolio.	<ul style="list-style-type: none"> <li>• <b>Free cash flow before net cash flows from the London development property portfolio was £315 million</b></li> </ul>	<b>2015-16</b> Actual: £315m  2014-15: £353m (above target) 2013-14: £398m (stretch)

<sup>5</sup> Prior year results are on a Reported basis, adjusted for budgeted foreign exchange rate

# Adding value and convenient services

## The journey so far...



Easier shipping and tracking platform for e-retailers



Piloting fleet maintenance services to third parties



Opened network for longer and pushed back latest acceptance times

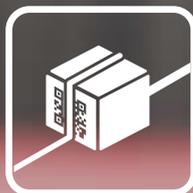


3,000 finger scanners deployed in Mail Centres and RDCs



Extended Local Collect network over 11,700 sites

## What's in our plan...



Over next two years, further rollout of parcel sortation machines



Rolling out 76,000 new PDAs



Increasing number of parcels we barcode and scan