

Modern Slavery Act Statement for 2016-17

Royal Mail plc is committed to playing its part in helping to prevent any incidence of modern slavery in its business and supply chain.

Modern slavery refers to any activity that impinges human freedom through servitude, forced and compulsory labour, and human trafficking.

This statement describes the steps that Royal Mail plc has taken during the financial year 2016-17 to mitigate the risk of modern slavery and human trafficking taking place in any part of our business operations or supply chain.

Royal Mail plc includes the 'Royal Mail', 'Parcelforce Worldwide' and General Logistics Systems (GLS) brands. For the purpose of this statement, we use the term 'Royal Mail Group' to describe all three brands. We use the term 'Royal Mail' to describe our UK business, operating under the Royal Mail and Parcelforce Worldwide brands. For activity in GLS, we use the term 'GLS'.

General principles

Royal Mail Group is committed to ensuring transparency in our own business and in our approach to eliminating modern slavery in the supply chains throughout our Group, consistent with the obligations of the Modern Slavery Act (MSA). We expect the same high standards from all of our business partners, suppliers and contractors. We also expect our suppliers to hold their own suppliers to the same high standards.

Our operations and networks

Royal Mail Group employs more than 159,000 people across the Group. Around 90 per cent of our employees are based in the UK. The vast majority of our UK employees are permanent members of staff.

Royal Mail Group's core UK Parcels, International and Letters (UKPIL) business operates under the 'Royal Mail' and 'Parcelforce Worldwide' brands. Royal Mail is the UK's pre-eminent letters and parcels carrier. Parcelforce Worldwide is a leading provider of express parcel services.

GLS is our European parcels business. It operates one of the largest ground based, parcel delivery networks in Europe. GLS

employs around 17,000 people across a range of operational and support roles.

Our approach to responsible business

Royal Mail offers its employees a highly competitive remuneration package. The vast majority of our employees are on permanent contracts, except where there is a short term need. Our permanent employees are paid above the Living Wage which, in turn, is above the legal minimum set by the UK government. They also receive the additional benefits associated with permanent employment, such as paid holiday, sick pay and a good pension.

Our overarching business policies set out our approach to responsible business conduct. These include:

United Nations Global Compact

- Royal Mail has been a signatory of the United Nations Global Compact since 2005. Membership in the Compact means we prohibit labour abuses, such as forced labour and child labour, as well as corruption and bribery. Our annual Corporate Responsibility Report meets our United Nations Global Compact Communication on

Progress requirements. Our latest Report can be accessed at the following address: www.royalmailgroup.com/responsibility/policies

Our Corporate Responsibility Policy

- This sets out our commitment to responsible business conduct. It details our support of the United Nations Global Compact, the United Nations Universal Declaration of Human Rights and the International Labour Organization Fundamental Conventions. It is published at the following address: www.royalmailgroup.com/responsibility/policies

Our Business Standards

- These set out the standards of behaviour we expect of our employees. They commit employees to doing the right thing – following the law, acting honourably and treating others with respect. Employees who do not adhere to our standards face disciplinary action.

Similarly, GLS has a Code of Business Standards which outlines the values and standards of business behaviour that are expected of all GLS employees and its subsidiary companies. It provides employees with information and guidance to enable them to act in full compliance with the standards of behaviour expected by the GLS Group. Any breach is treated as a disciplinary matter by the GLS Group and can result in disciplinary action in accordance with the applicable local law, up to and including termination of employment and reporting to appropriate authorities. The Code has been updated to include GLS' prohibition against usage of forced labour, child labour or human trafficking in any part of its business operations.

Assessment of modern slavery and human trafficking risks

We have undertaken several risk assessments to better understand our risk profile and inform our approach to mitigating modern slavery and human trafficking risks in our business and supply chain.

In 2015-16, we conducted a review of our business against the UN Guiding Principles on Business and Human Rights. We undertook the assessment as a best practice measure, on a voluntary basis, supported by an expert, independent third party. The assessment found that our risk of human rights violations is relatively low. However, we recognise that human rights violations, including forced labour and trafficking, can occur in all sectors and countries, and as a responsible business

are committed to playing our part to help eliminate it.

In order to obtain a more detailed understanding of the potential human rights risks in Royal Mail's supply chain, during the year we undertook an exercise to identify and assess higher risk supplier categories. In addition, to better understand the risks in GLS's supply chain and to support a prioritisation of risk mitigation efforts, we will conduct a detailed country-by-country modern slavery and human trafficking risk assessment. The outcomes of both exercises will inform a programme of work for 2017-18.

Details of the controls we currently have in place for our supply chain are set out on in the 'Supply chain controls' section of this statement.

Responsible procurement

Royal Mail works with around 5,000 suppliers annually. Our key spend areas are IT and automation, utilities, human resources (including flexible resource), property and facilities management, vehicles, fuel and logistics, printing, marketing and operational equipment. Over 95 per cent of these suppliers are based in the UK, where they are bound by the same stringent laws protecting human rights as Royal Mail Group.

The money that we spend with these suppliers, and the way we manage our relationships with them, have a major influence on our contribution to the economy, our relationships with our customers, and our impact on the environment. We will never knowingly accept products or services from suppliers who exploit people or the natural resources within their environment.

Royal Mail's responsible procurement policies seek to commit suppliers, including agencies and contractors, to act in accordance with our key business values and standards. These are as follows:

Responsible Procurement Code

- This sets out the standards of ethical conduct that we expect from our suppliers. It requires all suppliers to adhere to the United Nations Universal Declaration of Human Rights, act in accordance with the Ten Principles of the UN Global Compact and adopt and apply standards consistent with Royal Mail Group's internal standards on social, ethical and environmental issues. These include provisions against labour abuses, such as forced labour, slavery and child labour. It is published at the following address: www.royalmailgroup.com/responsibility/policies. Royal Mail reserves

the right to terminate contracts with suppliers that do not adhere to the Code.

Recruitment policy

- We have a robust recruitment policy, which requires UK eligibility checks for all employees, to safeguard against human trafficking or individuals being forced to work against their will.

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

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

Supply chain controls

We are working to ensure that all suppliers to Royal Mail commit to complying with our Responsible Procurement Code. The Code was updated in March 2016 to include specific reference to the MSA. In it, we set out that we expect our suppliers and subcontractors to implement and enforce effective systems and controls to ensure that slavery and human trafficking do not take place anywhere in our supply chains.

The supplier on-boarding process for Royal Mail includes a specific question on modern slavery and human trafficking, which requires all potential suppliers to confirm their compliance with all applicable labour and employment laws, including all anti-slavery and anti-trafficking legislation, the MSA or equivalent national legislation.

In October 2016, we introduced a new clause to the standard Royal Mail contract terms requiring suppliers to comply with the MSA and notify Royal Mail of any breaches. This has been deployed for new contracts and as part of contract extensions and amendments with current suppliers. The clause requires suppliers and subcontractors to:

- not engage in any activity in any jurisdiction which would constitute an offence under the MSA;
- have and maintain appropriate procedures, standards or policies to ensure that slavery and human trafficking

is not taking place in its own business or any part of its supply chain;

- ensure that procedures, standards or policies are provided to all relevant staff and enforced in an appropriate manner; and,
- promptly notify Royal Mail if there is reason to believe that it or any member of its supply chain is in breach of the MSA, or if there is an alleged breach in relation to the performance of services or provision of goods in connection with Royal Mail.

In addition, in March 2017, we created a risk map to identify high-risk supplier categories. We will use the results of this risk mapping exercise to develop and strengthen our due diligence processes and ongoing contractor management in the forthcoming financial year. Should any instances of modern slavery or human trafficking come to light, contracts with the relevant supplier may be terminated. We have not had any such incidences, that we are aware of, in our supply chain to date, but we do take a firm line when our Responsible Procurement Code is not complied with. In 2016-17, we asked a supplier to terminate dealings with a subcontractor that failed an un-announced, independent factory audit that raised serious concerns about its approach to worker safety.

As part of the business partner approval process in GLS, we conduct due diligence on key business partners, such as network partners, covering a variety of checks including any adverse media coverage. In addition, standard contracts with transport partners contain a clause specifically requiring that transport partners adhere to all applicable local laws, which includes local laws on modern slavery and human trafficking.

Temporary workers in Royal Mail Group

The vast majority of Royal Mail employees are employed on permanent contracts, except where there is a short-term need. Where we do have a requirement for temporary workers within our operation, these are provided by six approved suppliers, all of which are based in the UK.

We have detailed requirements that we set out in writing with our recruitment partners covering forced labour, child labour and freedom of movement. In particular, we expect our recruitment agencies to ensure that:

- agency workers are not charged unnecessary fees, for example for payroll services or translation services;

- worker's original identification, including passports, are not held by anyone other than the worker, even if done voluntarily; and,
- resignation by workers is voluntary and without threat of punishment.

Temporary workers are contracted centrally and recruitment agencies are contractually required to adhere to Royal Mail vetting standards, which include proof of identity, proof of right to work, and provision of Royal Mail approved training, as well as various levels of security checks. Their performance against vetting standards is tracked and assessed via our HR security services team and via our Supplier Management Portal. This helps to ensure that temporary workers are legitimately employed and reduces the risk of forced labour and trafficking occurring. We run quarterly business reviews for recruitment agencies, which cover adherence to vetting standards, and agencies are audited periodically, with the results reported to our Mail Integrity Group.

Equally, whenever GLS uses temporary workers in peak season, such as during the Christmas period, the employment of such staff must be in line with applicable local laws.

Training

In 2016-17, our UK Procurement team received introductory training on the MSA and the new legal requirements. Our Group Compliance team also engaged external experts to gain insights on the key risks in our business operations and relevant mitigation strategies.

Further training is planned for 2017-18 to ensure that relevant employees across the Group are aware of our procedures to identify, manage and mitigate any risk of modern slavery and human trafficking taking place in our business and supply chain; and how to escalate any concerns that may arise. We have also developed an e-learning course on modern slavery and human trafficking which will be made available to a wider group of employees.

Whistleblowing

The Royal Mail whistleblowing policy encourages employees, and others who are contracted to perform work on behalf of Royal Mail, including contractors and temporary workers, to raise any concerns they have about wrongdoing that they consider has taken place, is taking place, or likely to take place with their line manager or via our 'Speak Up' helpline. This includes any concerns relating to modern slavery and trafficking within the business or supply

chain. Speak Up is confidential and run by an independent third party. The policy further sets out that whistleblowers must not suffer any detrimental treatment as a result of raising a concern. Detrimental treatment includes dismissal, disciplinary action, threats or other unfavourable treatment connected with raising a concern. The Whistleblowing policy is promoted via our intranet and also communicated in our Business Standards. All new employees receive a copy of our Business Standards upon joining Royal Mail, and we communicate them to all employees every three years.

GLS also has a whistleblowing/ombudsman system to enable employees, business partners and third parties to report in confidence any concerns that they have about criminal acts or other serious offences. GLS' whistleblowing policy assures employees that whistleblowers must not suffer any detrimental treatment as a result of raising a concern. The GLS whistleblowing system is communicated both on GLS' internal and external websites, in all GLS compliance policies and training sessions and via notices in all operational sites.

Approval of this statement

This statement covers 28 March 2016 to 26 March 2017 and was approved by the Board of Directors on 21 June 2017.

Stuart Simpson
Chief Finance Officer