Annual Report and Financial Statements 2023-24

International Distribution Services plc

Contents

2023-24 Group Financial Performance

Reported revenue[1]
£12,679m
2022-23: £12,044m

Reported basic earnings per share[1]
5.6p
2022-23: (91.3)p loss per share

Reported operating profit[1]
£26m
2022-23: £(742)m loss

Adjusted basic loss per share[2]
(14.6)p
2022-23: (20.5)p loss per share

Adjusted operating loss[2]
£(28)m
2022-23: £(71)m loss

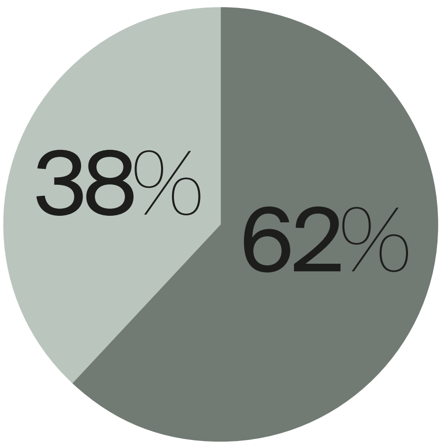
FY 2023-24 dividend
2p
2022-23: Nil

Adjusted operating loss margin[2]
(0.2)%
2022-23: (0.6)%

Net debt[2]
£ 1,716m
2022-23: £1,500m

Segmental revenue split[3]

	2023-24	2022-23
Royal Mail	**£7,834m**	£7,411m
GLS	**£4,865m**	£4,650m



Group reported operating profit split

	2023-24	2022-23
Royal Mail	**£(254)m**	£(1,039)m
GLS	**£280m**	£297m

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2. The Group's performance is explained through the use of alternative performance measures (APMs) that are not defined under IFRS. A full list of the Group's APMs are set out on pages 238 to 243 and reconciliations to the closest measure prescribed under IFRS.
3. Includes intragroup revenue of £20m split between Royal Mail (£1m), Parcelforce Worldwide (£16m) and GLS (£3m). (2022-23: intragroup revenue was £17m split between Parcelforce Worldwide (£14m) and GLS (£3m)).

Group at a Glance

Our purpose

To connect customers, companies and countries.

Our ambition

To build a more balanced and diverse international business.

Who we are

International Distribution Services plc (IDS plc or IDS) is a holding company, which includes our UK-based operation, Royal Mail and Parcelforce Worldwide (Royal Mail), and our international operation, GLS. IDS aims to be a modern logistics company, delivering sustainable growth and value for shareholders.

What we do

Our businesses provide postal and delivery services across their extensive networks. Royal Mail delivers letters and parcels to around 32 million addresses across the UK. GLS is one of the largest parcel services providers in Europe, with a growing presence in North America.

Our values

Our values, which shape our culture, underpin everything we do. We focus on our customers and on providing reliable and convenient value-for-money services. We want our people to be proud to work for our businesses.

Royal Mail
- Be positive – about what we can achieve.
- Be brilliant – for our customers.
- Be part of it – each one of us is responsible.

GLS
- Reliability
- Security
- Transparency
- Flexibility
- Sustainability

Our strategic priorities

During the year we have focused on a number of strategic initiatives to improve the customer experience and drive growth including:

- Progressing the transformation of Royal Mail and improving quality of service and productivity.
- Growing our out-of-home networks in both Royal Mail and GLS.
- Continuing to upgrade GLS' network and expand its customer offering.

→ Read more on pages 16 to 19

Our approach to sustainability

Demonstrating leadership across the broad environmental, social and governance (ESG) agenda is the right thing to do. It is also essential if we are to achieve competitive advantage and create value for our stakeholders. We aim to run our business in a responsible and sustainable way and be an integral, trusted and valued part of the communities we operate in.

→ Read more on pages 27 to 40

Chair's Statement

"Despite a challenging macroeconomic backdrop, the Group delivered a good performance."

Keith Williams
Non-Executive Chair

The past year has been one of transition, but the Group has made good progress. Following a long period of industrial action we have stabilised Royal Mail. This has allowed us to improve the businesses' operational performance and make good progress on its modernisation agenda. At GLS, whilst both short-term macroeconomic headwinds and strategic investments impacted profitability, the business delivered good volume and revenue growth in almost all markets, and continued delivery of its strategic agenda.

We are a people-driven business and our colleagues across the Group have contributed to our performance and the progress we have made. On behalf of the Board, I would like to thank them for their continued hard work and dedication.

At the time of writing, the Board has received a revised possible offer of 370 pence per IDS share from EP Group for the entire issued share capital of IDS. The proposal follows significant negotiation including a number of earlier proposals from EP Group (the first of which was made on 9 April 2024 at a price of 320 pence per share in cash).

Both Royal Mail and GLS perform critical functions in the markets where they operate, and the Board is particularly mindful of Royal Mail's unique heritage and responsibilities as the designated Universal Service Provider in the United Kingdom and a key part of national infrastructure. In assessing the proposal, the Board has also been very mindful of the impact on Royal Mail and GLS and their respective stakeholders and employees, as well as broader public interest factors. The Board has sought, and EP Group has agreed to offer as part of the proposal, a set of contractual undertakings to protect key public interest factors and recognise Royal Mail's status as a key part of national infrastructure.

The Board is minded to recommend the revised offer of 370 pence to IDS shareholders, should an offer be made at that level, subject to satisfactory resolution of the final terms and arrangements. However, there can be no certainty that any offer will be made.

The plans now being executed under the leadership of Martin Seidenberg since he became Chief Executive Officer of IDS in August 2023 are delivering clear operational and financial improvements. Royal Mail has crossed an inflection point and GLS is continuing to build on its proven track record of delivering top line growth, strong margins and good cash flow generation, enabled by its flexible operating model, broad customer base and geographic diversity.

Over the past eight months, Royal Mail's trajectory has seen a fundamental step change, with the operational turnaround accelerating at pace. GLS has consistently been one of the most profitable players within the parcel delivery segment with its asset light business model, broad customer base and geographic diversity enabling a resilient performance in a challenging market. It continues to invest to support significant network expansion and to drive innovation, launching new digital services and transforming the last mile.

Universal Service reform

Royal Mail continues to make progress on its transformation and the business is now back to growth. However, urgent reform of the Universal Service is essential to ensure longer-term financial sustainability.

Royal Mail has developed a clear and detailed proposal for reform of the Universal Service based on extensive modelling and analysis of customer needs. These changes should be enacted quickly by Ofcom through changes to postal regulations and conditions and do not require legislation change through Parliament. We urge Ofcom to act without delay. Royal Mail's proposal would deliver a more efficient, more reliable and more financially sustainable service. It would reduce the net cost of the Universal Service by up to £300 million per year, whilst protecting what matters most to customers resulting in a better, sustainable outcome for our customers, our people, and our shareholders. Once reform is agreed, deployment would take 18-24 months. However, at the current time there is no clarity on the form or timing of any change to the Universal Service. The longer the wait for change to be agreed the smaller the reduction in costs will be, given continued falling letter volumes, against an ongoing need for investment and transformation in Royal Mail.

Royal Mail is also calling on Ofcom to modernise the Universal Service, for example by adding tracking to Universal Service parcels to reflect customer demand.

The proposal we submitted to Ofcom in April 2024 is available at www.internationaldistributionservices.com/en/about-us/regulation/the-future-of-letter-deliveries.

Financial performance[1,2,3]
Despite a challenging macroeconomic backdrop, the Group delivered a robust performance. Group revenue grew by £635 million year-on-year to £12,679 million, with revenue and parcel volume growth in both businesses. Group reported operating profit was £26 million (2022-23: £742 million loss), due to a significant reduction in the loss at Royal Mail as the prior year included an impairment charge of £539 million on the carrying value of Royal Mail. Adjusted operating loss was £28 million (2022-23: £71 million loss), driven by revenue growth and reduced losses in Royal Mail. Group adjusted basic loss per share was 14.6 pence (2022-23: 20.5 pence loss per share). On a reported basis, Group earnings per share was 5.6 pence (2022-23: 91.3 pence loss per share).

Sustainability
Our businesses made good progress in their respective decarbonisation strategies, although emissions increased by 2% compared to the prior year, mainly due to volume growth in GLS. On a per revenue basis, CO_2e emissions fell by 5%. In July 2023, Royal Mail reached the milestone of 5,000 electric vans across its delivery and collection fleet and operates the largest electric vehicle (EV) delivery fleet in the country.[4] GLS is also continuing to expand its low- and zero-emission fleet, which grew by around 48% year-on-year, adding more e-vans, light vehicles and alternative-fuel vehicles to its delivery network.

Both Royal Mail and GLS are deploying hydrotreated vegetable oil (HVO) biofuel, which has the potential to reduce emissions by up to 90% compared to diesel. In Germany, our first hydrogen truck is now in operation.

In September 2023, we announced that Royal Mail's Net-Zero and near-term targets had been validated by the Science Based Targets initiative (SBTi) and in December 2023, GLS committed to set Net-Zero targets for SBTi validation.[5] We have also continued to implement the Task Force on Climate-related Financial Disclosure recommendations.

Capital allocation and dividend
The maintenance of a conservative balance sheet has always been at the heart of the Group's capital allocation policy and the Board considers the Group's net debt position as robust (pre-IFRS 16) at £328 million as at 31 March 2024 (£181 million at 26 March 2023, £142 million at 24 September 2023).

As previously indicated at the Group's half year results, the Board has proposed a final dividend payment of 2 pence per share in respect of 2023-24, funded by GLS. This final dividend payment is subject to shareholders approval at the Annual General Meeting scheduled to take place on 25 September 2024. The dividend will be paid on 30 September 2024 to shareholders on the register at 23 August 2024. The Board is also proposing a special dividend of 8 pence per share, conditional upon completion of the transaction with EP Group.

The Group had available liquidity of around £2.1 billion at the end of March 2024, including £927 million of cash and cash equivalents (excluding £47 million GLS client cash), £216 million of current asset investments, along with undrawn bank syndicate loan facility of £925 million.

Board changes
During the year we introduced a new management structure and on 20 July 2023 Martin Seidenberg was appointed to the newly created role of Group Chief Executive Officer to lead the Group and set its strategic direction. Martin joined GLS in 2015 as CEO of GLS Germany and was subsequently appointed CEO of GLS in June 2020. He joined the Board in April 2021. He has extensive international logistics experience and proven track record of delivering change and growth.

On 18 January 2024 Michael Snape joined the Board as Group Chief Financial Officer (CFO) and Executive Director with immediate effect. Michael was previously CFO of Boots, No7 Beauty Company and International for Walgreens Boots Alliance. Prior to Boots Michael was International CFO for Tesco, responsible for its operations outside the UK and Ireland. Michael brings extensive turnaround experience and excellent financial leadership.

Michael succeeded Mick Jeavons who stepped down as Group CFO and Executive Director on 18 January 2024. During his 30-year career with the Group Mick held various senior roles and his counsel, knowledge and experience have been invaluable. On behalf of the Board, I would like to thank him for his outstanding contribution through some turbulent times and wish him every success for the future.

In June 2023 Ingrid Ebner joined the Board as a Non-Executive Director and member of the Nomination Committee.

Summary
The Group has made good progress this year and delivered operational and financial improvements, against a difficult macroenvironment. Royal Mail has crossed an inflection point, although headwinds remain. GLS delivered revenue growth and adjusted operating profit at the upper end of guidance and made further progress on delivering its strategic priorities. However, there is more to do, with further investment required at GLS and the ongoing transformation of Royal Mail.

Keith Williams
Non-Executive Chair
24 May 2024

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2. The 52 week 2023-24 results are derived by removing the 53rd week revenue and incremental costs in relation to Royal Mail, see the Group's APMs on page 238 to 243 for further details on this adjustment. Percentage changes are on a 52 week basis. The GLS financial year is 12 months to 31 March 2023 and 2024, so no adjustment is made for GLS' results. The 52 week results are in line with how the Chief Operating Decision Maker as defined by IFRS 8 reviews performance.
3. The Group's performance is explained through the use of alternative performance measures (APMs) that are not defined under IFRS. A full list of the Group's APMs are set out on pages 238 to 243 and reconciliations to the closest measure prescribed under IFRS.
4. Based on internal analysis of publicly available competitor fleet data.
5. In the Group's full year results announcement published on 24 May 2024 this sentence incorrectly read 'In December 2023, GLS submitted its Net-Zero targets for SBTi validation'.

Chief Executive's Review

> "Royal Mail's operational performance has improved and its modernisation agenda has progressed. GLS delivered a good financial performance and continued to deliver its strategy."

Martin Seidenberg
Group Chief Executive Officer

→ Further detail on our strategic progress is included on pages 16 and 19.

Operational performance

Volume and revenue[1]

Revenue (£m)	53 weeks March 2024	52 weeks March 2024 ex. 53rd week in Royal Mail	52 weeks March 2023	Change 52 wks 2024 ex. 53rd wk in Royal Mail vs 52 wks 2023[1,2]
Group[3]	**12,679**	12,539	12,044	4.1%
Royal Mail	**7,834**	7,694	7,411	3.8%
Total Parcels	**4,108**	4,040	3,910	3.3%
Domestic Parcels (excluding international)[4]	**3,382**	3,327	3,226	3.1%
International Parcels[5]	**726**	713	684	4.2%
Letters	**3,726**	3,654	3,501	4.4%
GLS	**4,865**	4,865	4,650	4.6%

Volume (m units)	53 weeks March 2024	52 weeks March 2024 ex. 53rd week in Royal Mail	52 weeks March 2023	Change 52 wks 2024 ex. 53rd wk in Royal Mail vs 52 wks 2023[1,2]
Royal Mail				
Total Parcels	**1,295**	1,273	1,205	6%
Domestic Parcels (excluding international)[4]	**1,120**	1,101	1,064	3%
International Parcels[5]	**175**	172	141	22%
Addressed letters (excluding elections)	**6,736**	6,617	7,280	(9)%
GLS	**905**	905	862	5%

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2. All percentage changes reflect the movement between figures as presented, unless otherwise stated.
3. Royal Mail and GLS revenue does not equal Group revenue due to the elimination of intragroup trading.
4. Domestic Parcels excludes import and export for both Royal Mail and Parcelforce Worldwide.
5. International includes import and export for Royal Mail and Parcelforce Worldwide.

CEO Q&A

Q You have now been in your role for ten months – have your thoughts about the business changed?

No – if anything the last ten months have reinforced my belief in the strength of IDS. I firmly believe that by working together to meet customers' evolving demands, we will turn around Royal Mail and continue to grow GLS. While there are challenges ahead and much work to do, we have two companies with great potential and plenty of opportunities to transform and grow. Royal Mail has unparalleled scale and reach in the UK, a great brand and strong customer relationships. GLS is a state-of-the art international parcel logistics network. It also has a strong brand and a proven track record of delivering growth and innovative customer services. Delivering on our potential is an exciting challenge and, as evidenced by our recent performance, we are heading in the right direction.

Q Has anything in particular stood out in recent months?

I was particularly impressed by the level of energy and engagement from our Royal Mail colleagues who worked tirelessly to ensure that practically all items posted before our last recommended posting dates were delivered in time for Christmas. This has served as a launchpad for a marked improvement in Royal Mail's trading and operational performance and I am very pleased that the momentum has been maintained. The roll out of our new out-of-home growth plan is also noteworthy. Focused on making our service more convenient, we have launched two significant partnerships that give customers more options to drop off and collect parcels.

Q Transformation and growth are clearly key priorities – are you focusing on anything else?

We must engage with our people more effectively. They underpin our success and are key to the delivery of a higher-quality more efficient customer service. Specifically in our Royal Mail business we need to address the legacy impact of last year's industrial dispute on our workforce's pride and find new ways to improve the overall employee experience. And as customer demand for more sustainable products and services continues to grow, we also need to drive our environmental initiatives to further reduce the impact of our operations and play our part in the transition to a low-carbon future. This is the right thing to do. It will also enhance our competitiveness and we have a strong platform to build on. Royal Mail is already the UK's greenest delivery operator.[1]

1. Based on average gCO_2e emissions per parcel delivered by UK parcel operators, as published by Citizens Advice 2023 Parcels League Table.

Royal Mail 2023-24 performance

Revenue[1]

£7,834m

2022-23: £7,411m

Reported operating loss[1]

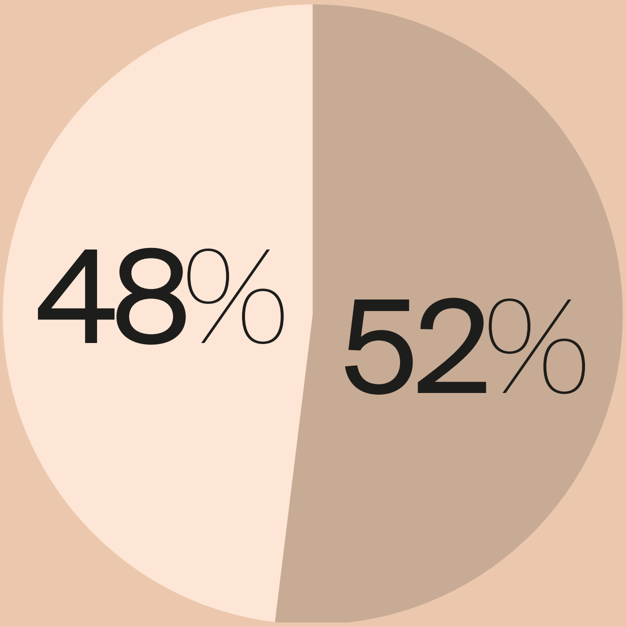
£(254)m

2022-23: £(1,039)m loss

Adjusted operating loss[2]

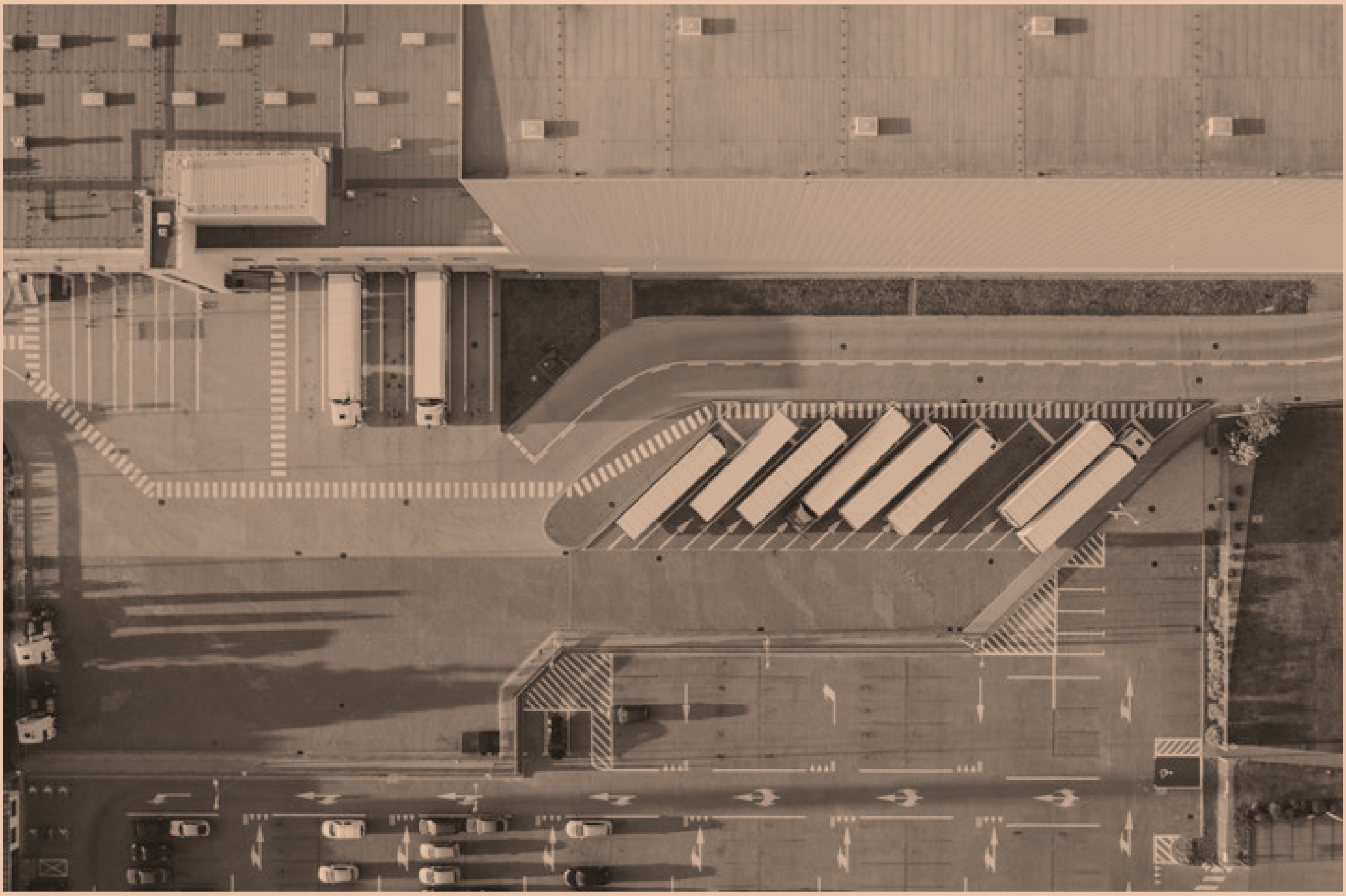
£(348)m

2022-23: £(419)m loss



Royal Mail parcel/letter revenue split %

	2023-24	2022-23
Parcels	52%	53%
Letters	48%	47%



Royal Mail

In the following commentary all percentage changes are based on a comparison[3] of 52 weeks March 2024, excluding the 53rd week in Royal Mail, and 52 weeks March 2023. Revenue increased 3.8%, reflecting growth in both parcel and letter revenue.

Domestic parcel volumes (ex. international) increased by 3%, with domestic parcel revenue up 3.1% year-on-year. We made good progress in winning back customers lost due to industrial action last year. Price increases were partially offset by negative mix. Growth was particularly strong in the second half, as we lapped 15 days of industrial action.

International parcel volumes, including import and export parcels for Royal Mail and Parcelforce Worldwide, showed strong growth of 22%, driven by strong import volumes. International parcel revenue grew by 4.2% year-on-year, reflecting higher import volumes at a lower average unit revenue.

Total letter revenue grew by 4.4% year-on-year, benefitting from price rises, necessary given the inflationary environment and costs of delivering the USO against the backdrop of declining letter volumes, and positive mix effects, partially offset by volume decline. Addressed letter volumes (excluding elections) fell by 9% year-on-year, reflecting the trend of long-term structural decline. Stamped letter revenue rose significantly, with a particularly strong performance over the Christmas period, which was heavily impacted by strike action in the prior year. Advertising mail volumes declined by 11%, a result of the macroenvironment, whilst business mail volumes remained relatively robust, with the decline in volume more than offset by price increases, leading to revenue growth of 7.2%.

Whilst quality of service improved, there is more to do. Across the year, the business delivered an average of 74.5% of First Class mail within one working day (Ofcom target 93%) and 92.4% of Second Class mail arrived within three working days (Ofcom target 98.5%).

Reported operating loss reduced to £254 million (2022-23: £1,039 million loss) and adjusted operating loss reduced to £348 million (2022-23: £419 million loss), broadly in line with expectations. The business was close to breakeven in H2 at the adjusted operating level, excluding voluntary redundancy charges.

In-year trading cash outflow was £246 million (2022-23: £306 million outflow). Gross capital expenditure decreased by £79 million to £176 million, due to a new cash management approach and prioritisation of investment projects.

→ Further detail on performance is included in the Financial Review.

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GLS 2023-24 performance

Revenue[1]

£4,865m

2022-23: £4,650m

Reported operating profit[1]

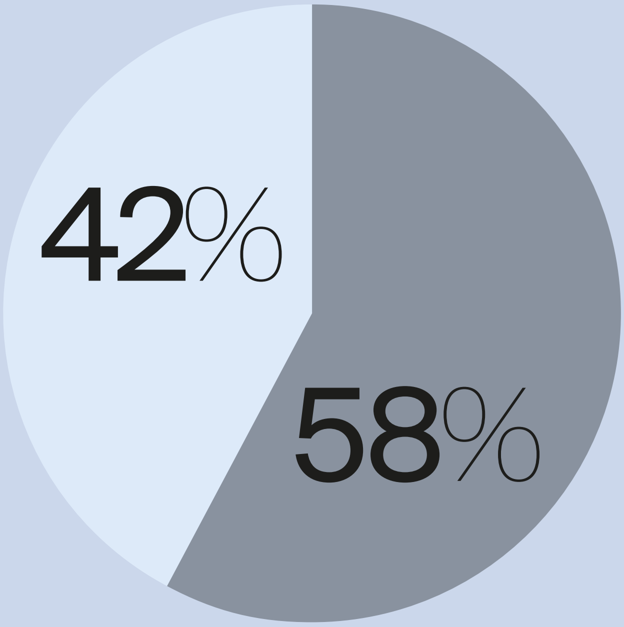
£280m

2022-23: £297m

Adjusted operating profit[2]

£320m

2022-23: £348m



GLS B2C/B2B volume split %

	2023-24	2022-23
B2C	**58%**	55%
B2B	**42%**	45%

GLS

GLS delivered a good financial performance, in line with the upper end of guidance, against challenging macroeconomic conditions, with above market revenue growth.

Revenue grew 4.6% to £4,865 million, 4.7% growth in Euro terms, driven by good volume growth, partly mitigated by lower freight revenues and mix. Excluding acquisitions, revenue was up 3.7% in Sterling terms. Revenue growth was achieved in almost all markets, with six markets delivering double digit growth. However, US and Canada, which together accounted for 11.3% of total GLS revenue, both saw revenue declines, due to the weaker macroenviroment and lower freight revenue.

Parcel volumes increased by 5%, with B2C growth of 10%, with 11 markets delivering double digit growth. Cross-border grew by 8%. B2C volume share was 58%, three percentage points above the prior year.

Reported operating profit was £280 million (2022-23: £297 million) and adjusted operating profit was £320 million (2022-23: £348 million) or €371 million (2022-23: €403 million), reflecting inflationary pressures, including a higher minimum wage in some markets and the impact of strategic investments. Adjusted operating profit margin declined by 90 basis points to 6.6%.

Foreign exchange movements had a net nil impact on operating profit.

We continued to invest in growth and automation to generate efficiency savings, with gross capital expenditure of £204 million (2022-23: £152 million). In-year trading cash inflow pre-IFRS 16 remained robust, at £92 million, which compared with £197 million inflow in the prior year. In-year trading cash inflow was £173 million (2022-23: £272 million inflow).

Performance in selected markets is highlighted below, with revenue growth and cost development detailed in Euro terms, unless stated otherwise. Operating profit is before specific items. Further detail is included in the Financial Review.

GLS Spain revenue grew by 18.4% driven by double-digit volume growth and improved pricing. Overall operating profit increased compared with the prior year.

GLS France revenue grew by 5.0%, driven by higher volumes and slightly better pricing. Whilst there was a small operating loss due to inflationary effects on the cost base which were not fully recovered through better pricing, the business remains on a good trajectory and the new Paris hub will become operational for peak, demonstrating our confidence in the business.

In Germany, organic revenue growth was 4.4% driven by improved pricing, with volumes flat. Overall operating profit was in line with the prior year, excluding acquisitions, which represented a strong performance compared with competitors.

In the US, revenue declined by 4.2% in USD terms driven by lower freight revenues, not fully offset by strong parcel volume growth of 12%, driven by B2C. Operating losses reduced by around one third compared with the prior year, due to lower costs driven by operational efficiencies. Measures focused on further improving unit operational costs and the quality of revenue, including yield management activities, are continuing.

GLS Canada organic revenues declined by 5.5% in CAD terms due to lower freight revenue, a result of the weaker macro environment, and lower fuel surcharges. The prior year also saw unusually strong growth. This led to a decline in operating profit in CAD terms, which was exacerbated in Euro terms due to the weakening of the CAD, although Canada remains a higher margin business for GLS.

→ Further detail on performance is included in the Financial Review.

Calling for Universal Service reform

In their call for input Ofcom concluded that reform of the Universal Service is necessary, given letter volumes have declined from a peak of 20 billion a year in 2004-05 to 6.7 billion in 2023-24. Ofcom calculates that providing the current Universal Service to the UK has a net cost to Royal Mail of £325 million to £675 million every year. If we want to save the Universal Service, we have to change the Universal Service.

Our proposal, based on extensive consultation and detailed modelling, would ensure a more efficient, reliable and financially sustainable Universal Service, which is good for the business and its shareholders, protecting tens of thousands of jobs and the best terms and conditions in the industry, whilst safeguarding what matters most to customers, a one-price-goes-anywhere Universal Service.

If fully and swiftly implemented by April 2025 at the latest, our proposal would reduce the net cost of the Universal Service by up to £300 million per year through a net reduction in daily delivery routes of 7,000-9,000 over the course of around 18-24 months. Royal Mail is confident it can manage this primarily through natural turnover, and the implementation of these proposals is expected to result in fewer than 1,000 voluntary redundancies.

Our proposal also closely aligns to changes successfully made in comparable countries – in Europe and around the world – over recent years. These changes should be enacted quickly by Ofcom through changes to postal regulations and conditions and do not require legislation change through Parliament. Royal Mail is urgently calling for Ofcom to act faster on implementing change, with the introduction of new regulations by April 2025 at the latest. However, at the current time there is no clarity on the form or timing of any change to the Universal Service and the longer the wait for change to be agreed, the smaller the reduction in costs will be.

A summary of our response to Ofcom's call for input and details of our proposal are available at www.internationaldistributionservices.com/en/about-us/regulation/the-futureof- letter-deliveries.

Sustainability
Royal Mail's Net-Zero and near-term targets have now been validated by the Science Based Targets initiative (SBTi) as being in line with the latest climate science to limit global warming to 1.5°C above pre-industrial levels. The targets are part of Royal Mail's Steps to Zero strategy to achieve Net-Zero by 2040. During the year, flights to Jersey and the Isle of Man were removed from Royal Mail's delivery network to streamline services and further reduce carbon emissions. In the coming year increased flexibility of delivery window times will enable the removal of a further 18 flight routes, which when fully realised, will equate to a saving of c.30,000 tCO_2e per year or over 50% of Royal Mail's base year domestic air emissions.

In July 2023, Royal Mail reached the milestone of 5,000 electric vans across its delivery and collection fleet. The business operates the largest EV delivery fleet in the country, and has started to deploy HVO biofuel at six refuelling sites for heavy good vehicles. The use of HVO has the potential to reduce emissions by up to 90% compared to diesel. Overall, during the year Royal Mail reduced its emissions by 8%.

GLS is continuing to expand its low- and zero-emission fleet by adding more e-vans, light vehicles and alternative-fuel vehicles to its delivery network. The low and zero-emissions fleet grew by around 48% year-on-year, to more than 4,900 and now makes up around 11% of the total fleet. Across the GLS network there are now more than 3,600 charging points, with 1,400 points installed during the year, an increase of more than 63%.

Various electric truck trials are ongoing in Belgium, France, Spain, Germany, Poland, Denmark, the Netherlands and the Czech Republic. In Germany, the first hydrogen truck is being used for linehaul operations and for pick-up and delivery in the Cologne-Bonn area.

In Italy, a Volvo FH electric truck now connects the Riano Hub with the San Lorenzo facility, which has a zero-emission only fleet of vehicles. In addition, the Liquefied Natural Gas (LNG) truck fleet in Italy is ramping-up the use of biogas. In Canada, a first class 8 electric truck is now being used for pick-up and delivery in Montreal and is intended to be used in the future for line hauls between Quebec City and Montreal.

In several countries GLS is investigating using HVO as an alternative fuel for line haul transportation.

GLS is also in the process of applying for SBTi validation of its near-term and longer-term emissions reduction targets.

Martin Seidenberg
Group Chief Executive Officer
24 May 2024

Our Marketplace

A number of trends are driving structural change in our letter and parcel market and are shaping the way we run our business.

TREND

Structural growth in parcels and decline in letter volumes.

How we are responding

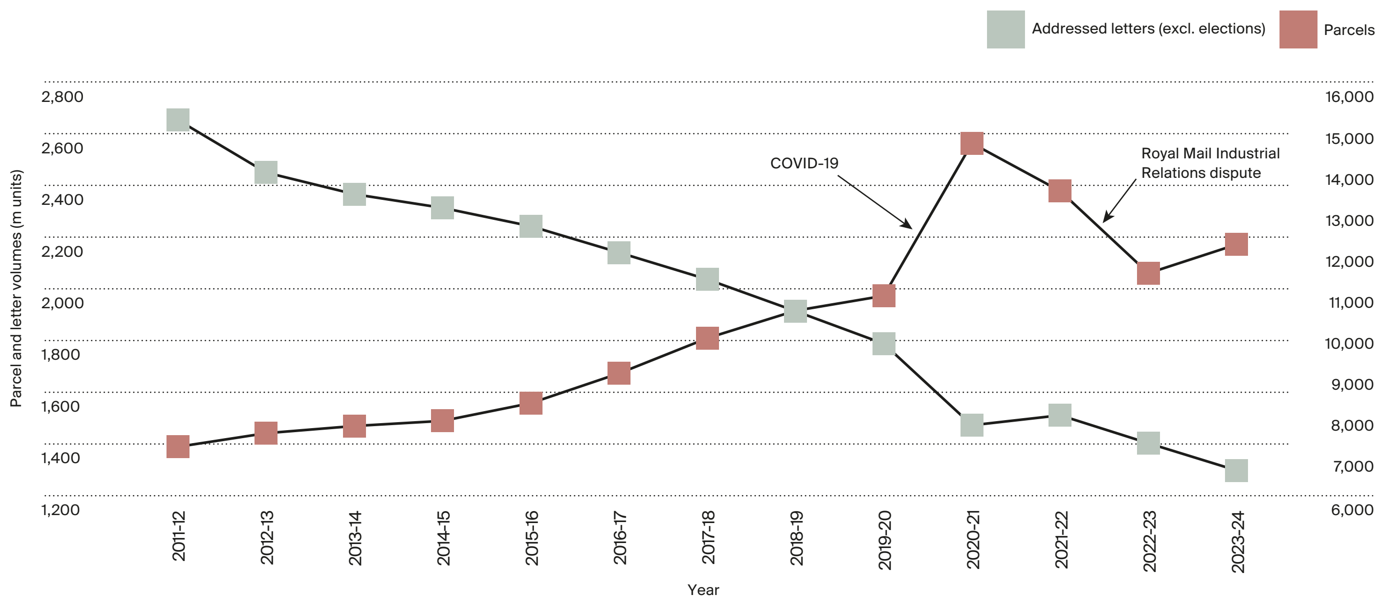
- Focusing on parcels, whilst also delivering letters.
- Increasing prices to help mitigate mail volume decline.
- Campaigning for Universal Service reform (see page 24).

40%

Of UK retail sales via e-commerce in 2023 (18% in 2014)[1]

56%

Letter volume decline since 2011-12[2]



TREND

Growing demand for sustainable products and services driven by environmentally conscious customers and increasing regulation.

How we are responding

- Reducing our environmental footprint and supporting the transition to a low-carbon future (see pages 28 to 31).
- Royal Mail has the lowest reported CO_2e per parcel in the UK[3] and the largest electric van (EV) delivery fleet.[4] It is also decarbonising its line haul fleet of large trucks through the deployment of HVO.
- GLS is committed to science-based greenhouse gas reduction targets in line with the SBTi.
- 80% of GLS' operated sites use renewable electricity and the business has >3,600 EV charging points at its depots.

49%

Of UK consumers prefer a carbon-free delivery[5]

49%

Of Europeans prepared to have longer delivery times if delivery is more sustainable[6]

1. Office for National Statistics, January 2024.
2. Addressed letters (excl. elections), internal analysis.
3. Based on average gCO_2e emissions per parcel delivered by UK parcel operators, as published by Citizens Advice 2023 Parcels League Table.
4. Based on internal analysis of publicly available competitor fleet data.
5. IMRG Consumer Home Delivery Review 2023.
6. DHL eCommerce: European Online Shopper Survey 2023.

TREND

Challenging macro environment.

How we are responding

- Becoming more agile and mitigating escalating operational costs where possible through efficiency, increased automation and final mile optimisation.
- Modernising Royal Mail through implementation of the Business Recovery, Transformation and Growth Agreement with the CWU.
- Upgrading our networks and increasing automation to drive productivity and growth. The second Royal Mail hub opened in June 2023. GLS' Madrid hub commenced full scale operation in March 2023 and new hubs are scheduled to open in Paris and Berlin in the coming year.
- Improving GLS' final mile efficiency through out-of-home (OOH) solutions.
- Adapting our pricing and surcharges to partly mitigate mail volume decline.

2023 UK[1] GDP growth

0.1%

2023 EU[7] GDP growth

0.4%

2023 average UK inflation[1]

7.3%

2023 average EU[7] inflation

6.4%

7. Eurostat, March 24

Royal Mail's Midlands Parcel Hub in Daventry which opened in June 2023.

TREND

Knowledgeable customers who want to choose how and when their parcel will be delivered and buy services based on speed, reliability, price and convenience.

72%

Of online shoppers want to be able to make in-flight redirections[6]

65,000

Competitor lockers already installed in Europe (including UK)[8]

39%

Of European e-shoppers receive deliveries outside their homes[6]

c.50%

Of Royal Mail's consumer sales are now online[9]

How we are responding

- Improving Royal Mail's quality of service is our top priority.
- Expanding our offering to make sending and receiving parcels as convenient as possible including increasing the scale of our OOH network across locker and parcel shops. During the year Royal Mail launched a partnership with PayPoint that allows customers to drop off parcels at Collect+ locations across the UK. The business also announced plans to install 3,000 lockers across the UK in partnership with Quadient. GLS has also increased its OOH locations by c.7,500 to c.55,000 (+16%), including c.7,400 lockers.
- Continuing to invest in the latest technology to meet customers' evolving needs and developing our digital footprint across the entire customer journey.
- Leveraging GLS' innovation expertise and strong investment in digital to enhance the customer experience.

Royal Mail partnership with PayPoint allows customers to drop off parcels at 5,000 Collect+ locations across the UK.

TREND

Evolving regulation including countries across Europe reforming their Universal Service obligations, changes to labour standards and the use and tax treatment of subcontractors across Europe.

How we are responding

- Campaigning for Universal Service reform. A summary of Royal Mail's response to Ofcom's call for input is available at www.internationaldistributionservices.com/en/about-us/regulation/the-future-of-letter-deliveries.
- Monitoring government policy and developments in our markets and adapting to local market circumstances.

92%

Of consumers' needs likely to be met by a reformed Universal Service[10]

c.24%

Average increase in minimum wage in selected EU countries over the last two years[7]

8. Kardinal "OOH parcel delivery: a comparative look at market leaders' strategies", January 2024. Companies benchmarked: DHL, Geopost, InPost, GLS.
9. Based on Royal Mail's analysis of postage labelled mail excluding postage stamped mail.
10. Based on customer research undertaken by Royal Mail (and included in the business' submission to Ofcom on 2 April 2024) which found that provided the First Class service was retained at six days a week, delivery of non-priority letters two days a week would meet the needs of the vast majority of consumers.

We use our strengths and resources

People

We are a people-driven business and our colleagues across the Group play a key role. We aim to foster a trusting and inclusive culture that is aligned with our purpose and strategy.

An extensive network

UK network includes c.1,200 delivery offices, 37 mail centres and 2 parcel super hubs. Across Europe, Canada and the US' West Coast over 1,600 depots, c.120 hubs and c.55,000 OOH locations.

Royal Mail
PARCELFORCE WORLDWIDE
GLS.

Brands

Strong and renowned brands.

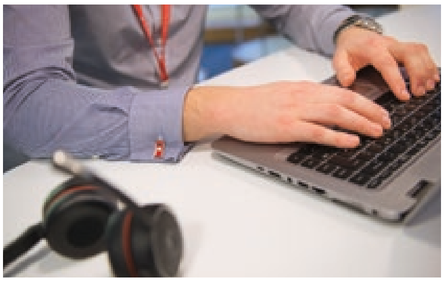
Embedded sustainability strategy

Operating in a sustainable and responsible way.

→See pages 27 to 40

Increasing levels of automation

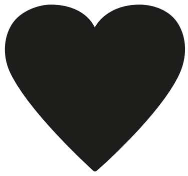
81% parcel automation across Royal Mail as at March 2024 (76% March 2023).



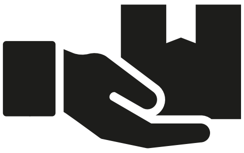
Effective governance and risk management

→See pages 79 to 142 and 49 to 58

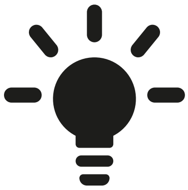
to create value



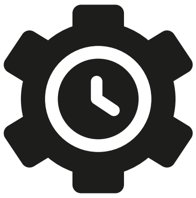
Customer
Meeting customers' evolving needs.



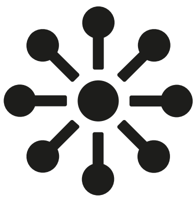
Quality of Service
Improving service levels and rebuilding customer trust.



Modernisation
Transforming Royal Mail.



Efficiency
Increasing productivity and competitiveness.



Collaboration
Leveraging innovation and expertise across Royal Mail and GLS.

for our stakeholders

Our customers

c.32m
UK addresses

c.250,000
GLS customers

Our people

Provide 1 in 200 jobs
in the UK economy as a whole[1]

Our suppliers and business partners

62,600 jobs
indirectly supported by Royal Mail in the wider economy[1]

Our communities and society

£10.9bn
gross value added by Royal Mail (direct and indirect contribution)[1]

Our shareholders

£937m
cash to shareholders via dividend payments and share buybacks over last five years

1. The Centre for Economics and Business Research (Cebr) research, conducted for Royal Mail in May 2024, comprising direct and indirect contributions.

Our Strategy

During the year we have focused on a number of strategic initiatives to improve the customer experience and drive growth.

Strategic update

Royal Mail

Royal Mail is now back on the right trajectory. The business has been stabilised and we have delivered improvements in quality, productivity and automation. Royal Mail returned to growth, with a close to breakeven performance at the adjusted operating profit level, excluding voluntary redundancy charges, in the second half of the year.

Longer-term strategic plans are being developed, including a network strategy to define our future footprint, leveraging both Royal Mail and Parcelforce's networks, and we have also made progress on our channel strategy and new growth initiatives, where we have already begun implementing a more diversified out-of-home offering.

On 2 April 2024 we announced the appointment of Emma Gilthorpe as CEO of the Royal Mail business. Emma, who was previously Chief Operating Officer at Heathrow airport, has a customer and employee-centric approach and an impressive track record of delivering major strategic change programmes whilst driving performance improvements. Emma joined the business on 1 May 2024 and is currently working closely with me as part of an intensive induction process before taking over responsibility for the business in the summer.

Stabilisation and quality of service

When I began as Group CEO, my immediate priority was to take short-term actions to stabilise the business as it came out of the longest industrial action in our history. I am pleased to report that we have achieved that, by refocusing our investment approach, instilling a new rigorous approach to cash management and cost control including capex reductions, whilst protecting investment in our key transformation projects. We also implemented targeted price increases. The business is now on a sounder footing, which has enabled us to move forward with the transformation agenda.

I also committed to improve quality, to deliver the service our customers rightly expect and help win back business lost during the industrial action last year. To achieve that, I implemented the following initiatives:

- Reinforced operational management at both regional and local levels.
- Established a quality control centre to drive real time operational performance analysis and enable proactive intervention as required.
- Maximised the use of our Parcel Hubs, where we can process parcels much faster and ensure higher quality of service in the middle mile. Our Midlands Super Hub near Daventry increased its throughput to a record total of 950,000 parcels in a 21-hour shift.
- Reduced our reliance on agency, recruiting more people on new terms and conditions and reducing sick absence.
- Launched a quality incentive for our people over Christmas, based on local and national quality targets, providing additional support for the units where quality was most impacted.

As a result, quality of service has improved across both commercial and USO products, with a 3.9% increase in First Class mail arriving within one working day between Q2 and Q4. Across the year, the business delivered an average of 74.5% of First Class mail within one working day, with more than 91% delivered within two working days (in Q4, this was more than 93%). 92.4% of Second Class mail arrived within three working days. We reported our best Christmas performance in four years with more than 99% of items posted before the last recommended posting dates arriving by Christmas Eve. We have also put in place a solution for NHS mail which has improved service levels. Our approach is working. We are on the right trajectory, but there is more to do.

Delivering our transformation

We have continued to drive our modernisation agenda forward and have a clear plan for improvement. The Business Recovery Transformation and Growth Agreement with CWU provides a solid foundation for future growth and we have made good progress on implementation during the year. Changes introduced include:

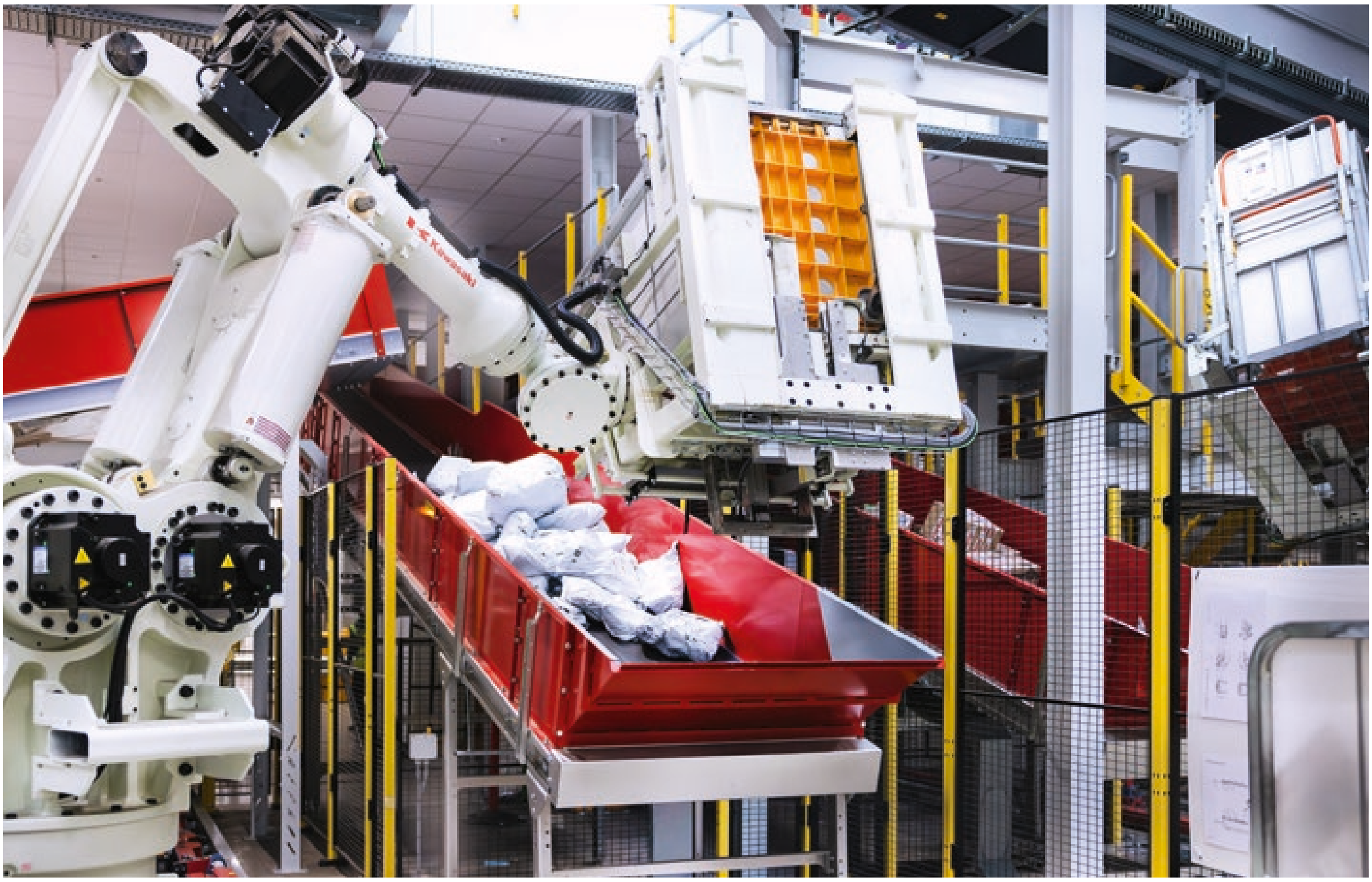
- Seasonal hours, requiring employees to work a longer week during peak and a shorter working week in the summer of 2024, were introduced for the first time during December 2023.
- New attendance and sick pay arrangements, with frontline absence rates declining steadily since their introduction in Autumn 2023.
- To support performance and efficiency we are regularly communicating key performance metrics to our posties using our 'MyPerformance' app which was launched in October 2023. Feedback is currently provided on 3 KPIs, with 5 more on trial, which is already delivering improved first-time delivery rates and safety metrics.
- Reducing reliance on agency staff, recruiting more than 9,000 full-time employees (FTEs) on new terms and conditions with greater flexibility e.g. weekend working and supporting quality improvement.
- Enabling later start times to ensure more next day delivery, improve reliability, reduce cost and lessen impact on the environment, with the removal of around 50% of domestic flights from Royal Mail's transport network.

As the agreement has been implemented, we have adapted some of the programmes to deliver the associated benefits through a slightly different route – for example, on indoor methods we have switched to an alternative approach focused on improving upstream sortation.

The transformation will take time and there's still hard work ahead, but Royal Mail is making good progress and heading in the right direction.

Efficiency and productivity

Automation levels hit 81% in March 2024, up from 76% in March 2023. This will enable us to push higher volumes of larger parcels more efficiently through the Royal Mail network and as a result, reduce costs and improve quality. We are also moving to a closer integration of the Royal Mail and Parcelforce networks to optimise parcel delivery through the most efficient route.



Productivity, across both processing and delivery, has improved. In Q4, productivity was 4.3% higher year-on-year, enabled by increased automation and improved ways of working. This is particularly pleasing given workload has increased, with bigger parcels now being transported through the network. We maintained the reduction of 10,000 FTEs, the position we entered the year, and were able to make further reductions with March 2024 frontline FTEs over 1,000 lower vs. March 2023.

We are currently mapping out our future network, and developing a plan to address our core challenge to move to a network setup that can efficiently deliver parcels of all shapes and sizes, whilst also delivering letters in the most efficient and cost effective way.

Expanding customer choice and convenience

Our modernisation agenda is wider than just the CWU agreement. We have developed a new out-of-home growth plan, focused on making our service more convenient for our customers, and have already launched two significant partnerships to broaden our final mile offering and give customers more options to drop off and collect parcels. We have plans to increase the number of parcel drop off locations by more than 50% to 21,000 through:

- 5,000 new Collect+ locations for customers to drop off parcels rolling out in 2024-25.
- Launch of Royal Mail locker network in partnership with Quadient, with 200+ rolled out, ramping up to 1,500 by end of 24/25 and an initial target of 3,000 locations.
- Launching pilot Royal Mail Parcel Shop, with the potential to expand further.

Summary

Royal Mail is now back to growth and the business has delivered improvements in quality, productivity, and automation. We have also made good progress on implementing the CWU agreement.

We continue to push for USO reform, submitting our proposal to Ofcom which would ensure a more efficient, reliable and financially sustainable Universal Service. These changes should be enacted quickly by Ofcom through changes to postal regulations and conditions and do not require legislation change through Parliament.

We have also set in motion a broader strategic programme including our growth, network and channel strategy, where we have already begun implementing a more diversified out-of-home offering. We are on the right track, having made a significant step in the right direction in 2023-24 and I look forward to building on our progress with Emma, the new Royal Mail CEO. However, headwinds remain with a tough macro and competitive environment, no change to the Universal Service as yet agreed, continued declines in letter volume and further investment required to deliver our multi-year transformation.

GLS

GLS has a distinctive and proven business model and made good progress executing on its strategy, which is focused on:

- Strengthening its top position in the cross border deferred parcel segment.
- Strongly positioning business in the 2C parcel market, whilst securing its leading position in the 2B segment.
- Inspiring the market through innovative digital and sustainable customer-focused solutions.

During the year GLS continued to upgrade its network to support growth and to transform the last mile, reinforcing its position in the 2C parcel market. It has also deployed a number of new innovative digital solutions and expanded its international business and network to support cross-border volumes.

Upgrading the network
We have continued to invest in GLS to drive productivity and growth. The new Madrid hub commenced full scale operation in March 2023 and has already contributed to double digit volume and revenue growth in Spain. During peak, on its busiest day GLS Spain handled over 900,000 parcels. Across the whole GLS group, the business processed 6.2 million parcels on the Monday after Black Friday .

New depots were also established in Rome and Nancy, and after the successful launch of the new Madrid hub last year, this year, new automated hubs will open in Paris and Berlin in time for the peak season. In Germany, the new Berlin hub will be GLS' largest depot and regional hub, with a network capacity of up to 200,000 parcels per day. It will play a key role in serving the greater Berlin area and serve as a international gateway to Eastern Europe. The new Paris hub will have the capacity to handle around 200,000 parcels per day.

GLS is also deploying new technologies in robotics. Following successful testing of automated guided vehicles in Germany, there are now plans to expand into five additional depots across the country, with the potential to expand into France, Spain and Italy. The business is also increasing automation, and deploying artificial intelligence (AI) across its network, developing package detection technology to reduce damage caused during sortation, and technology to improve the efficiency of feeding parcels into sorters.

Altogether, our investments in hubs, automation and robotics will increase GLS' per day capacity by around 750,000.

Transforming the last mile
During the year GLS expanded its locker network by 53%. Parcel locker expansion in Eastern Europe is progressing well, where lockers grew almost 90%, and as part of the rollout smart lockers are being deployed, which have lower capex requirements, higher partner uptake and faster utilisation, allowing for rapid scalability.

In the Netherlands, GLS' partnership with PostNL has gone live giving immediate access to 1,000 lockers, which will grow to 1,400 lockers, adding to the more than 700 existing parcel shops. GLS France has also partnered with Quadient to gain access to its open locker network and through its partnership with Matkahuolto, GLS Finland expanded its pick-up and drop-off points to 1,300. As previously announced, we also acquired the leading parcel shop chain ProntoPacco in Italy during the year. GLS Spain launched an automated kiosk returns pilot, that allows customers to quickly and easily return their packages without queuing.

Introducing innovative digital solutions
During the year GLS launched a number of new innovative digital solutions across the entire customer journey. In Eastern Europe, the utilisation of digital messaging solutions that offer cost efficiency and enhanced features such as pictures and QR codes is being expanded to enrich customer experiences and meet growing demand.

GLS continued to roll out its driver optimisation software to enhance delivery productivity. As part of our mission to provide more customer centric tracking solutions, we expanded our real time tracking solution, Bettermile, to nine countries.

GLS is also working to cater to the rapidly expanding C2C (Consumer to Consumer) market by offering convenient self-service solutions. These solutions empower senders with insights into volumes, returns, label generation, and more. Additionally, consignees have access to redirection options and out-of-home services, facilitating parcel returns, collection, and sending through self-service channels.

Building a global service offering
Growth in cross-border volumes outpaced domestic during the year, demonstrating the strength of our international network. GLS increased key customer volumes, growing its Asia-Europe cross-border segment by introducing local sales teams in Asia and switching to a global management model for international key accounts.

In January 2024 the business introduced a new transatlantic service in Europe, leveraging its growing North American presence, which is already ramping rapidly and is expected to be a key pillar of our cross-border growth. The cross-border market between North America and Europe remains a significant potential growth area for GLS, with higher-than-average margins per parcel.

Additionally, GLS successfully entered the Serbian market, and after its first full operational year, it is ahead of plan.

Summary
Global economic conditions continue to remain fragile with a slower macro recovery now expected, compared to previous forecasts. However, GLS will continue to invest in its strategic priorities, upgrading the network, transforming the last mile and building a global service offering, whilst advancing to a sustainable future.

Measuring Our Performance

The KPIs we use to assess the Group's performance are set out below. They demonstrate the deliverability of each business' strategy and, in particular, our progress against our efficiency and profitable growth objectives.

Reported revenue[1]

£12,679m

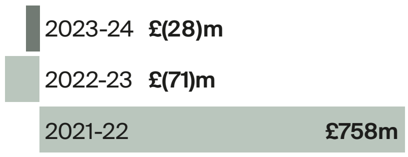
Relevance
Demonstrates revenue growth across Royal Mail and GLS.

How we calculate
Total reported Group revenue.

Performance in 2023-24
- Group revenue was £12,679 million, representing growth of £635 million, including the impact of the 53rd week in Royal Mail of £140 million.
- Both Royal Mail and GLS grew revenue year on year, against a challenging macroeconomic backdrop.
- Royal Mail revenue grew by 3.8%, on an underlying basis,[3] driven by strong letter revenue growth and a recovery in parcel revenue in H2.
- GLS revenue grew 4.6%, or 4.7% in Euro terms, driven by good volume growth, partly offset by lower freight revenue and mix.

Group adjusted operating loss[2]

£(28)m



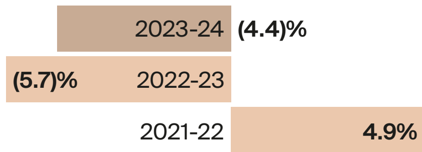
Relevance
Our primary measure of business performance.

How we calculate
Reported operating profit/(loss) excluding adjustments and specific items (see page 240).

Performance in 2023-24
- Group adjusted operating loss reduced year on year, due to the improved performance in Royal Mail.
- Royal Mail recorded an adjusted operating loss of £348 million, driven by increased revenue, compared to a loss of £419m in 2022-23.
- GLS adjusted operating profit was down year on year, as expected, to £320 million, due to wage and other inflationary pressures and the impact of strategic investments.

Royal Mail adjusted operating loss margin[2]

(4.4)%



Relevance
Demonstrates efficiency and our focus on driving profitable growth.

How we calculate
Adjusted operating profit/(loss) as a proportion of revenue in percentage terms.

Performance in 2023-24
- Royal Mail adjusted operating loss margin improved to (4.4)%.
- This was driven by an increase in revenue with both parcel and letter revenue growing year on year, which more than offset the increase in costs.

1. Reported results are prepared in accordance with UK adopted International Financial Reporting Standards (IFRS).
2. The Group's performance is explained through the use of alternative performance measures (APMs) that are not defined under IFRS. A full list of the Group's APMs are set out on pages 238 to 243 and reconciliations to the closest measure prescribed under IFRS.
3. The 52 week 2023-24 results are derived by removing the 53rd week revenue and incremental costs in relation to Royal Mail, see the Group's APMs on page 238 to 243 for further details on this adjustment. Percentage changes are on a 52 week basis. The GLS financial year is 12 months to 31 March 2023 and 2024, so no adjustment is made for GLS' results. The 52 week results are in line with how the Chief Operating Decision Maker as defined by IFRS 8 reviews performance.

Royal Mail lost time accident frequency rate (LTAFR) per 100,000 hours worked[4]

0.78

2023-24	0.78
2022-23	0.79
2021-22	0.54

Relevance
Targets a continually improving safety culture for employees, customers and communities.

How we calculate
Total number of accidents resulting in an absence on the next day or shift, per 100,000 hours worked.

Performance in 2023-24
— Royal Mail LTAFR of 0.78.

GLS adjusted operating profit in Euros[2]

€371m

2023-24	€371m
2022-23	€403m
2021-22	€402m

Relevance
Demonstrates efficiency and profitable growth.

How we calculate
Adjusted operating profit before specific items, in Euros.

Performance in 2023-24
— GLS adjusted operating profit was £320 million. The impact of inflation and wage increases, plus strategic investments, more than offset the growth in revenue year on year of £215 million, as expected.
— In Euro terms, adjusted operating profit was 371 million.

GLS in-year trading cash flow, pre-IFRS 16[5]

€106m

2023-24	€106m
2022-23	€228m
2021-22	€207m

Relevance
Demonstrates cash generation, important to support investment and future growth.

How we calculate
Pre-IFRS 16 in-year trading cash flow of £92 million converted into Euros.[6]

Performance in 2023-24
— Although EBITDA was broadly flat year on year, in-year trading cash flow pre-IFRS 16 reduced due to an increase in capital expenditure and an outlfow in trading working capital.
— Capital expenditure increased due to investment in the GLS network and to support the expansion of lockers.

4. Refers to direct employees only. 2023-24 covers 53 weeks and the two prior years cover 52 weeks. 2022-23 LTAFR has been restated from 0.73 to 0.79 due to an error in prior year reporting.
5. GLS in-year trading cashflow is now the metric used for this KPI, as it is the measure used in management reporting and more closely resembles the cashflow performance of the business as it includes operating lease payments.
6. Foreign exchange rate used 1.158

Our Stakeholders

Engagement with our stakeholders helps us understand what matters to them. It also builds trust and fosters stronger relationships.

Colleagues Our workforce who underpin the delivery of our strategy.	**Customers** People who rely on and buy the services we provide.	**Shareholders** Investors, including our employees, who provide capital to run our business.	**Unions** Organisations that represent the interests of our workforce.
Their key issues			
Health, safety and wellbeing. Fair, diverse and inclusive working environment. Attractive pay and conditions. Development opportunities.	High-quality, value-for-money, reliable, convenient and sustainable service. Strong ESG performance.	Long-term sustainable value. Strategy and execution. Strong ESG performance.	Protection of worker interests. Pay and conditions.
How we engage across the Group			
Two-way and peer-to-peer dialogue channels, including the Workplace platform. Internal communication channels including Courier magazine and Royal Mail TV. Annual Big Trust Survey, Employee Voice Forums and People Panels. Face-to-face programmes to enhance colleagues' understanding of our strategy.	Direct customer engagement. Regular customer surveys. Net promoter score monitoring. Trustpilot reviews. Complaint management and resolution.	Active investor relations (IR) programme (see page 90). Quarterly results announcements.	Regular meetings with union representatives. Elected union representatives work with Royal Mail management. Engagement with GLS' local works councils.
How we engage at Board level			
Designated Non-Executive Director for engagement with the workforce leads Employee Voice Forums and provides regular updates to the Board on valuable feedback from our colleagues (see page 90). Site visits (see page 88). Reviews feedback from employee surveys and actions taken to address any issues arising.	Regular Board updates on quality of service. Environmental, Social and Governance Committee (ESG Committee) considers services to support vulnerable customers.	Monthly IR reports submitted to the Board. Participation in IR programme, including shareholder meetings (see page 90). Engagement with shareholders at the Annual General Meeting. Remuneration Committee Chair engages with shareholders on remuneration matters as required (see page 109).	Royal Mail senior management meets regularly with senior union leaders and provide updates to the Board.
Outcomes			
Big Trust Survey feedback. See page 34. Change for Good campaign. See page 39. Actions to address issues raised during Royal Mail and GLS Employee Voice Forums (see page 89).	Services that meet customers' needs. See pages 18 and 19. Actions to address quality issues. See page 17.	Updated the Group's ESG Principles and established Group ESG ambitions. See page 27. Further enhanced climate-related disclosures. See pages 41 to 48. Resumed dividend payments.	Business Recovery, Transformation and Growth Agreement and its implementation. See page 17.
Principal risks (→ See pages 52 to 58)			
3 7 11 12	3 4 5 6 8 9 10 11 12	1 2 3 4 5 6 7 8 9 10 11 12	2 3 6 7 11 12

Regulator Ofcom, the body that oversees our provision of the Universal Service.	**Governments** Administrations that levy taxes and determine legislation that affects our business.	**Suppliers** Our commercial partners who support our business.	**Local communities** The people who our activities may impact.
Their key issues			
Effective delivery of our Universal Service Obligations. Meeting our annual regulatory USO Quality of Service (QoS) targets.	Effective delivery of our Universal Service Obligations. Provision of employment. Tax income. Transitioning to a low-carbon future.	Fair commercial terms. On-time payment. Long-term relationships.	Positive social and economic impact. Sustainable business operations.
How we engage across the Group			
Royal Mail management meets regularly with Ofcom. Dedicated regulation team engages with Ofcom and participates in regular meetings.	Royal Mail management meets with government ministers, key politicians and civil servants, including the Postal Affairs Minister. Public affairs engagement programme. Regular updates and briefings.	Regular commercial dialogue.	Execute UK community strategy. GLS supports numerous regional and national charitable initiatives. See pages 36 and 37.
How we engage at Board level			
Chair and CEO engage regularly with Ofcom and provide updates to the Board. Dedicated regulation team provides regular Board updates on engagement with Ofcom, particularly in relation to Universal Service reform.	Regular Board updates on relevant matters including updates on relevant legislation. ESG Committee receives updates on ESG-related consultations and policies. Chair and Group CEO engage with government ministers.	Contracts considered critical in terms of risk profile approved by Board prior to award. Audit and Risk Committee considers reports on payment practices for relevant businesses.	Site visits. ESG Committee discussion on the Group's societal and community investment.
Outcomes			
Participation in Ofcom's call for input in relation to Universal Service reform. See page 24. Annual regulatory USO QoS targets.	£10.9 billion of gross value added by Royal Mail (direct and indirect contribution).[1]	62,600 jobs indirectly supported by Royal Mail in the wider economy.[1] Promote responsible business practices through supply chain compliance. See page 39. Publish information on payment practices in line with the Duty to Report on Payment Practices and Performance.	1 in every 199 jobs in the UK economy as a whole is provided by Royal Mail.[1] Community investment. See pages 36 and 37.
Principal risks (→ See pages 52 to 58)			
2 3 6 9 10 12	1 3 4 6 8 10 12	1 3 4 5 8 10 12	3 6 10 11 12

1. Cebr research conducted for Royal Mail in May 2024, comprising direct and indirect contributions.

Universal Service reform

In January 2024, Ofcom announced that it was reviewing options for the future of the Universal Service, and called for input on potential reform to better accommodate changing customer needs as letter volumes continue to fall.

Royal Mail submitted its proposal to Ofcom on 2 April 2024. This proposal was developed after extensive engagement listening to feedback from customers, businesses, employees, trade union representatives and other stakeholders and is designed to meet customers' changing needs and protect what matters most to them. The key elements of Royal Mail's proposal are detailed below and a summary is available at www.internationaldistributionservices.com/en/about-us/regulation/the-future-of-letter-deliveries.

Meeting customers' needs
- A one-price-goes-anywhere service to all parts of the UK maintained.
- First Class letters still delivered daily, six days a week (Monday to Saturday) to recognise the importance of next day and Saturday deliveries, especially for the NHS, publishers and senders of greeting cards.
- The option of First Class and non-First Class letters retained, giving people a choice of price and speed.
- Parcels still delivered up to seven days a week.

Modernising the Universal Service for our customers
- New, additional reliability targets for Universal Service First Class and Second Class services, alongside revised, realistic speed targets, to give customers further confidence. Non-First Class letters to be delivered every other day, Monday to Friday.
- Delivery speed of access standard business to move to within three working days, instead of two.
- Tracking added to Universal Service parcels to reflect customer demand.

Benefiting our people
- Opportunities for more Saturdays off: As all non-First Class letters would only be delivered every other weekday (Monday to Friday), there would be fewer routes overall on a Saturday.
- Smaller walking routes, with more addresses visited: Walking routes would reduce, whilst our posties would be delivering letters to around seven out of ten addresses compared to around four out of ten today.
- More choice of duties: The number of walking routes would reduce, while the number of van-based parcel roles would increase.
- Greater job security: The proposals are designed to make our business more financially sustainable, protecting tens of thousands of jobs and the best terms and conditions in the industry.

Creating a stable and financially sustainable future for the benefit of all of our stakeholders that will:
- Deliver a more efficient and more financially sustainable Universal Service which could save Royal Mail up to £300 million a year. These savings would enable continued investment in the modernisation and transformation of the business to provide products and services that customers want and reduce its environmental impact.
- Once agreed, implementation would take around 18 to 24 months.
- Make our network more efficient, improve how we deliver the mail and set ourselves up to manage future letter decline and parcel growth.

Section 172 Statement

Our stakeholders are integral to our success and we must take account of their issues and concerns if we are to create sustainable long-term value.

On occasions, the Board has to make difficult choices and prioritise the interests of different stakeholders. In such circumstances, what matters to each stakeholder is carefully considered and, after taking account of all relevant factors, a decision is made based on the long-term interests of the Group. Outcomes of decisions are not always positive for all stakeholders.

In relation to the decisions taken during the financial year ended 31 March 2024, and up until 24 May 2024, the Directors of International Distribution Services plc consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in section 172 of the Companies Act 2006.

Examples of principal decisions made by the Board during the 53 weeks ended 31 March 2024, and up until 24 May 2024, and the stakeholder issues and section 172 matters considered as part of the decision-making process, are set out on this page and on the following page. We define 'principal decisions' as decisions which are material or strategic to the Group and/or significant to any of our stakeholders. In each case, given the materiality and importance of these matters, the relevant management team made recommendations to the Board and, where relevant, its Committees for consideration.

- Likely consequences of any decision in the long term.
- The interests of employees.
- The need to foster business relationships with suppliers, customers and others.
- The impact of operations on the community and the environment.
- The desirability of maintaining a reputation for high standards of business conduct.
- The need to act fairly as between members.

Universal Service reform

In March 2024 the Board reviewed Royal Mail's response to Ofcom's call for input on the future of the universal postal service. The business' response (see adjacent page) is focused on meeting the needs of customers today and into the future. It creates a platform for growth, benefits the Royal Mail workforce and addresses the sustainability of the Universal Service.

Having considered the response, the Board concurred with Royal Mail's assessment and the need for change based on the following matters:

- **Customers:** In 2004-05 the business delivered 20 billion letters per year compared to 6.7 billion in 2023-24. At this rate of decline, letter volumes in the next five years will be closer to 4 billion. As letter volumes have declined, the number of delivery addresses has increased (by 15% since 2004-05). To secure Royal Mail's long-term future, it must operate a sustainable business model based on customer demand, which means delivering more parcels and fewer letters. In relation to those customers who could be affected by the change, for example a small number of magazine publishers, it was noted that Royal Mail was working to manage the change and mitigate the impact.
- **Employees:** Management believes that reform would bring significant benefits, including benefits for employees. In particular a reformed Universal Service would enable Royal Mail to grow in a financially sustainable way, which would support job security in the long term. Also opportunities to offer employees different working patterns would be created.
- **The long-term interests of the Group and all its stakeholders:** In developing its response, Royal Mail engaged with its stakeholders to canvas their views, which were reflected in the business' response. The Board also noted that according to Ofcom, a financially sustainable Universal Service should be able to achieve an EBIT margin of 5-10%. However, since privatisation in 2013, this has only been achieved twice. Ofcom has recognised that the USO is a net cost to Royal Mail of c.£325 million to £675 million. Reforming the Universal Service is essential if Royal Mail is to have a sustainable future.

Industrial relations

In April 2023, following an extensive period of industrial action, the Board approved the final terms of the Business Recovery, Transformation and Growth Agreement (the Agreement). The Agreement sets out how Royal Mail and the CWU will work together to move to a more modern industrial relations framework. In coming to this decision, the Board considered the following matters:

- **The long-term interests of the Group and all its stakeholders:** The Agreement was an important step forward in the turnaround of Royal Mail. To enable the business to survive long term and succeed in a highly competitive market, it must adopt a more modern industrial relations framework to enable the business to become more agile and compete more effectively.
- **Customers:** Royal Mail needs to adapt much faster to changing customer demands in a highly competitive market. The new ways of working will enable the business to respond to customers' demands and changing needs. In particular, the operational changes in the Agreement are designed to improve quality of service for customers and, the later start times that came into effect from April 2024, will help Royal Mail respond to the market demand for more next day parcel deliveries.
- **Employees:** The three-year pay deal included in the Agreement provides certainty for employees and will ensure that Royal Mail remains the industry leader on pay, terms and conditions.
- **Environmental impact:** Increased flexibility of delivery window times will enable the removal of 18 flight routes in the coming year.

Bond issue

In September 2023 the Group issued two new bonds; one for €500 million (repayable in 2028) and one for £250 million (repayable in 2030) net of a partial repayment of €135.5 million of the Group's existing €500 million bond maturing in July 2024. Some of the monies raised will be applied to cover the remaining €364.5 million that is outstanding on the 2024 bond. The balance will enhance the Group's overall liquidity. In its consideration of this financing, the Board took account of the following matters:

- **The long-term interests of the Group and all its stakeholders including customers, employees and suppliers:** Raising funds to refinance the Group's existing liabilities under the 2024 bond in an orderly manner and raising additional monies would increase liquidity and improve the Group's financial stability, which would benefit all stakeholders. In particular it would support value-add growth initiatives in GLS and increase third parties' confidence in Royal Mail.
- **The need to act fairly as between members:** The financing arrangement avoided any dilution of shareholders' interests.

New purpose-built GLS depot in Denmark

In September 2023 GLS submitted a proposal to the Board requesting investment to build a new depot in Ringsted, Denmark. In approving the proposal, the Board considered the following matters:

- **The long-term interests of the Group and all its stakeholders**: The investment supports GLS' strategy. In particular the new facility, housing a fully-automated conveyor, would resolve capacity issues in the region, facilitate long-term volume growth and, as a result of increased automation, realise financial returns via productivity savings.
- **Customers**: GLS' service offering in the city of Copenhagen and surrounding areas would be enhanced.
- **Environmental impact**: The depot's construction in accordance with high sustainability standards would minimise the impact of the business' operation on the environment. In particular, the facility's energy-efficient heating, ventilation and LED lighting, and 1,100 solar panels and 32 vehicle charging points at 16 charging stations were noted.

ESG Review

Demonstrating leadership across the broad ESG agenda is the right thing to do. It is also essential if we are to achieve competitive advantage and create value for our stakeholders. We aim to run our businesses in a responsible and sustainable way and be an integral, trusted and valued part of the communities we operate in.

Our ESG approach
In recognition of the impact our operations have on society and the continuing growth in demand for sustainable products and services, our approach to ESG is built around the ambitions and principles set out below. They focus on the topics identified by our stakeholders as being material and support a number of the United Nations Sustainable Development Goals (SDGs). They also underpin Royal Mail's and GLS' strategies, which aim to create stakeholder value and achieve sustainable growth.

Royal Mail and GLS undertake regular materiality assessments to ensure that their respective ESG programmes continue to take account of the areas stakeholders consider most important. Information about Royal Mail's and GLS' most recent materiality assessments and further detail about each business' ESG programme are included in their respective ESG Reports, which are available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance.

Our principles and ambitions

Environment

Net-Zero by 2040 (Royal Mail) and zero emissions by 2045[1] (GLS).

We aim to operate in an environmentally responsible way, focused on reducing the impacts associated with our operations, and playing our part in the transition to a low-carbon future.

Social

To be an employer of choice and an integral and valued part of the places where we operate.

We aim to deliver economic and social benefits for our people, our customers and the communities we serve, in the UK as the Universal Service provider.

Governance

To maintain stakeholders' trust at all times.

We endeavour to act with integrity and transparency in the interests of our stakeholders, ensuring we have effective mechanisms in place to deliver our business operations in a responsible manner.

1. GLS' zero emissions by 2045 ambition is to reduce 90% of its Scope 1, 2 and 3 CO_2e emissions by 2045, while offsetting the remaining 10% residual emissions through investment in certified climate protection projects. A pathway to deliver this reduction will be developed (including the setting of interim carbon reduction targets) and, to base this pathway on climate science, in December 2023 GLS committed to set targets in line with the SBTi. GLS is expecting to complete the SBTi submission and approval process during the financial year 2024-25.

2023-24 Group performance highlights

Metric	2023-24	2022-23	Page
Tonnes CO_2e per £1m revenue[1]	46.4	48.8	30
Health and safety			
— Fatalities (employees)[2]	1	0	33
— Fatalities (third parties)[3]	17	23	33
— Lost time accident frequency rate (LTAFR) (per 100,000 hours worked)[4]	0.93	0.95	33
— Sickness absence (%)[4]	6.45	7.15	33
Gender diversity (%)			
1. Male	79	78	36
2. Female	21	22	36
Completion of compliance training (%)[5]	99	99	39

1. The tonnes of CO_2e per £1m revenue ratio comprises Scope 1 and Scope 2 (location-based) emissions only. This ratio provides an overview of our carbon efficiency as we continue to grow.
2. The total number of fatalities due to accidents that have occurred as a result of our activities.
3. Third parties include contractors, third-party drivers and members of the public.
4. Refers to direct employees only.
5. Includes all Royal Mail managers assigned annual compliance refresher training and all GLS employees with computer access.

Supporting the transition to a low-carbon future

Royal Mail's and GLS' environmental strategies include pathways, targets and mitigating actions that help us reduce our environmental footprint and play our part in the transition to a low-carbon future, while offering greener solutions to our customers. The metrics and targets associated with their implementation are set out below.

SDG

11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

Key material issues

— **Climate change and emissions reduction:** Achieving our Net-Zero ambitions by decarbonising our businesses and managing our climate risks and opportunities.

2023-24 highlights

— Royal Mail's Net-Zero and near-term targets were validated by the SBTi.
— GLS committed to set Net-Zero targets for SBTi validation.

Decarbonising our business

We recognise the need to take decisive steps to help tackle the global climate emergency and prepare our business for a low-carbon future. We aim to take a leadership role in our industry's transition and to support the implementation of the Paris Agreement.

Royal Mail

Royal Mail is the UK's greenest delivery option for letters and parcels.[1] 'Steps to Zero', its environmental strategy, is aimed at achieving Net-Zero by 2040, which consists of reducing:

— Scope 1 and 2 emissions 50% by 2030.
— Scope 3 emissions 25% by 2030.
— Scopes 1, 2 and 3 emissions 90% by 2040.

In September 2023 we announced that the above targets had been validated by the SBTi. The validation provides further confidence to our customers that the business' targets are aligned to the latest climate science and to a 1.5°C decarbonisation pathway across all scopes of greenhouse gas (GHG) emissions.

As part of 'Steps to Zero', Royal Mail is:

— Optimising its distribution network and modernising its vehicles to reduce transport fuel emissions.
— Improving the energy efficiency of its buildings, making space for more parcel automation and technology.
— Transforming its operations and behaviours to embrace circularity by enabling re-use models and reducing single-use items.
— Decarbonising its supply chain, by engaging with key suppliers on carbon performance and reducing domestic air freight.
— Using its size, scale and reputation to play a positive role in championing sustainability in its industry, for its workforce and customers.

Royal Mail also tracks and reports its average CO_2e per parcel and letter, which helps customers make informed decisions about their carbon footprint. Largely due to its final-mile 'feet on the street' delivery model, Royal Mail UK's CO_2e per parcel is currently 200g CO_2e, compared to the business' main peers which reported emissions of between c.350g and 600g CO_2e per parcel during 2023-24. The 'feet on the street' model sees many of our final-mile deliveries completed largely or partly on foot, with our posties taking up to a billion steps a day.

1. Based on average gCO_2e emissions per parcel delivered by UK parcel operators, as published by Citizens Advice 2023 Parcels League Table.

Carbon ambitions and targets

Royal Mail

Net-Zero by 2040 across Scopes 1, 2 and 3[1] aligned to 1.5°C, the latest climate science and science-based target standards.

Net-Zero and interim targets :

GHG emissions	90% reduction in Scope 1, 2 and 3 emissions by 2040 50% reduction in Scope 1 and 2 emissions by 2030 25% reduction in Scope 3 emissions by 2030
Renewable electricity	100% from 2022 (achieved)
Zero-emission final mile	100% by 2035
Company cars	100% zero-emission by 2030

GLS

Zero emissions from Scopes 1, 2 and 3 by 2045[2] for worldwide operations.[3]

Interim targets:

Renewable electricity	80% by 2022 (European locations operated by GLS) – Achieved
Fleet	50% zero/low emission by 2030 100% of new vehicles will be low or zero emission by 2035
Company cars	100% zero emission by 2030

GLS

As part of its Climate Protect environmental strategy, GLS has set an ambition to reduce its worldwide Scope 1, 2 and 3 emissions to zero by 2045.[2] In December 2023, GLS committed to set Net-Zero targets for SBTi validation.

To achieve these targets, GLS is:

- Working with its transport partners to transform their parcel and freight delivery fleet towards low- and zero-emission vehicles.
- Implementing distribution network and final-mile efficiency, including extending its parcel shop and locker network.
- Reducing and avoiding emissions by ensuring new buildings conform with low- and zero-emission operations.
- Improving the energy efficiency of its existing buildings by introducing own-green electricity production and renewable heating systems.

In 2023, GLS worked with ClimatePartner GmbH (Munich, Germany) on a number of projects to offset emissions by the transportation of parcels and freight shipments, as well as buildings and business travel by companies operating under the GLS trademark in the EU[4].
The companies in the following countries, operating under the GLS trademark, will continue in the carbon compensation programme in the coming financial year: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Portugal, Slovenia and Spain. Further information about GLS' compensation of carbon emissions is available at www.gls-group.eu/GROUP/en/carbon-offsetting.

Our environmental performance

In 2023-24, our total emissions increased by 2%, compared to the prior year. Information about ongoing initiatives to reduce energy across the Group are detailed on pages 30 and 31.

Royal Mail's total (market-based) emissions were 1,171 KtCO_2e in the year, representing an overall decrease of 8% on the base year in 2020-21 and a 2% decrease since last year. This emission reduction was primarily due to Scope 1 and Scope 2 (market-based) emissions decreasing 18% on the base year and 6% on the prior year. Royal Mail achieved these reductions despite opening the Midlands Parcel Hub and returning to normal levels of activity following industrial action in the prior year. This was primarily due to the deployment of 10 million litres of hydrotreated vegetable oil (HVO), a fossil-free biofuel, saving c.30,000tCO_2e in direct emissions compared to diesel.

On a like-for-like basis GLS' 2023 total (market-based) emissions decreased by 0.5%, notwithstanding business growth and revenue growth of 4.7%.[5] The decrease was driven by a reduction in emissions from subcontracted transport services, who are working with GLS to increase their share of low- and zero-emissions vehicles in Europe. This like-for-like comparison excludes:

- Increased investment in tangible assets compared to the previous year, which led to an 32% increase of emissions from capital goods.
- A 22% year-on-year increase in emissions (Scope 1 and Scope 3) from transport services in North America[6] mainly driven by methodology adjustments to ensure more accurate data collection for owned vehicles. In addition, for GLS US, the prior year third-party fleet inventory data was adjusted, which impacted the year-on-year comparison.
- The launch of parcel business within GLS Serbia.

Including the above, GLS' 2023 total (market-based) emissions were 1303.2 KtCO_2e, representing an increase of 5.5%.

As outlined in our 2022-23 Annual Report, energy efficiency is aligned with our ambition to decarbonise, focusing on optimisation and the deployment of more efficient technology.

1. Royal Mail reports its carbon emissions in line with the 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, including combustion of fuel and operation of facilities. Scope 2 emissions are indirect emissions from the purchase of electricity 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. Royal Mail also reports 'Outside of Scopes' emissions in its ESG data pack to account for the biogenic emissions associated with the combustion of biogas and biofuel which sit outside of Scopes 1 to 3. For information about our conversion factors, please refer to our reporting criteria (https://www.internationaldistributionservices.com/en/sustainability/reporting-and-performance/).
2. GLS' zero emissions by 2045 ambition is to reduce 90% of its Scope 1, 2 and 3 CO_2e emissions by 2045, while offsetting the remaining 10% residual emissions through investment in certified climate protection projects. A pathway to deliver this reduction will be developed (including the setting of interim carbon reduction targets) and, to base this pathway on climate science, in December 2023 GLS committed to set targets in line with the SBTi. GLS is expecting to complete the SBTi submission and approval process during the financial year 2024-25.
3. We report our carbon emissions according to the GHG Protocol 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, 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. Further details about the basis of reporting are available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance.
4. Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Portugal, Slovenia, Spain, Poland, Czech Republic, Hungary, Romania, Slovakia, Croatia.
5. GLS emissions data reflects the calendar year, while the revenue growth reflects the financial year.
6. North America includes GLS US, GLS Canada and Rosenau.

Carbon emissions performance CO_2e ('000 tonnes)[1]

	FY 2023-24			FY2022-23		
	Total	**Royal Mail**	**GLS**	Total	Royal Mail[2]	GLS[3]
Scope 1	**504.4**	**394.6**	**109.8**	510.8	417.4	93.4
Scope 2 (location-based)	**83.6**	**59.1**	**24.5**	76.9	55.4	21.5
Scope 3	**1,968.3**	**775.8**	**1,192.5**	1,919.0	778.5	1,140.5
Total	**2,556.2**	**1,229.5**	**1,326.7**	2,506.8	1,251.4	1,255.4
Tonnes CO_2e per £1m revenue[4]	**46.4**	**57.9**	**27.6**	48.8	63.8	24.7
Scope 2 (market-based)	**5.6**	**0.3**	**5.3**	6.3	0.8	5.5
Energy consumption kWh ('000)[5]	**2,718,537**	**2,153,157**	**565,380**	2,607,957	2,104,861	503,096

1. We report our carbon emissions to the GHG Protocol Corporate Standard, which classifies a company's emissions into three 'scopes'. Scope 1 emissions are direct emissions from sources that are owned or controlled by Royal Mail or GLS, including the combustion of fuel and operation of facilities. Scope 2 emissions are indirect emissions from Royal Mail or GLS' purchase of electricity, heat, steam and cooling for own use. Scope 3 emissions are all other indirect emissions that occur in each business' value chain and are voluntary to report. For the avoidance of doubt GLS reports emissions related to its subcontracted transport fleet (Europe and part of North America) within Scope 3 and its own transport fleet (most of North America) within Scope 1. Royal Mail also reports 'Outside of Scopes' emissions in its ESG data pack to account for the biogenic emissions associated with the combustion of biogas and biofuel which sit outside of Scopes 1 to 3. Further details about the basis of reporting are available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance.
2. 2022-23 Scope 1 and 2 emissions data for Royal Mail has been restated following the provision of data which was previously estimated. Scope 3 emissions have also been restated for data which was previously estimated for all categories and additionally to correct a data calculation error for Scope 3 categories 1 and 2. This has increased prior year reported Scope 3 emissions by 96.6KtCO_2e, from 681.9KtCO_2e to 778.5KtCO_2e. This increase is entirely due to this improvement in data accuracy and is not reflective of operational changes. Royal Mail 2023-24 data uses estimates rather than actuals for Period 12 where required due to data latency.
3. GLS' emission data reflects the calendar year rather than the financial year. A detailed description of the Scope 1, 2 and 3 calculation methodology is available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance. Not included are, CO_2e emissions from recent M&A activities, the purchase of Versandmanufaktur GmbH (Germany) and Altimax (Canada). These will be included in the reporting of 2024 CO_2e emissions.
4. The tonnes of CO_2e per £1m revenue ratio comprises Scope 1 and Scope 2 (location-based) emissions only. This ratio provides an overview of our carbon efficiency as we continue to grow.
5. The data presented contains disclosures in relation to the Streamlined Energy and Carbon Reporting (SECR) requirements. Carbon (Scope 1 and 2) and energy data for Royal Mail is UK. All carbon and energy data reported for GLS is considered offshore. In accordance with SECR, details of energy efficiency actions taken in the year are listed throughout this Environment section and relate directly to findings within our Phase 2 Energy Savings Opportunity Scheme report.

Buildings
During the year estate emissions accounted for 8% of Royal Mail's total annual emission profile (2022-23: 8%). The partial electrification of its final-mile fleet and increased automation to grow parcel capabilities and improve efficiency are adding considerable electricity needs to the built estate.

To reduce energy consumption across Royal Mail's operations, the business continues to focus on energy efficiency measures, including optimising time and temperature controls throughout the coldest months. Royal Mail purchased and generated 100% renewable electricity, the majority being achieved through a 100% renewable electricity tariff backed by Renewable Energy Guarantees of Origin certificates, which has been in place since April 2022. The business is now looking to purchase renewable electricity via power purchase agreements, ensuring a sustainably priced renewable electricity supply and renewable generation in the future.

Currently, solar panels are installed at ten Royal Mail sites to help to reduce renewable energy costs and provide greater resilience. Discussions are ongoing with several landlords regarding new photovoltaic (PV) installations and several schemes are expected to be progressed in 2024.

Year on year, GLS' total electricity consumption from buildings operated by GLS increased by 7% compared to the last reporting period. Total purchased green electricity increased by 15% and self-generated renewable electricity increased by 81%. GLS' Scope 2 (market-based) emissions, which are predominantly electricity, decreased by 4% in the last reporting period.

Since 2022 renewable electricity makes up 80% of the electricity consumed by GLS' European operated sites, with five countries exclusively using renewable electricity.

The increase of GLS' total electricity consumption was driven by business and volume growth and other factors including:

— Increasing final-mile electrification which resulting in higher electricity consumption from charging electric vans. Despite GLS' predominantly subcontracted fleet, electric vans are mostly charged at GLS' sites.
— The change from fossil gas and oil heating to electric heat pumps.
— The increasing automatisation of the business' buildings.

GLS considers sustainability requirements for all new construction. GLS Spain's new Madrid-based future-oriented hub, which commenced full scale operation in March 2023, is rated 'Very Good' for sustainable construction by BREEAM, a globally recognised standard. Charging infrastructure has been installed for transport vehicles and company cars, as well as energy-efficient lighting and controls to reduce electricity and water consumption. Part of the electricity required by the building and the charging infrastructure will be generated by a 1195 kW PV system and energy audits will be undertaken annually to detect excessive consumption or system malfunctions. The business' recently opened depot in Potsdam, Germany, collects rainwater which is used on site for non-potable purposes and its entire roof is equipped with a photovoltaic system, which supplies electricity to 70 charging points.

Alternative-fuel vehicles testing and introduction across GLS' network

- Germany: The first hydrogen truck is now being used for line haul operations and for pick-up and delivery in the Cologne-Bonn area.
- Italy: A Volvo FH electric truck now connects the Riano Hub with the San Lorenzo facility.
- Canada: A First Class 8 electric truck is now being used for pick-up and delivery in Montreal and will be used in the future for line hauls between Quebec City and Montreal.
- Germany and Spain: Vehicles using HVO are being tested and operated.
- Belgium, France, Spain, Germany, Poland, Denmark, the Netherlands and the Czech Republic: Various electric truck trials are ongoing.

GLS is also trialling and installing new sustainability measures in existing offices, hubs and depots to decrease the environmental impact of its buildings. To future-proof its depot buildings, GLS is increasingly using regenerative heating systems and solar panels to reduce carbon emissions from purchased heating or electricity. LED lighting is also being installed to reduce overall electricity consumption together with charging infrastructure and energy management solutions.

Transport
Royal Mail operates one of the largest commercial fleets in the UK, which alongside air and rail emissions accounts for around 70% of the business' total emissions profile. Around 23% of the business' delivery routes are zero-emission, undertaken by a dedicated or shared electric van or by walking and c.5,000 electric vans are now in operation at 164 units of which 18 are fully electrified.
A financial review of 15% of these locations undertaken last year showed that, on average, vehicle maintenance costs had fallen 55% and fuel costs 80%. Factoring in the additional investment required for an electric van and associated charging infrastructure, Royal Mail's electrification scheme is anticipated to break even at around three and a half years, making savings over the vehicle lifecycle of seven years. Royal Mail also made significant progress on decarbonising its line haul fleet of large trucks, through the deployment of HVO, a biofuel that reduces direct carbon emissions by up to 90% compared to diesel. The business works with suppliers to ensure the HVO procured is derived from sustainable feedstocks and purchases only International Sustainability & Carbon Certification (ISCC) certified HVO.

Air accounts for 4% of Royal Mail's domestic mail volume and the business is committed to reducing its use of domestic flights where possible. In the year, flights to Jersey and the Isle of Man were removed from the delivery network to streamline services and mail is now conveyed via existing road and ferry services, which have a reduced environmental footprint. In the coming year, increased flexibility of delivery window times, will enable the removal of a further 18 flight routes, which when fully realised, will equate to a saving of c.30,000 tCO_2e per year or over 50% of Royal Mail's base year domestic air freight emissions.

As 81% of GLS' emissions derive from parcel, freight and transport services, the reduction of vehicle emissions is a key factor in achieving the business' decarbonisation goals.

GLS is continuing to expand its low- and zero-emission fleet by adding more e-vans, light vehicles and alternative-fuel vehicles to its delivery network. In total, more than 4,900 low- and zero-emission vehicles are now in operation, representing a 48% increase in low- and zero-emission vehicles since 2023.

Reflecting the good progress made decarbonising GLS' parcel transport fleet, CO_2e emission per parcel decreased in Europe by 7% and worldwide by 4% compared to the prior year.

Around 1,400 charging points have been installed during the year, bringing the total number of charging points across GLS' network to more than 3,600. The business is also implementing a range of initiatives to reduce final-mile emissions including the installation of parcel lockers and other OOH delivery options.

Responsible consumption
In 2023-24 Royal Mail generated 29,500 tonnes of waste (2022-23: 35,700 tonnes). This represents a total reduction of 27% against the base year (2020-21) and early achievement of the business' target of 25% reduction in waste volumes by 2030. Royal Mail will endeavour to maintain this reduction going forward. In addition to reducing waste overall, Royal Mail recycled, re-used, or diverted 98% of its waste, a similar performance to the prior year (99%).

Royal Mail continues to develop its circular plan to minimise the use of materials, especially virgin and raw resources, and reduce the waste generated by its operations. In 2023-24 a number of initiatives were introduced to enhance sustainability across the business, including a re-use programme for pallets, measures to reduce our reliance on single-use plastic cable ties and the deployment of re-usable trolley sleeves.

Further information about Royal Mail's waste and water consumption is included in the Royal Mail ESG Report, which is available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance.

Delivering economic and social benefits

We aim to be an integral, valued and trusted part of every community that our service reaches and an employer of choice.

SDG

3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES

Key material issues

- **Health and safety**: Ensuring a safe and healthy work environment for our people, while considering the safety of our customers and other members of the public.
- **Customer service:** How we deliver fast, convenient and environmentally sustainable services, with great quality of service for our customers and communities.
- **Employees:** Offering attractive employment opportunities and promoting an inclusive working environment.

2023-24 highlights

- Expanded wellbeing programme for Royal Mail employees.
- New initiatives to improve gender diversity rolled out across GLS' business.

Creating a safe and healthy work environment

We want to create a safe and healthy working environment for our people. Our priority is to ensure a workplace where everyone is free from injury and enjoys good physical and mental health.

Royal Mail

Royal Mail's Health and Safety policy, which is available at www.internationaldistributionservices.com/en/sustainability/governance/policies, is implemented through the business' integrated Safety, Health and Environment (SHE) management system. This provides the framework for managing risk, improving performance and maintaining a safe, healthy and environmentally responsible workplace.

Following increased investments in health and safety in the prior year, during 2023-24 Royal Mail carried out over 1,400 health and safety audits focused on risk management, compliance standards and performance. Additionally, we provide health and safety information and training to all employees, so that they understand their responsibilities and can implement standards relevant to their role. In 2023-24, we gave particular focus to the completion of six managerial training products and, overall, there was a 90% completion rate across the target group.

With the rise in dog ownership, animal attacks in the UK continued to increase (2022-23: 1,964 versus 2023-24: 2,271 animal attacks). In response, Royal Mail has intensified its focus on preventive measures. The business ran an extensive communications campaign to reduce the risk of dog attacks and encourage responsible dog ownership. The campaign included updates to online advice for dog owners and the production of an educational film in partnership with Merseyside Police. Royal Mail continues to work closely with the police to raise the profile of attacks and ensure proportionate action is taken when they occur.

GLS
GLS' aims to ensure the health and safety of its employees, transport partners and their drivers through implementation of its Occupational Health and Safety (OHS) Policy via its extensive OHS Programme. The programme covers management training, regular staff briefings that raise awareness of particular workplace hazards and specially developed transport and driver training courses that focus on road traffic risks.

The business also operates a number of country-specific preventative health programmes that are intended to prevent work-related health hazards and ensure early detection of occupational illnesses. Risk awareness is increasingly being raised with the help of virtual reality applications. These applications simulate hazardous situations that employees have to successfully overcome and are being developed in several countries including Spain and Slovenia.

Health and safety performance
We strive to continuously improve our health and safety performance and monitor and report key safety metrics regularly to the Board and the ESG Committee.

Our 2023-24 safety performance is set out in the table below. Royal Mail's lost time accident frequency rate (LTAFR) decreased by 1% and the total accident frequency rate increased, by 6%. GLS' employee LTAFR decreased to 1.98%.

Royal Mail monitors and reports its road traffic collisions frequency rate (RTCFR). In 2023-24, RTCFR increased by 21% compared with the previous year. The business has continued to invest in larger vans and line haulage to transport a growing volume and size of parcels, which in some cases, due to the increases in vehicle manoeuvres, has added to the likelihood of collisions. The fleet's transformation is being supported by the business' safety team, which assesses risks and creates action plans. At the same time, the business is looking to improve driver behaviour by delivering in-cab training alongside regular road safety communications campaigns and via the use of telemetry. In 2023-24, Royal Mail updated its van driver induction training to increase the focus on key causes of collisions. Royal Mail is a partner of road safety charity Brake, and benefits from access to the charity's latest research, experience and expertise, which helps inform our communications campaigns throughout the year.

However, despite efforts to reduce all risks, we regret to report that one employee and five members of the public sadly lost their lives in accidents that involved Royal Mail vehicles in 2023-24. All serious and fatal accidents are investigated by a safety professional to identify causes, which are shared with relevant Board members, and the implementation of all follow-up actions are tracked.

During 2023-24, GLS' total number of fatal accidents fell from 17 to 12. No GLS employee had a fatal accident and all fatalities related to road traffic accidents involving GLS' transport partner companies.

Drivers directly employed by GLS receive road safety training as part of their standard training programme. To also reach drivers employed by GLS transport partners, GLS has developed specific initiatives within its OHS Programme, including providing training material for transport partners and their drivers in line with local legal requirements. Furthermore, GLS encourages and supports transport partner companies to make practical road safety training available to their drivers.

Employee wellbeing
We have a responsibility to not only keep our people safe and healthy, but to also support their overall wellbeing. We make available an extensive range of wellbeing programmes and tools, a number of which were expanded during the year.

Royal Mail launched an enhanced wellbeing programme which covers Mind, Health, Money and Life matters. Royal Mail employees and their immediate families can access an online wellbeing hub, as well as 24/7 access to a number of services including online GP services and up to eight physiotherapy sessions a year and unlimited mental health consultations. Further information about the business' wellbeing programmes is included in the Royal Mail ESG Report, which is available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance.

The level of sickness absence in Royal Mail during the year was 6.75% (2022-23: 7.50%). GLS' sickness absence level decreased to 4.73%. Sickness rate improvement is mainly driven by positive developments in Denmark, France, Spain and Italy.

Group health and safety performance

		2023-24		2022-23		2021-22	
		Royal Mail	**GLS**	Royal Mail	GLS	Royal Mail	GLS
Fatalities[1]	Employees	**1**	**0**	0	0	1	1
	Third parties[2]	**5**	**12**	6	17	2	18
LTAFR (per 100,000 hours worked)[3]		**0.78**	**1.98**	0.79	2.08	0.54	2.28
Sickness absence (%)[3]		**6.75**	**4.73**	7.50	4.96	7.98	4.88

1. The total number of fatalities due to accidents that have occurred as a result of our activities.
2. Third parties include contractors, third-party drivers and members of the public.
3. Refers to direct employees only. Royal Mail's 2022-23 LTAFR has been restated from 0.73 to 0.79 due to an error in prior year reporting.

Employee engagement
Ongoing dialogue with colleagues across the Royal Mail business is essential and we have a number of employee listening programmes in place, including quarterly People Panels and a Non-Executive Director sponsored Employee Voice Forum, which provide valuable feedback on a range of issues.

In September 2023 we launched our annual employee survey, The Big Trust Survey, inviting all employees to share their views on what it is like to work at Royal Mail. This year 53% of employees participated in the survey, compared to 69% last year. The survey results produced a Trust Index score of 59 and an Engagement Index score of 47, a decline of 9 points and 16 points respectively, compared to the prior year. This was largely due to the legacy of our industrial dispute and quality of service challenges.

To address the survey's key findings, Royal Mail's Chief Operating Officer led a roadshow outlining the business' operational priorities for the year ahead. Local managers are also implementing plans to address issues in their area and check-in pulse surveys are being introduced to measure the effectiveness of new initiatives. To restore company pride, one of the survey's key findings, the business has launched its Change for Good campaign (see page 39) and The Heart of Royal Mail Awards, an employee recognition programme that will be introduced in the coming year.

GLS regularly conducts employee surveys across its business which focus on topics that are most relevant to its employees in each country. Recently surveys have been conducted in Austria, Croatia, Denmark, Germany, Finland, Hungary, Ireland and Spain. Feedback was considered by local country management and, where necessary, actions to address key issues were implemented. For example, in relation to GLS Hungary while feedback indicated continued high levels of commitment, there was a demand for more career progression opportunities. In response, training and development programmes have been expanded. In addition, GLS Croatia has introduced a number of initiatives to address feedback including measures to improve collaboration between functions and facilitate knowledge sharing. As part of a workplace health promotion project, GLS Austria conducted an employee survey and in response has established a steering group to plan and implement a number of wellbeing initiatives, including programmes focused on exercise and mental health.

Further detail about feedback arising from employee surveys and how the Board uses the information to monitor culture across Royal Mail and GLS is set out on page 89.

Rewarding people fairly
Royal Mail provides highly competitive employment terms and conditions in our industry in the UK. Fair employment conditions are the foundation of how Royal Mail does business. It offers permanent employees a competitive salary, paid holiday and a good pension.

In 2023-24 a UK postie's basic pay was 18-28% higher than the UK National Living Wage (NLW) for the same period. All temporary workers receive pay in line with the NLW, with the majority receiving hourly pay above the voluntary Real Living Wage set by the Living Wage Foundation at national level.

We believe all our people should be rewarded fairly for their work, regardless of gender. In 2023 the total average pay for male and female Royal Mail employees continued to be broadly the same as the prior year, with the mean pay gap now at 1.5% and 2.6% in favour of male employees when measured on a median basis. Information on the Royal Mail 2023 Gender Pay Gap Report is included on pages 122 and 123 and the full report is available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance.

Providing learning and development opportunities
We aim to provide the tools, knowledge and resources for our people to have fulfilling careers and develop the next generation of talent. In 2023-24 Royal Mail invested £5.3 million in learning and development, equivalent to 57,435 days, compared with £8.4 million and 30,000 days in 2022-23, due to the targeting of a bigger audience. The Royal Mail Academy, which has a flagship training centre in Daventry and sites in Edinburgh, Warrington, Bristol, Gatwick, Oxford and Glasgow, is focused on leadership and management, supporting transformation, and wider learning and development.

In response to the challenges the business continues to face in relation to leadership capability, talent attrition and recruitment, The Academy team has introduced new initiatives focused on developing managers, including a new Future Manager Development Programme and a new Leadership Development Framework. The business has also renewed its focus on talent management, and as part of a wider development programme, introduced a regular performance and development management process for our frontline delivery employees. The programme was launched in October 2023 across 330 delivery offices and now for the first time in Royal Mail history, all posties have their own KPI performance data at their fingertips via a new app.

GLS provides a range of targeted training and professional development programmes to enhance employees' abilities and enable them to reach their full potential. The business' 'New Level Work' coaching programme aims to support the development of managers and help them become modern leaders, and is offered across all GLS countries. In addition, the business runs interactive leadership development sessions to support leadership in a number of areas including transformation, recruitment and onboarding, development and succession planning.

Each of GLS' subsidiaries implements bespoke employee training programmes including talent programmes to support employees' development in operational and other functional leadership roles.

Further information on Royal Mail's and GLS' training and development initiatives are included in their respective ESG Reports, which are available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance.

Diversity, equity and inclusion (DEI)
We strive to create an inclusive, fair, respectful and accessible working environment across the Group. To achieve this, Royal Mail and GLS have developed DEI strategies relevant to their respective markets and businesses.

Royal Mail's DEI strategy underpins the business' ambition to develop a workforce that reflects the broad diversity of the communities it serves. Diversity includes, but is not limited to, age, disability, marital or civil partnership status, pregnancy or maternity status, race, ethnicity and national origin, religion/faith or belief, sex or gender identity, and sexual orientation.

The business' DEI strategic priorities are to:

- Increase diversity across Royal Mail to create a workforce that reflects the society in which it operates.
- Transform its generational profile.
- Be a force for good by partnering with others to lead the way.
- Build an environment of inclusion, fairness and accessibility for all.
- Focus on creating vibrant and inclusive employee resource groups open to everyone.

Royal Mail 2025 diversity targets[1]

	Position at 31 March 2024 (%)	Target position March 2025 (%)
Female representation (all levels)	**20%**	25%
Female representation (levels 1-6)	**26%**	33%
Ethnic minority (all levels)	**13%**	15%
Ethnic minority representation (levels 1-6)	**7%**	11%
Youth representation (frontline below level 6)	**8%**	18%

1. In total, 250 employees do not have an assigned ethnicity in our reporting and are not included in this table.

To support the implementation of its DEI strategy, Royal Mail has set diversity targets as detailed above. Some progress has been made during the year and we are proud that Royal Mail regained its place in The Times 2023 Top 50 Employers for Gender Equality, which recognises the business commitment to address gender inequalities in the workplace. However the business has not made the level of progress it had hoped to achieve against its diversity targets, largely due to attrition. Measures are now being implemented to increase diversity in hiring practices and leadership accountability, and initiatives are underway to improve culture and retention.

To ensure a strong and effective pipeline of future leadership talent, the business ensures that participants in its development and leadership programmes (see page 34) are as diverse as possible. In addition given the limited progress that has been made in achieving the diversity targets detailed above, DEI leads have now been appointed within the Commercial, Operations, HR, Legal, ParcelForce and Finance functions to improve DEI in their areas. Specific initiatives to promote diverse talent include blind shortlisting.

In September 2023, Royal Mail launched Future Delivered to tackle youth unemployment and socio-economic inequity across the UK. In partnership with This is Purpose, a purpose and social impact consultancy, the business is developing a social mobility plan aimed at supporting talent from lower socio-economic groups. The ambition is to more than double the number of employees aged under 30 in frontline.

Around 13% of Royal Mail employees are from underrepresented ethnic groups. Royal Mail is a signatory to Business in the Community's (BITC) Race at Work Charter, and actively participates in BITC's Mentoring Circles programme. This programme offers colleagues from underrepresented ethnic groups an opportunity to maximise their full potential through mentorships by senior colleagues within the organisation and across multiple industries.

Royal Mail remains committed to supporting disabled applicants and colleagues at all stages of the employee cycle. The business provides training, career development and promotion opportunities, and operations managers complete Disability and Reasonable Adjustments training to ensure that they are confident and effective in supporting colleagues with disabilities. Support and training are provided for colleagues with existing disabilities and for those who have become disabled during their employment. Royal Mail is proud to be part of the UK's Disability Confident scheme and to have achieved Disability Confident Employer Status. This year, we launched a new Neurodiversity Support Programme which will enable us to provide faster, more direct and tailored support to our neurodiverse colleagues.

Further information on Royal Mail's DEI strategy and progress made during the year is included in the Royal Mail ESG Report, which is available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance.

Group gender diversity profile as at 31 March 2024

	Male	Female	Total
Board	6	4	10
Senior leaders[1]	263	73	336
Other employees[2]	120,369	32,606	152,975

1. Per the Companies Act 2006 definition (those employees who are responsible for planning, directing or controlling the activities of the Company or a strategically significant part of it). In Royal Mail this includes employees graded levels 1 to 6 and in GLS this includes employees graded level A. It also includes directors of subsidiary undertakings included in the consolidation but does not include Board members who would otherwise classify as senior leaders.
2. In the case of Royal Mail, Pension Trustees who are not employees are excluded and gender data is not collected for Intersoft and eCourier.

GLS

More than 100 different nationalities are represented across GLS' business. Diversity and inclusion are key principles that underpin its operations. GLS' Diversity Statement, which is available at www.gls-group.eu/GROUP/en/our-responsibility, sets out its commitment to fully support a diverse and inclusive working environment.

GLS promotes gender equality and works to ensure an inclusive and welcoming working environment with equal treatment and development opportunities for all employees. In the logistics sector, female representation generally tends to be lower than in other sectors and GLS' DEI strategy is aimed at improving gender diversity across all levels of the business. The business has recently launched recruiting activities to encourage more women to join GLS and has strengthened its career development planning processes. In addition, active internal recommendations are used to highlight the pool of GLS female talent to both the business' HR function and GLS management, and form part of the business' succession planning process.

GLS predominantly operates in the EU and therefore does not collect ethnicity data of employees in line with EU Data Protection Law.

Supporting our communities

Royal Mail seeks to be an integral, valued and trusted part of every community in which it operates. In 2023-24, the business contributed £2.9 million to good causes and charitable schemes. This included match giving for colleague fundraising and the cost of its Articles for the Blind service. In addition to the total contributed, Royal Mail colleagues raised £2.13 million for charitable causes.

Royal Mail's community investment strategy is structured into three key areas:

- **Leveraging its national scale:** In February 2023, British Heart Foundation (BHF) became Royal Mail's national charity partner. The four-year partnership aims to raise £2 million and train 100,000 of our employees in CPR. In addition, employee fundraising will be used to fund the new Community Hearts Programme, which aims to deliver CPR training for one million young people, fund community defibrillators across the UK and develop accessible heart health information for the nation. As at March 2024, the partnership has raised £463,300, trained 7,251 employees in CPR and installed 141 defibrillators in local communities. As a result of the funds the partnership has raised, in August 2023, BHF's vital patient helpline was made free to call and, in September 2023, a free CPR teaching tool for 11- to 16-year-old pupils was launched in educational settings across the country. The latest partnership impact report is available at www.royalmail.com/bhf.
- **Using its local presence:** Many of Royal Mail's employees volunteer and build relationships with charities in their local communities and the business offers grants of up to £400 to help meet the costs of volunteering. As Royal Mail employees are present in every community across the UK, the business is uniquely placed to support the search for missing people. Since 2014, Royal Mail has posted alerts from the charity Missing People to its posties via their handheld devices.
- **Unlocking potential through education:** We are committed to developing the skills of young people in communities across the UK. Royal Mail continued to support the virtual delivery of The Postal Museum's 'Jolly Postman – Once Upon A Bicycle' programme for a third year. The sessions inspire a love of reading and connect the fictional story with the factual experience of writing, sending and delivering letters for primary school children.

Royal Mail continues to support the Disasters Emergency Committee (DEC) by providing a dedicated PO Box which enables the UK public to respond to national appeals for overseas disasters. Throughout year, the business' employees have continued to support the DEC's Turkey-Syria earthquake appeal. In total, including match funding from Royal Mail, just over £13,000 has been raised. In 2023-24, the DEC directly raised a combined total of £20.3 million, with 7% (equivalent to c.£1.4 million) being received via the PO Box. In October 2023 Royal Mail announced a new partnership with National Emergencies Trust (NET), a UK charity which raises and distributes funds to support those affected by UK disasters.

GLS empowers each of its national subsidiaries to lead their own social initiatives. This decentralised strategy ensures that efforts address the most pressing local challenges and opportunities that are likely to have a lasting impact. This tailored approach also strengthens community ties, making GLS a trusted and integral part of the communities it serves. Activities range from employee volunteering to donations or free parcel delivery, linking social activities to GLS' core business.

Recent community activities have included:

- Reinforcing GLS's commitment to community safety and inclusive education, GLS Italy supported Gimondi Camp 2023, an educational play project focused on cycling. The business sponsored eight week-long courses to teach children aged 5 to 12 about road safety and safe cycling, including a special week dedicated to children with learning disabilities.
- GLS Spain transports and distributes materials and merchandising for the 'Chocolatada Solidaria' project, which organises chocolate parties in schools and organisations to raise funds for the fight against childhood cancer.

In addition, GLS makes financial contributions to support numerous local charitable projects, including kindergartens and hospitals, and contributes to national and global fundraising campaigns.

Protecting human rights

We are committed to playing our part to uphold and protect human rights in our businesses and across our supply chain globally. We obey the laws, rules and regulations of every country in which we operate and implement the UN Guiding Principles on Business and Human Rights, the UN Declaration of Human Rights and the International Labour Organization Fundamental Conventions within our businesses and our supply chain. These cover freedom of association, the abolition of forced labour, equality and the elimination of child labour.

Building awareness of modern slavery forms part of Royal Mail's induction and compliance training, which is mandatory for all managers. GLS provides online supply chain compliance training, which also covers modern slavery. This training is mandatory for all personnel with purchasing authority or depot supervisory responsibility. In addition, modern slavery issues are highlighted during face-to-face training with relevant GLS managers.

Royal Mail continues to focus on assessing supply chain risks in relation to modern slavery and human trafficking, and is exploring options for certification of third-party suppliers for correct employment standards and signposting them to modern day slavery training materials.

Our Modern Slavery Act Statement is available at www.internationaldistributionservices.com/sustainability/reporting-and-performance.

Our social and economic impacts on UK communities

8th

largest contributor to the UK economy out of all UK corporations[1]

1 in 200

people employed in the UK by Royal Mail[1]

£10.9bn

of gross value added by Royal Mail (direct and indirect contributions)[1]

£2.9bn

contributed through procurement of goods and services[1]

62,600

jobs indirectly supported by Royal Mail in the wider economy[1]

£2.9m

contributed to good causes and charitable schemes

1. Data based on Cebr research, conducted by Royal Mail in May 2024, comprising direct and indirect contributions.

Operating responsibly

Maintaining stakeholders' trust by operating with integrity is essential if we are to succeed and generate long-term value.

SDG

Key material issues
- **Service responsibility:** Maintaining integrity and transparency and addressing data protection and information security.
- **Compliance:** Operating high standards of governance and complying with all applicable laws and regulations.

2023-24 highlights
- Royal Mail 'Change for Good' campaign launched.
- Royal Mail developed new supplier programme covering the top 100 significant suppliers.
- Royal Mail achieved a 13% decrease in bullying and harassment concerns.

The Board is responsible for promoting the Group's long-term success. Fostering a trusting and inclusive culture across the Group, ensuring a high standard of governance and the effective implementation of our ESG strategy are integral to this. The Board sets the tone from the top, demonstrating and encouraging values-driven behaviours. Further information on how the Board monitors culture is included on page 89.

ESG oversight and implementation

The following governance structure, processes and metrics are in place to support the Board in its oversight of ESG matters and ensure effective implementation of our ESG strategy:

- **ESG Committee:** Provides Board-level oversight of the implementation of our ESG Principles (see page 27) across the Group. Information about the ESG Committee's responsibilities and its activities during 2023-24 are included on pages 104 and 105.
- **Executive sponsor:** John Crosse, Investor Relations Director, is our ESG sponsor and the person ultimately responsible for Group-level stakeholder engagement.
- **Royal Mail and GLS Executive Boards and dedicated ESG functions:** Responsible for ensuring effective execution of their respective ESG strategies and alignment of targets, policies and procedures with the Group's ESG Principles and ESG Policy Statement.
- **Risk management:** Relevant social and environmental issues are assessed, monitored and managed using our risk management framework (see pages 49 to 51). Management of climate-related risks and opportunities is outlined on pages 41 to 48.
- **Reward:** Relevant ESG performance metrics are incorporated into our remuneration arrangements. See page 126.
- **Policies and frameworks:** Implement strategies, policies and processes tailored to the needs of our businesses and their respective stakeholders. Information about key policies, including the Group's ESG Policy Statement, is set out below and their implementation is described throughout this ESG Review.

Our ethical standards
The overarching business policies that set out our approach to responsible conduct in our business and supply chain are outlined on the next page. Copies of the policies are available at www.internationaldistributionservices.com/en/sustainability/governance/policies and www.gls-group.eu/GROUP/en/about-us/compliance.

Royal Mail employees have access to policies and guidance via the People App, intranet or the MyRoyalMail communication channel and the business operates a comprehensive ethics and compliance training programme. All employees are required to undertake training relevant to their role and managers are required to complete compliance refresher training annually which includes an attestation of the Royal Mail Business Standards. The overall completion rate for this annual training for assigned managers in 2023-24 was 99%.

Colleagues, contractors, agency and casual workers, suppliers, business partners and the public are encouraged to report any suspected policy breaches through the business' confidential whistleblowing process. The confidential Speak Up helpline is available 24/7 to current and former employees, contractors, temporary workers, subsidiaries, and suppliers and members of the public.

During the year Royal Mail launched the 'Change for Good' campaign, which encourages colleagues and managers to role-model good behaviours, treat each other fairly and call out inappropriate behaviours. As part of the campaign, the Royal Mail Business Standards (see below) were re-launched to provide clarity around expectations on behaviours and a new tool was introduced to help colleagues navigate the right channels when raising concerns.

GLS employees with computer access are assigned relevant policies and guidance through an online system. Employees without computer access can access print versions of the policies in the depot locations. GLS' compliance training approach consists of training for all office-based employees, including employees with purchasing or depot supervisory functions. Training covers anti-corruption and, where relevant, modern slavery awareness, and is provided online and, for some sessions, in-person. The in-time completion rate for compliance introductory training at the close of 2023-24 was 98.2%.[1]

GLS operates a dedicated Whistleblowing Helpline that is available for reporting and investigating allegations of criminal acts or similar serious offences. GLS encourages employees, business partners and third parties to report, in confidence, any concerns they have.

Embedding ethical standards across our supply chain
We are committed to embedding high standards of social, ethical and environmental conduct across our supply chains and to ensuring that modern slavery and human rights abuse, including trafficking (together 'modern slavery') are not taking place in our business or supply chains. Our Modern Slavery Statement is available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance.

During the year Royal Mail developed a holistic supplier ESG programme that provides a comprehensive, coherent and effective ESG approach across the business' value chain. The programme aims to ensure that ESG requirements are filtered through every step of the sourcing process. As part of this programme Royal Mail is working to identify initiatives that will support its 'Steps to Zero' environmental strategy and accelerate its decarbonisation process. Royal Mail has identified its top 100 most significant suppliers based on their Scope 3 emissions materiality or level of social or governance risk. The business is starting to work with them to gather more granular information on their emissions and risk areas in order to increase the level of accuracy and transparency of its carbon reporting.

GLS operates a mandatory business partner approval process and its Supplier Code of Conduct, based on the UN Global Compact Principles framework, sets out the standards expected of suppliers.

1. The percentage of GLS employees as at 31.3.2024 who were assigned compliance basics training prior to this date who either completed it or were still within the set time (typically six weeks) to complete it.

Reporting standards
We are committed to being as open and transparent as possible about our business, and our ESG reporting meets our obligations as a signatory to the United Nations Global Compact.

Royal Mail and GLS report in accordance with the Global Reporting Initiative (GRI) Sustainability Framework and each business' 2023-24 ESG Report has been prepared in accordance with the GRI Standards for the period 1 April 2023 to 31 March 2024[1]. The GRI index for the Royal Mail report can be found as part of the Royal Mail ESG 2023-24 Appendix and the GRI index for the GLS report can be found as part of the GLS ESG 2023-24 Appendix. Both Appendices are available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance.

Royal Mail and GLS engaged Bureau Veritas to provide limited assurance on reported key non-financial performance indicators and related assertions for 2023-24. Its assurance covers environmental indicators and metrics used to monitor culture, such as health and safety, sickness absence and diversity. Assurance in relation to Royal Mail and GLS data was performed in accordance with the ISAE 3000 (Revised). Further information, including the assurance statements, is available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance.

Policy	Scope
Group ESG Policy Statement	Sets out our ESG strategy, governance and commitments, including our support for the UN Global Compact and Universal Declaration of Human Rights.
Royal Mail Business Standards	Outlines the behaviours Royal Mail expects from its employees, and others working on its behalf. The standards are about doing the right thing, following the law, acting honourably and treating others with respect. They help the business to do the best job for its customers, keep its people safe and protect its reputation.
GLS Code of Business Standards (the GLS Code)	Outlines the values and behaviours GLS expects from its employees and business partners. It is available in local languages for GLS employees and business partners.
Royal Mail Ethical Business Policy: Anti-Bribery & Corruption, Conflicts of Interest, Prevention of the Facilitation of Tax Evasion	Sets out Royal Mail's approach to minimising the risk of bribery and corruption, and the facilitation of tax evasion taking place in any part of the business. The business has a strict zero-tolerance policy towards non-compliance with all applicable anti-bribery, corruption, money laundering, terrorist financing and tax evasion laws. It requires employees to follow all internal procedures to prevent bribery, corruption, conflicts of interest, money laundering, terrorist financing and the facilitation of tax evasion, as well as processes for setting up new commercial arrangements with suppliers, customers and other business partners.
Royal Mail Supplier Code of Conduct	Outlines the environmental, social and ethical commitments and behaviours Royal Mail expects from its suppliers and aims to ensure that the business only engages suppliers that meet its standards. This code, which is based on the UN Global Compact Principles, requires Royal Mail's suppliers to adhere to the UN Declaration of Human Rights, which is part of the business' commitment to implementing the UN Guiding Principles on Business and Human Rights. Royal Mail requires its suppliers to communicate the Procurement Code in full to all relevant employees within their organisations.
GLS Supplier Code of Conduct	Sets out the standards GLS expects of its suppliers and is also based on the UN Global Compact Principles framework.

1. The Royal Mail and GLS ESG Reports both cover the period 1 April 2023 to 31 March 2024. While this time frame does not align with the Group's financial year (53 weeks ended 31 March 2024) , the difference not considered to be material.

TCFD Statement

We recognise climate change as a key global threat that poses particular risks and opportunities for our Group. Identifying and managing these risks and opportunities enables us to enhance our resilience and competitiveness.

We are committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board. During the year we made further progress against these recommendations and continued to evolve our business, strategy and financial planning processes to take account of our climate-related risks and opportunities. As explained below, we have further work to do to implement the recommendations in full and meet the expectations of the Financial Reporting Council.

Statement of compliance
In accordance with Listing Rule 9.8.6R(8), this Annual Report is consistent with ten of the TCFD recommendations as detailed below. It is partially consistent with the TCFD recommended disclosures relating to the impact of climate-related risks and opportunities on business and financial planning. To be fully consistent with this recommendation and the supplementary guide for non-financial groups by no later than 2025, we are taking additional steps to further embed climate-related risks and opportunities into our business and budgetary planning cycles to better support management's role in managing and assessing these (see page 47). We also consider these disclosures to be compliant with the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. In assessing our consistency, we have followed the 'Guidance for All Sectors' and the Supplementary Guidance for Non-Financial Groups.

	Recommended disclosures	Status	Page
Governance	a) Board's oversight of climate-related risks and opportunities.	**Consistent**	42 and 43
	b) Management's role in assessing and managing climate-related risks and opportunities.	**Consistent**	42 and 43
Strategy	a) Climate-related risks and opportunities identified over the short, medium, and long term.	**Consistent**	43 to 46
	b) Impact of climate-related risks and opportunities on businesses, strategy, and financial planning.	**Partially consistent**	47
	c) Resilience of strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	**Consistent**	48
Risk management	a) Processes for identifying and assessing climate-related risks.	**Consistent**	48
	b) Processes for managing climate-related risks.	**Consistent**	48
	c) How processes for identifying, assessing, and managing climate-related risks are integrated into overall risk management.	**Consistent**	48
Metrics and targets	a) Metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process.	**Consistent**	48
	b) Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.	**Consistent**	48
	c) Targets used to manage climate-related risks and opportunities and performance against targets.	**Consistent**	48

Climate-related governance

The Board

Board oversight

Role
The Board has formal oversight of climate-related risks and opportunities (see below).

Relevant experience
The Board received training on ESG-related topics in 2023 and 2024. In March 2024 Board members and the Executive Board of each business received a dedicated training session provided by an external specialist on decarbonisation and emerging regulatory requirements. In addition to this, three Directors have prior specific ESG experience (see page 84).

Key focus during 2023-24
The Board, through its Committees, increased its focus on climate-related matters in the year. The Committees are responsible for providing updates to the Board on climate-related matters.

- In March 2024, the Audit and Risk Committee (ARC) was updated, by way of spotlight papers, on the Group's 'Climate change and environmental management' principal risk, its climate risks and opportunities risks and its climate-related metrics and targets. The ESG Committee received two updates on Royal Mail's environmental strategies, and one from GLS, including progress made against climate-related metrics and targets.
- The ESG Committee continued to monitor progress on TCFD implementation via five updates from the Group's multi-disciplinary TCFD Working Group (see below).
- The ESG Committee received a verbal update on investor feedback on the Group's ESG performance, including the Group's climate-related metrics and targets. The Group IR Director is present at all ESG Committee meetings and provides relevant feedback on an ongoing basis.

Specific responsibilities are delegated to the Board's Committees

Audit and Risk Committee
Oversees the Group's 'Climate change and environmental management' principal risk and the progress made against goals and targets for addressing climate-related issues. The ARC is supported by the Royal Mail Audit and Risk Committee (Royal Mail ARC) and the GLS Audit and Risk Committee (GLS ARC), while the Executive Board of each business and its respective functions monitor day-to-day management. It formally reports to the Board five times a year. During the year, the ARC received environmental remediation updates, which included climate-related metrics, risk indicators, remediation activities and targets.

→ See pages 96 to 103.

ESG Committee
Oversees the Group's ESG agenda, including the progress of Royal Mail and GLS' environmental strategies, stewardship and performance, and steps to tackle climate change and become a Net-Zero business. The ESG Committee Chair updates the Board on key topics discussed at the ESG Committee. It formally reports to the Board after each of its meetings, a minimum of four times a year.

→ See pages 104 and 105.

Remuneration Committee
Determines how ESG metrics, including environmental and climate-related issues, are considered within the remuneration policy and how they will be taken into consideration in determining the final incentive pay decisions. It formally reports to the Board four times a year.

→ See pages 106 to 138.

Executive management and its functions oversee day-to-day management

Executive management

Royal Mail and GLS Executive Boards
Responsible for day-to-day assessment and management of risks and opportunities, and the delivery of each business' environmental strategy. The Executive Board and relevant functions of each business monitor day-to-day management of these risks, which are reported to each business' ARC. In addition, goals, targets and other updates relating to the decarbonisation process being undertaken by each business (see pages 29 to 31) are reported via dedicated workstream sponsors, respective ESG teams and country managers on a quarterly basis.

Royal Mail ARC and GLS ARC
Responsible for overseeing the identification of and progress against environmental and climate-related risks and remediation plans. These committees report to the Group ARC five times a year.

A multi-disciplinary TCFD Working Group is responsible for progressing climate-related considerations from TCFD across the Group. This forum comprises representatives from Company Secretariat, Risk Assurance, Finance, Legal, and the Royal Mail and GLS ESG teams, and is supported by external consultants as required. It convened three times during 2023-24 and updated the ESG Committee on progress four times in the year.

1. Governance

(a) Board's oversight of climate-related risks and opportunities (consistent)

The Board and its Committees are responsible for oversight of climate-related risks and opportunities, which they perform via the governance and risk management framework outlined on the previous page. The Board takes climate-related transitional risks and opportunities into account during strategy development, planning and investment decision making, which has resulted in the design and implementation of our main decarbonisation initiatives, which are monitored on an ongoing basis, and the development of more environmentally friendly products and services.

(b) Management's role in assessing and managing climate-related risks and opportunities (consistent)

Management is responsible for assessing and managing climate-related risks and opportunities. The management of specific climate-related risks (transitional and physical) is integrated into the Group's risk management framework as a separate category, with dedicated climate-risk profiles maintained by relevant members of the Royal Mail and GLS Executive Boards.

2. Strategy

(a) Climate-related risks and opportunities identified over the short, medium, and long term (consistent)

We have undertaken two scenario analyses (the first in 2021 and a second in 2023 to further enhance our understanding) to identify the climate-related risks and opportunities facing the Group over the short, medium, and long term. As part of these analyses, climate-related physical and transition risks and opportunities were ranked and their variation across scenarios, operational geographies and time horizons were assessed. As a result, transition risks were identified as more material to the business than physical risks and the most impactful transition risk identified was quantified for Royal Mail. The risks and opportunities identified and assessed by the TCFD Working Group are detailed in the tables on pages 45 and 46.

Climate transition strategies

We are committed to managing our transition to a low-carbon economy through science-based decarbonisation strategies and Royal Mail and GLS have developed strategies that are tailored to their respective business models and markets. These strategies include pathways, targets and mitigating actions that are helping us achieve our ambition to become a low-carbon business, while offering a wide range of green solutions to our customers, including low- and zero-emission delivery routes, the Royal Mail carbon calculator for account customers that estimates emissions of parcels sent, and collection services that encourage more recycling. We are committed to achieving Net-Zero[1] emissions from Royal Mail's operations by 2040 and zero emissions from GLS' operations by 2045,[2] and we have continued to progress and further define the respective strategies of our businesses to achieve this. See pages 28 to 31.

In addition to our efforts, we recognise that technological improvements and innovations are required to underpin the successful delivery of Royal Mail's and GLS' respective decarbonisation strategies. These include the availability of low-emission heavy goods vehicles (HGV) at commercial scale and competitive price points; increased deployment of charging infrastructure in our markets; and the availability of biofuels for use in air freight across our supply chain. Where long-term commercially viable improvements and innovations are not yet available, we are implementing temporary measures to continue progressing our decarbonisation. For example, we have begun deploying hydrotreated vegetable oil (HVO) in Royal Mail's HGV fleet, which is a renewable diesel alternative that does not require any engine or fuelling infrastructure modifications. While the availability of HVO is limited across most of GLS' markets, the business has also begun introducing it in Germany, Italy and Spain. We will continue to monitor developments in these and other areas, and support public-private partnerships that are helping drive change.

Scenario analysis and identification of risks and opportunities

We have undertaken climate-risk scenario analyses based on the latest TCFD guidance using information and data scenarios from the Network for Greening the Financial System (NGFS). The scenarios selected (see table on the next page) are widely recognised and comparable. We also consider them to be the most relevant to the Group, as they are aligned with the use of carbon pricing in the UK and relevant to the potential impact on the transport sector. The scenarios apply the latest NGFS economic and climate data, model versions and policy commitments in renewable energy and mitigation technologies, and reflect new country-level commitments to reach zero emissions. The time horizons considered for these scenarios are Short term (< 2030); Medium term (2030-2040); and Long term (> 2040) and they were selected as they align to Royal Mail's strategic planning and the business' broader climate-related policies and 2030 and 2040 targets. In our analysis, the perceived materiality of the risks was also assessed in a qualitative manner by the TCFD Working Group against the NGFS data scenarios.

As both Royal Mail and GLS operate in the same sector, no sector variations have been applied. To account for geographic variation in our transition risks and opportunities analysis, we considered differences across geographies (UK, US, Canada, France, Germany, Netherlands, Denmark, Italy and Ireland) and how previous policies and operations might provide a blueprint for responses to transition risk uncertainty. We assessed these at a high level across these geographies, using carbon taxation as a proxy and looking at current exposure and exposure under the 1.5°C scenario. We also considered geographic variation of exposure to physical risks across the US, Canada, UK and Europe; however, these were deemed not to be sufficiently material at Group level to detail in this statement. Our final analysis is presented at Group level and combines all geographic considerations into a single assessment of the Group's exposure.

1. Royal Mail's Net-Zero by 2040 ambition is to reduce 90% of its Scope 1, 2 and 3 CO_2e emissions by 2040, while offsetting the remaining 10% residual emissions through investment in certified carbon removals against a 2020-21 base year of 1,325.1KtCO_2e. This has been verified by SBTi to be aligned to a 1.5°C decarbonisation pathway across all scopes of greenhouse gas (GHG) emissions.
2. GLS' zero emissions by 2045 ambition is to reduce 90% of its Scope 1, 2 and 3 CO_2e emissions by 2045, while offsetting the remaining 10% residual emissions through investment in certified climate protection projects. A pathway to deliver this reduction will be developed (including the setting of interim carbon reduction targets) and to base this pathway on climate science, in December 2023 GLS committed to set targets in line with the SBTi. GLS is expecting to complete the developing, submitting and approving process in line with the SBTi during the coming financial year.

1.5°C rapid transition (orderly)	The world takes the rapid and drastic policy measures required to meet the ambition of the 2015 Paris Agreement. Key considerations are to ensure that Royal Mail's and GLS' decarbonisation and business strategies are aligned with or are ahead of policy requirements. The Group's decarbonisation plans and business strategy will require regular review to ensure that they remain at pace with climate science and are aligned to requirements across all areas of operation. The potential impact of physical risks is limited in this scenario, but there is high potential for transition risks and opportunities. Both businesses are committed to reaching zero emissions before 2050 and are aligning their decarbonisation strategies in support of the Paris Agreement to limit global warming to 1.5°C (see pages 28 to 31).
2°C steady transition (orderly)	Climate action policies are introduced early and become gradually more stringent, though not as rapidly or as drastic as in the 1.5°C scenario. Carbon price remains relatively low, and the potential impact of physical risks are relatively low, transition risks are moderate to high, and Net-Zero CO_2e emissions are achieved before 2070. This scenario would need regular reviews of the Group's decarbonisation plans and business strategy to ensure that plans remain aligned across all areas of operation. Most significantly, a ban on new petrol/diesel vehicles could be expected, which would increase the demand and uptake of EVs, and have follow-on impacts for the Group's distribution network. Meanwhile, physical risks would be integrated into business continuity and business risk mitigation and adaptation planning.
Delayed 2°C transition leading to notable physical impacts (disorderly)	Social, economic and technological trends do not shift markedly from historical patterns until 2030. The delay and divergence in responses across sectors and countries results in a disjointed transition ultimately reaching warming below 2°C. Carbon prices rapidly increase. Emission reductions need to be sharper than in the orderly scenario to limit warming to the same target, so more severe transition risks are experienced. This scenario highlights the increased volatility/market risks presented by a disorderly transition. The potential impact of physical risks is significantly higher within this scenario, requiring more significant business continuity planning to avoid or mitigate disruption to operations.
4°C business as usual emissions, extreme warming (disorderly)	Worst-case levels of global warming, with increasingly severe and frequent extreme weather causing extensive business disruption, as well as chronic changes to seasonal weather patterns severely damaging economic growth. The Group would be required to comply with current policy only from a regulatory perspective, but the physical impacts of climate change would be significant, causing disruption to operations and the value chain. In this scenario, transition risks are integrated into our business continuity and business risk mitigation and adaptation planning.

We have applied the following three-step approach in our analysis of climate-related risks and opportunities:

i. Conducted a survey and held workshop discussions with representatives from the TCFD Working Group to discuss the risks and opportunities in our operations, supply chain and markets.

ii. Examined the likelihood and impact of the climate risks and opportunities identified for each scenario.

iii. Re-prioritised and ranked the identified climate-related risks and opportunities.

The analysis undertaken was largely qualitative, with one risk (carbon pricing) quantified for financial impact (see page 47), and the appropriate strategic responses have been developed where possible. The analysis showed how an identified risk can be mitigated by taking advantage of associated opportunities, while acknowledging the risks associated with each opportunity. We consider materiality to correspond to risks and opportunities we deem to be of sufficient importance to our shareholders. We are continuing to quantify the financial impact of our climate-related risks and opportunities (see below). Our definition of financial materiality is set out on page 148.

Transition risks and opportunities

Our transition risks are considered to be more material than physical risks due to our strong reliance on fleet and customers' rapidly changing expectations about decarbonisation. The transition risks and opportunities that could have an impact, which could lead to a material financial impact, are listed in the table below.

Inherent risk assessment key

Likelihood

High: Regular or continuous occurrence.
Medium: Likely to occur but not often.
Low: Unlikely to occur.

Time horizon

Short term (< 2030)
Medium term (2030-2040)
Long term (> 2040)

Impact

High: Significant/repeated financial loss, damaging media coverage; high-profile litigation resulting in restrictions to freedom to operate.
Medium: External stakeholder awareness; one-off financial cost/loss; moderate regulatory breach restricting some freedom to operate.
Low: Reputation intact; limited or no direct/indirect financial cost/loss; regulatory body issues verbal warning.

Opportunities assessment key

Effort

High: It is difficult for the business to implement this action, based on current available resources and investment.
Medium: It is neither easy nor extremely difficult to implement this action, based on current available resources and investment.
Low: It is easy for the business to implement this action, based on current available resources and investment.

Impact

High: Significant reputational, financial and regulatory benefit.
Medium: Moderate reputational, financial and regulatory benefit.
Low: Little reputational, financial and regulatory benefit.

Category	Trend and impact	Likelihood (risks) or effort (opportunity)	Financial or non-financial impact	Scenario	Time horizon	Response and resilience
Policy & legal	**Risk 1:** The potential impact associated with carbon taxes on commercial fleet and logistics activity, which could increase operating costs.	High	High	Primary: 2°C disorderly	Short term	Transitioning last- and middle-mile fleets to low- or zero-emission alternatives. Main metrics: number of electric vans and lower emissions larger trucks deployed.
		High	High	Secondary: 1.5°C		
Energy source	**Opportunity 1:** The use of lower emissions transport in commercial fleet has the potential to reduce maintenance and fuel costs over the life cycle of a vehicle.	High	High	1.5°C	Short term	Initial Royal Mail findings suggest fleet electrification can significantly reduce maintenance and fuel costs over the life cycle of a vehicle when compared with diesel equivalents, even after factoring in costs associated with the installation of charging infrastructure (see Royal Mail ESG Report which is available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance).
	Opportunity 2: The potential use of government schemes and other subsidies that promote low-emission vehicle alternatives among commercial fleets, thereby reducing investment and operating costs.	Medium	High	1.5°C	Short term	Utilise these incentives where they are available. For example, Royal Mail has bid for the Government's zero-emission road freight trials funding, which enables price parity with diesel equivalents, while GLS Canada has used various programmes by national and provincial authorities to support the deployment of charging infrastructure and zero-emission vehicles.
Reputation	**Risk 2:** Increased stakeholder pressure to act in response to climate-related risks that causes reputational damage and misses the opportunity to gain market share, which could result in a loss of revenues.	High	High	1.5°C	Short term	Regularly engage customers and prospects to provide updates and details on their respective decarbonisation actions and plans, and broader management of climate-related risks. Main metric: GHG emissions Scopes 1, 2 and 3.
Policy & legal	**Risk 3:** Ban on the sale of petrol and diesel vehicles and the introduction of low-emission zones requiring alternative fuel vehicles could impact costs and create liabilities.	High	Medium	Primary: 1.5°C	Short term	Transitioning last- and middle-mile fleets to low- or zero-emission alternatives, such as electric vans, to mitigate this risk. Main metrics: number of electric vans and lower emissions larger trucks deployed. See page 31.
		High	Medium	Secondary: 2°C orderly		

Category	Trend and impact	Likelihood (risks) or effort (opportunity)	Financial or non-financial impact	Scenario	Time horizon	Response and resilience
Products & services	**Opportunity 3:** Changing consumer demands leading to new products and services, and gains in market share.	Medium	High	1.5°C	Short term	Continuously develop products and services to make them more environmentally friendly and appealing to customers. Main metrics: GHG emissions Scopes 1, 2 and 3, and emissions per parcel delivered.
Policy & legal	**Risk 4:** Claims by peers, regulators, or customers that products and services fail to meet the Group's claims of green/low-carbon credentials could damage its reputation, creating a loss in revenues, and exposing it to fines from regulators.	Medium	High	Primary: 2°C orderly	Short term	Adhere to all regulations and applicable advertising and marketing guidance with regard to environmental claims made.
		Medium	High	Secondary: 1.5°C		
Market	**Opportunity 4:** Joint ventures with other companies/energy providers in relation to electric vehicles could help reduce costs and increase revenues.	Medium	High	2°C disorderly	Short term	Consider partnerships and joint ventures that can facilitate the transition of fleets to electric vehicles.

Physical risks

Physical risks include risks arising from the physical effects of climate change, such as an increase in extreme weather events. Some of these risks are already having an impact on our businesses but are considered less materially significant than transition risks. They have been present in our business for a longer time, are relatively familiar and have more mature mitigation actions.

The physical risks that could have an impact, which could lead to a material financial impact, are listed in the table below.

Category	Trend and impact	Likelihood	Impact	Scenario	Time horizon	Resilience
Acute	**Risk 1:** Extreme weather events could cause damage to data centres and reduce connectivity to operations, resulting in a loss of revenues and an increase in costs.	Low	High	Primary: 4°C	Medium term mainly, but with potential impacts in the short and long term too.	As part of the management of operational sites, consider a range of physical risks, such as flooding and storms, and take steps to prevent and minimise these where possible.
		Low	High	Secondary: 2°C disorderly		
Chronic	**Risk 2:** Chronic risks might have an ongoing impact on supplier operations where we have sole suppliers for certain raw materials/ components for electric vehicles equipment, which could result in increased costs.	Medium	Medium	4°C	Long term	Work with a diverse pool of suppliers to gather more information on climate risk management.
Acute	**Risk 3:** Extreme weather events impacting employee safety and wellbeing could lead to an increase in costs and liabilities, and loss in revenues.	Medium	Medium	Primary: 4°C	Short term	Monitor and respond to the impact of changing weather on employees' wellbeing as part of ongoing health and safety programmes.
		Medium	Low	Secondary: 2°C disorderly		
Acute	**Risk 4:** Extreme weather events could impact operations and facilities/equipment, resulting in a loss of revenues and an increase in costs.	Medium	Medium	Primary: 4°C	Short term	As part of the management of operational sites, consider a range of physical risks such as flooding and storms, and take steps to prevent and minimise these where possible.
		Medium	Low	Secondary: 1.5°C		

(b) Impact of climate-related risks and opportunities on businesses, strategy, and financial planning (partially consistent)
As part of our strategic development, business and financial planning processes we take account of the transitional and physical climate-related risks and opportunities detailed in the tables above. Among other areas, this has led to the development of strategies and investment plans to transition our businesses to a low-carbon economy (see pages 28 to 31), and actions to meet the increasing demand for more sustainable products and services from our customers (see page 11).

We are now taking steps to further embed climate-related risks and opportunities into everyday planning and decision making. For example, Royal Mail has embedded carbon considerations into the workstreams of its ongoing transformation programme and begun the process of establishing an internal price for carbon which will be used to more accurately reflect the commercial benefits and risks of carbon impacts across different parts of the business.

We will continue this work through 2024-25, so that we are fully consistent with this recommendation and the supplementary guide for non-financial groups by no later than 2025.

Financial impacts

To better understand the potential impacts of one of our key transition risks, carbon taxes, we have undertaken a quantitative scenario analysis which is described below. We have estimated the potential financial impact associated with carbon taxes on Royal Mail's road transport and logistics activity (see table below). If the UK Government uses a carbon tax on the road transport and logistics sector as a key instrument in limiting global warming, based on our estimate, Royal Mail would experience significant increases in fuel spend unless mitigation measures were put in place. By comparison, at GLS, the cost of these various tax schemes (e.g. carbon, road, congestion) would occur indirectly, to the extent that its logistics partners choose to pass on their increased operational costs to GLS.

Our quantitative analysis determined how a carbon tax would impact the cost of running Royal Mail's commercial vehicle fleet in 2025 (short term), 2030 (medium term) and 2040 (long term). The risk quantified is the unmitigated impact, without any of the planned changes to operations or delivery models, and it was quantified for Royal Mail as it was evaluated as likely to impact the business within the next five years. NGFS fuel price and carbon taxes were used to estimate how different climate futures could drive changes in Royal Mail's operating costs. A series of simplifying assumptions were made to complete the analysis.[1]

Based on our initial analysis and the view that the UK's current climate goals and emerging policies are consistent with an 2°C orderly transition, we estimate that the Royal Mail vehicle fleet fuel spend increase would be £20 million per annum in an unmitigated Net-Zero scenario by 2025. A second calculation in which assumptions have been adjusted to account for the mitigation activities implemented to date and currently in plan is set out on page 61. We will continue to review the financial impact of our other climate-related risks , and modify our assessments and mitigation plans accordingly. For details on how our climate risks could impact the Group's viability see page 61 and page 148 for our definition of financial materiality.

In the case of GLS, where a comparable quantification of the direct impacts of this transition risk to its business cannot be made, we have reviewed the differences in exposure to the additional vehicle-related transition risks across various geographies.

Quantitative scenario analysis of carbon taxes[1]

Scenario	Key development	Fuel spend increase (relative to FY2021-22)
1. Net-Zero orderly transition (1.5°C)	In a rapid transition, the high level of ambition to mitigate climate change means high carbon and fuel prices to reduce emissions, so total fuel spend is projected to increase substantially.	2025: £120 million (+59%) 2030: £200 million (+93%) 2040: £390 million (+183%)
2. Below 2°C orderly transition	In a steady transition, a gradual increase in climate policies means carbon prices are kept lower than a rapid scenario, as auxiliary policies absorb some of the decarbonisation burden. Total fuel spend is projected to increase but not as much as in the Net-Zero scenario.	2025: £20 million (+11%) 2030: £40 million (+21%) 2040: £80 million (+38%)
3. Delayed 2°C disorderly transition | fossil fuel led economic recovery undermines climate goals and assumes disorderly management of physical risks	In a delayed and disorderly transition, projected fuel spend does not increase significantly in the short-term horizon, but in the long term, the high carbon price required to limit global warming is projected to increase total fuel spend rapidly and substantially.	2025: -£4 million (-2%) 2030: £10 million (+4%) 2040: £420 million (+201%)
4. Current policies, NGFS hot house world (3°C)	In a business-as-usual scenario, projected total fuel spend does not vary significantly.	Projected fuel spend does not vary significantly

1. Risks were quantified relative to Royal Mail's current-state business with no forward-looking assumptions about future fuel use. The cost of its current fuel demand was quantified using future-looking fuel price and tax assumptions from NGFS. In the case of the 'below 2°C orderly' transition scenario, this was equal to 72.5 US$2010/t CO_2 in 2025; 96.7 US$2010/t CO_2 in 2030; and 145.0 US$2010/t CO_2 in 2040. This enabled the scale of future unmitigated costs to be estimated without introducing additional assumptions about how Royal Mail's business could change or how mitigating activities could impact future exposure. All quantifications will be updated within the next two financial years.

(c) Resilience of strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario (consistent)
We consider the strategies of our businesses to be resilient in each of the climate-related scenarios detailed above, while it is also noted that our overall resilience can also be impacted by non-climate-related risks as outlined in the Risk Management chapter of this report (see pages 49 to 58).

Our businesses closely manage any uncertainty risks associated with, for example, the availability of low- and zero-emission technologies, the widespread availability of charging infrastructure and developments in local and national government policies. We closely monitor these and where necessary have adapted our existing assets. For example, we have deployed hydrotreated vegetable oil (HVO) to continue progressing the decarbonisation of our heavy goods vehicles (HGVs) given that low-emission alternatives are not yet commercially viable at scale.

Our responses and resilience are further described within the transition and physical risk tables on pages 45 and 46 and are indicative of the Group's overall resilience to climate change. Following the identification of a full set of climate-related risks and opportunities, we have assessed our existing responses and mitigating strategies for our most material climate-related risks and opportunities and we confirm they are broadly effective at present.

3. Risk management

In addition to the risk management oversight in recommendations detailed on pages 42 and 43, we operate the following processes:

(a) Processes for identifying and assessing climate-related risks (consistent)
We performed Group-level climate scenario analyses in 2021 and 2023 and ranked our climate-related physical and transition risks and opportunities, and reassessed their variation across scenarios, operational geographies and time horizons, based on the process described on pages 43 and 44. A cross-section of senior management provided insights for this exercise which identified that transition risks were more significant to the Group than physical risks. A risk-scoring methodology has been applied to identify, assess, rank and ensure ownership of climate risks (see page 51).

(b) Processes for managing climate-related risks (consistent)
During 2023-24, our 'Climate change and environmental management' principal risk was managed through our risk management framework, with respective executive leadership and their functions overseeing its day-to-day management. The process used by the Group to make decisions to mitigate, transfer, accept, or control those risks is detailed on pages 49 to 51.

(c) How processes for identifying, assessing, and managing climate-related risks are integrated into overall risk management (consistent)
Having formally integrated climate-related risks into our risk management framework as the principal risk 'Climate change and environmental management', a risk-scoring methodology was applied to identify, assess and rank all key climate risks and ensure ownership by the businesses. The outcomes of this assessment were presented to the ARC in March 2024 after the embedding of climate-related risk assessments into the Royal Mail and GLS risk management processes.

4. Metrics and targets

(a) Metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process (consistent)
We disclose key cross-industry metrics that are in line with our strategy, which include absolute GHG emissions (see page 30). These are included within the assessment of our 'Climate change and environmental management' principal risk, which was managed through our risk management framework during 2023-24 (see pages 49 to 51). Having formally integrated climate-related risks into this framework, we applied a standard risk-scoring methodology to identify, assess and rank key climate risks as a new sub-group of climate-related risks and associated targets/metrics (see above).

ESG-related measures are included in the Short-Term Incentive Plan (STIP) scorecard. 10% of the scorecard for the Group CEO and CFO is based on environmental metrics in 2023-24 and these were met in full during the year. We will continue progressing our metrics in line with the development of our scenario analyses and taking into consideration the seven metric categories from the TCFD guidance. For example, we are in the process of developing an internal carbon price for our Royal Mail business and are working to develop disclosures aligned to the Transition Plan Taskforce that will require us to provide further details on capital expenditure, financing, and investments deployed toward climate-related risks and opportunities.

(b) Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks (consistent)
We measure and disclose our Scope 1, Scope 2 and Scope 3 GHG emissions (see page 30) following the GHG Protocol and consider the related risks associated with these. In addition, Royal Mail and GLS use other targets, including intensity metrics, to gauge the effectiveness and progress of their respective environmental strategies to become a low-carbon business.

(c) Targets used to manage climate-related risks and opportunities and performance against targets (consistent)
We track, manage and disclose our most material climate-related targets, including those related to GHG emissions and energy usage, in addition to metrics related to mitigation actions, such as the deployment of EVs and biofuels (see page 31). In our Royal Mail business we have applied SBTi-validated targets to 2030 and 2040 across each GHG emission Scope. In each case, we describe the type of targets that apply, the time frames over which they apply and how they are measured. In December 2023 our GLS business committed to set its near term 2030 and Net-Zero 2045 ambitions in line with the SBTi. GLS is expecting to complete the developing, submitting and approving process in line with the SBTi during the coming financial year. Our progress and performance against these targets are described in more detail on pages 28 to 31. Environmental targets also form part of our Directors' remuneration (see above and page 126).

Risk Management

Through the implementation of risk management processes that promote a sound control environment, we seek to identify, assess and manage risks that could impact our business.

Risk management framework
Risk management processes and controls are utilised across the Group. The Board has overall accountability for ensuring that we operate sound risk management and internal control systems and, on an annual basis, assess their effectiveness.

The Board has delegated responsibility for reviewing the effectiveness of the Group's risk management and internal control systems to the Group Audit and Risk Committee (the ARC). The results of the ARC's review are reported to the Board together with the recommended disclosure to be included in this Annual Report (see pages 102 and 103). The ARC seeks to ensure that the Group operates prudent and effective controls that allow material risks to be identified, assessed and managed. In fulfilling its duties, the ARC is supported by the Royal Mail and GLS Audit and Risk Committees.

Risk management policies and procedures are utilised across the Group, and we provide guidance and support to relevant personnel in their application. Management teams across Royal Mail and GLS are responsible for the management of specific risks and developing actions to mitigate their impact.

Our risk management processes and controls are designed to manage rather than eliminate risk. Taking on manageable risks is an inherent part of the Group's commercial activities and the framework we operate can only provide reasonable and not absolute assurance against misstatement or loss.

Our risk management framework

Top down Principal risk management

Board
— Review external environment.
— Set risk appetite.
— Determine strategic response.

Audit and Risk Committee
— Assess effectiveness of risk management and internal control systems.
— Monitor principal risks.
— Report on Principal Risks and Uncertainties.

Third line
Independent assurance provided to the Board by internal and external providers in relation to the adequacy and effectiveness of controls.

Royal Mail Audit and Risk Committee
— Identify principal risks including fraud risks.
— Oversee mitigation plans.
— Monitor progress towards risk appetite.

GLS Audit and Risk Committee
— Consider completeness of identified risks (including fraud risks) and adequacy of mitigation activity.
— Consider aggregate of risks across the business.

Second line
Compliance monitoring and oversight of first line through regular reviews, assessments and dedicated oversight functions.

Royal Mail & GLS Executive Boards | **Royal Mail Business Unit Leadership** | **GLS Regional Management**
— Execution and delivery of mitigating actions.
— Report on progress towards risk appetite.
— Report current and emerging risks.
— Identify, evaluate and mitigate risks.
— Maintain risk profiles.

First line
Primary controls including management of risks in day-to-day operations.

Bottom up Business unit/Regional risk management

Risk appetite

The Board sets the Group's risk appetite. This determines the target level of risk we are prepared to take to achieve our strategic objectives over the medium to long term and the extent of controls we need to operate to mitigate the Group's principal risks.

The ARC monitors the Group's principal risk management activity within the risk appetite throughout the year. Focused discussions on progress towards target risk levels take place at the Royal Mail and GLS ARC meetings at least twice a year.

Our Royal Mail and GLS Executive Boards and management teams are accountable for identifying and managing risks and for delivering the Group's objectives in accordance with the Group's risk appetite.

To achieve our strategic objectives, it is necessary to take on, or accept, certain risks. In doing so, we seek to ensure that:

— We clearly understand our significant risks, their likelihood and potential impact.
— The level of risk we take, or accept, is balanced against the potential benefits.

Our risk appetite ranges across low, low to moderate and moderate to high tolerance levels and is broadly mapped against three risk categories as illustrated in the adjacent table.

Risk category	Risk appetite level and link to principal risks (see pages 52 to 58)
Strategic/External 1 6	**Moderate to high** Take well-informed moderate to high risks to achieve strategic objectives if potential benefits outweigh risks, particularly where the external risks are less in management's direct control.
Operational/Financial 2 3 4 5 7 8	**Low to moderate** Work to achieve strategic objectives through accepting, managing and/or reducing risk to a low to moderate level, as appropriate.
Legal, compliance and regulatory 9 10 11 12	**Low** Seek to reduce the risk to a low level as far as practically possible.

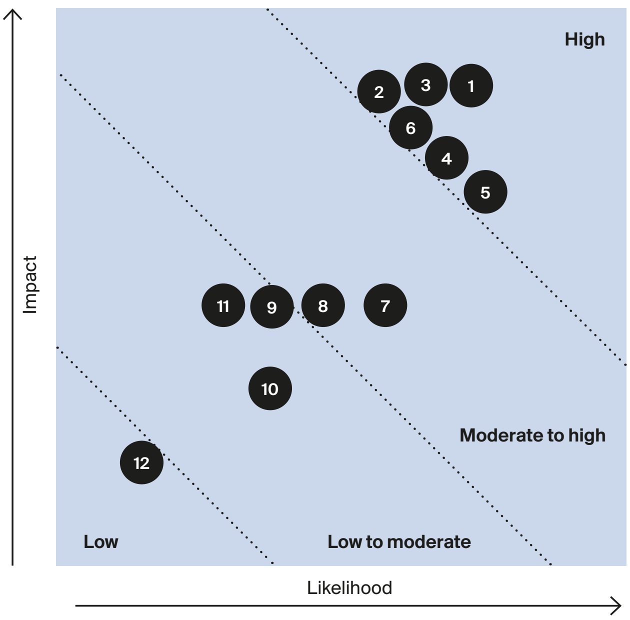
Our principal and emerging risks

Our principal risks are assessed by the Board on a bi-annual basis and monitored by the ARC across the year. Emerging risks are identified throughout the year and formally assessed by the ARC annually. The Board confirms that robust risk assessments were completed during the financial year.

Our principal risks are detailed on pages 52 to 58. They are broadly ordered on a net risk basis which takes into account the estimated magnitude of potential impact and likelihood of occurrence. We define a principal risk as one which is currently or could have a significant impact on the Group over the business planning cycle. Our principal risks are also reflected in the key assumptions that form part of our viability assessment process (see pages 59 to 61). The graphic below illustrates our assessment of the likelihood of our principal risks occurring and their estimated impact and takes into account the mitigating actions in place to manage each risk.

Net risks can move depending on circumstances at any time. Material movements in risk scores compared with the prior year are highlighted on pages 52 to 58.

Risk heatmap



Principal risks (see pages 52 to 58)

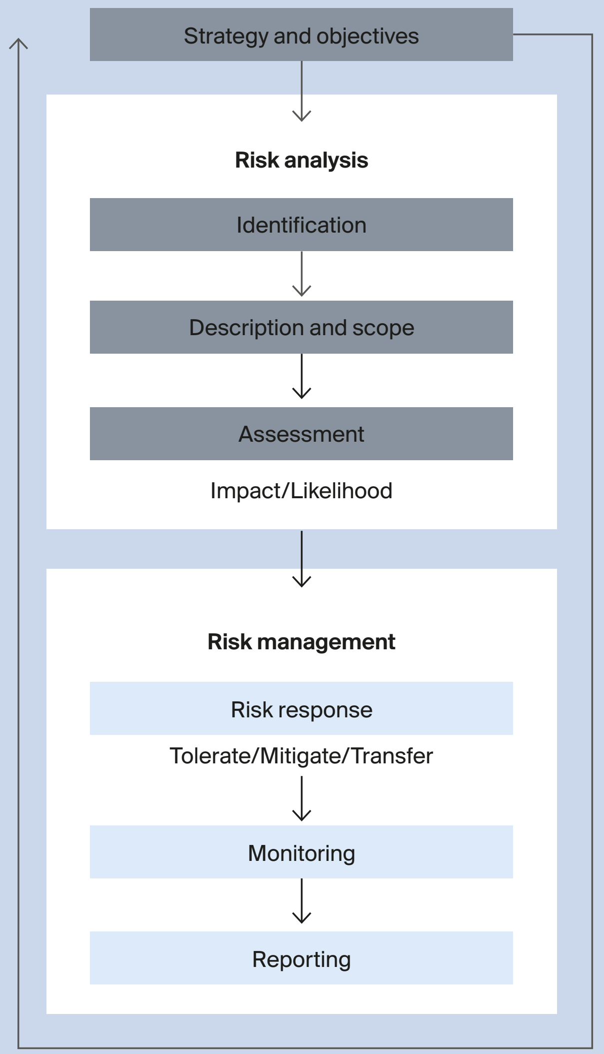
1. Economic and political environment
2. Failure to reduce our operational cost base
3. Industrial relations
4. Major breach of information security, data protection regulation and/or cyber attack
5. Customer expectations and our ability to grow revenue
6. Financial sustainability of the Universal Service
7. Talent: workforce for the future
8. Climate change and environmental management
9. Actual or suspected breaches of material law and/or regulation
10. Business continuity and operational resilience
11. Health, safety and wellbeing
12. Failure to manage liquidity and capital structure

Changes to our principal risks

The following risk has materially changed in its nature and severity since the prior year:

- **Financial sustainability of the Universal Service** (previously 'Failure to secure Universal Service reform'): We have been lobbying the Government and Ofcom to reform the Universal Service for several years. Urgent reform is now required to ensure Royal Mail remains financially sustainable. In January 2024, Ofcom launched a call for input on the future of the universal postal service (see page 24). A summary of Royal Mail's response to this call for input is available at www.internationaldistributionservices.com/en/about-us/regulation/the-future-of-letter-deliveries. It is not sustainable to maintain the costs of a network built for 20 billion letters when we are now only delivering 6.7 billion. Without urgent reform, the continuing structural decline in addressed letter volumes and broader changes in the parcels market pose significant risks to the financial sustainability of the Universal Service. As such this is now categorised as a high risk.

Risk identification, analysis and response



Identification, analysis and response

The process we operate to identify and assess individual risks takes account of the internal and external business environment as well as the effectiveness of the risk controls we operate. Principal risk profiles are maintained by relevant members of the Royal Mail and GLS Executive Boards. Business unit risk profiles are maintained at functional levels across the Royal Mail business and regional-level risk profiles are maintained in GLS' major countries of operation. During the year, fraud risk profiles were formally presented to the Royal Mail and GLS Audit and Risk Committees and to the ARC.

Gross, net and target risk scores are evaluated as a product of potential impact and likelihood, and are represented visually on heatmaps within risk profiles to facilitate analysis and management focus. These risk profiles provide visibility to management over the effectiveness of control activities and mitigations. Each risk is assessed considering the likelihood of the event occurring based on multiple factors, the range of potential impacts and their severity should the event occur.

Monitoring and reporting

Throughout the year, Royal Mail business unit leadership teams review the risk profiles covering their functional areas of responsibility. Formal risk assessments are undertaken on a bi-annual basis to coincide with the Group's full- and half-year reporting cycle. GLS regional management reviews country-level risks and centrally managed principal risk profiles are reviewed by subject matter experts, twice a year. The outcomes of these bi-annual assessments are considered by the Royal Mail and GLS Audit and Risk Committees and then by the ARC. In addition, for Group principal risks, there is a periodic cadence of remediation progress reviews by the ARC known as 'spotlights on risk' (see pages 97 and 103). This process is used to inform, determine and monitor the Group's principal risks.

Emerging risks

We identify emerging risks through various discussions with management and subject matter experts and other external insights. All relevant information is captured in a horizon-scanning analysis which serves to illustrate our potential future exposures across a number of risk categories and helps us assess what preparations may be required for new and potential future risks.

Emerging risk activity is considered by the Royal Mail and GLS Audit and Risk Committees, taking into account both external and internal factors to ensure that a holistic view is taken and updates on emerging risk activity are regularly provided to the ARC and formally assessed and reported annually. Emerging risks identified as at the date of this report include risks and threats associated with generative AI, fiscal, regulatory and monetary risks that could arise from the UK general election and emerging regulation including the requirements of the UK Corporate Governance Code 2024 and ESG reporting.

Our Principal Risks and Uncertainties

Detailed below are the principal risks we consider could threaten our business model, the execution of our strategy, and the preservation and creation of sustainable value for shareholders and other stakeholders. How we seek to mitigate these risks and the material changes in risk score year-on-year are also explained below.

Material changes in risk score year-on-year

Increasing risk –
Low to moderate or moderate to high risk

Decreasing risk –
Moderate to low or high to moderate risk

Stable risk –
No material change

→ See graphic on page 50 for high, moderate and low risk categorisations.

1. Economic and political environment – High risk

Risk

Macro-economic conditions and/or the political environment across our markets may adversely affect the Group's ability to control costs and maintain and grow revenue due to reducing volumes or by driving customers to adopt cheaper products or formats for sending letters and parcels.

Status

The Group's performance is closely aligned to economic growth in the markets in which it operates. The current geopolitical outlook is uncertain and economic growth remains subdued in the UK and EU, with high interest rates weakening households' disposable income.

Whilst inflationary pressures are subsiding, inflation remains high. Conflicts across the globe could escalate which could negatively impact the stability and security of international transport routes crucial to the Group's business.

Improving but low levels of consumer and business confidence are expected to impact discretionary spend, creating further unfavourable macro-economic headwinds over the course of 2024-25.

Future political developments in the UK, including a general election in 2024-25, could affect the fiscal, monetary and regulatory risk landscape. Prolonged fiscal tightening across our markets, including national minimum wage and tax policy revisions, could increase our costs or further affect consumer confidence, which could impact parcel and letter volumes.

Across Europe (notably Belgium, Germany and Italy) the use and tax treatment of subcontractors is coming under increasing scrutiny. This could force GLS to change its operating model in affected countries and, as a result, put pressure on margin.

Current and planned mitigations

- Ongoing monitoring of the economic and wider external environment across all markets.
- Implementing transformation and efficiency programmes to stabilise the Royal Mail business and build resilience into its operating model (see Risk 2).
- Ongoing monitoring of the political landscape across all markets and regular engagement with politicians and policy makers, as appropriate.
- Monitoring government policy and developments in GLS markets relating to treatment of subcontractors and implementing appropriate compliance measures, digital tools and adapting to local market circumstances.

2. Failure to reduce our operational cost base – High risk

Risk

We must become more efficient and agile to compete effectively in the parcel and letter markets.

We must also reduce our operational cost base and manage wider cost pressures to achieve margin expansion and deliver productivity benefits across the Royal Mail business.

Failure to reduce operational costs and, at the same time, deliver high-quality services could result in a loss of customers, market share and revenue.

Status

Royal Mail has a significant fixed cost base, with high operational gearing. While the business' delivery network provides a strong competitive position, particularly in the combined delivery of letters and small parcels, it is not currently optimised for the increased demand for flexible acceptance times and larger parcels. In addition, the high fixed labour cost structure makes it difficult to flex the cost base according to sales volumes.

Whilst some transformation benefits to right-size the operation have been re-phased to 2024-25 and, despite challenging macro-economic factors and the drag from the protracted dispute with the CWU leading into 2023-24, we have stabilised our operational cost base. This has been achieved by improved day-to-day cash management measures and prioritising high-return investments. We are also seeing improvement in levels of employee absence.

Whilst GLS' cost structure is more flexible, we need to ensure that the business' networks and processes continue to be optimised to withstand inflationary cost pressures and support sustainable growth.

Current and planned mitigations

Effective implementation of the Business Recovery, Transformation and Growth Agreement (the Agreement), is key to the delivery of operational efficiencies in Royal Mail and governance processes are in place to oversee its timely implementation. There are also a number of initiatives in place to drive efficiency whilst remaining focused on high quality of service. These include:

- Measures to improve operational productivity, performance and right- size the business through a programme of operational revisions.
- Improved automation through parcel hubs and mail centres to increase throughput and reduce costs per parcel.
- Trialling frameworks to deliver operational improvements at a greater pace, such as letter sortation methods within delivery offices.
- Use of digital tools to align scheduled and actual hours to match variation in workload throughout the year and scan-in scan-out technology across the delivery network.
- Improving network efficiency including introducing later start times and longer spans, and a strategic review of the parcels network including optimising synergies with Parcelforce Worldwide.

Implementation of actions in GLS to improve margin including:

- Productivity and efficiency improvements to optimise our operations and control costs.
- Increased automation in hubs, depots and digitisation in the final mile.
- Targeted in-country actions and productivity initiatives including cross-border synergies.

3. Industrial relations (previously 'Industrial action') – High risk

Risk

There is extensive trade union representation across our UK workforce, with strong and active trade unions.

One or more material disagreements or disputes could result in widespread localised or national industrial action.

Industrial action would cause material disruption to our UK business and would result in an immediate and potentially ongoing significant loss of Group revenue. It may also affect Royal Mail's ability to restore Quality of Service (QoS) levels and meet targets prescribed by Ofcom, which may lead to enforcement action, fines and loss of customers.

There is a further risk that Royal Mail will not successfully deliver the Agreement, strategic transformation and Universal Service reform unless management and the trade unions work effectively together.

Status

In July 2023, following a lengthy dispute, Royal Mail and the CWU reached agreement on the terms of the Agreement. This is an important enabler in the turnaround of the Royal Mail business.

Management continues to engage with trade unions on the Agreement, strategic transformation and Universal Service reform.

Current and planned mitigations

- Joint implementation of the Agreement.
- Rollout of a modern and collaborative framework to allow quicker decisions, trials and change implementation.
- Externally facilitated ways of working sessions to review the Royal Mail/CWU relationship supported by appropriate expertise where required.
- Developed operational contingency plans in the event of local and/or national industrial action.

4. Major breach of information security, data protection regulation and/or cyber attack – High risk

Risk

Due to the nature of our business, we collect, process and store confidential business, operational and personal information. As a result, we are subject to a range of laws, regulations and contractual obligations around the governance and protection of various classes of data to protect our customers, employees, shareholders and suppliers.

In common with all major organisations, we are the potential target of cyber attacks that could threaten the confidentiality, integrity and availability of data and systems, and trigger material service and/or operational interruption.

Also, a major breach of information security, data protection laws and regulations and/or a cyber attack could adversely impact our reputation, resulting in financial loss, regulatory action, business disruption and loss of stakeholder confidence.

Status

Given the evolving nature, sophistication and prevalence of cyber threats and an increasing reliance on technology and data for operational and strategic purposes, this continues to be a principal risk.

We recognise that in a business with around 154,000 staff who use data and devices to deliver our services and process large quantities of documentation, there is a possibility of human error in the protection of data.

We continue to invest in our cyber-capabilities and have made progress in deploying a number of controls across our technology estate, via our ongoing multi-year programme that targets the highest priority areas.

Current and planned mitigations

- Ongoing investment in cyber-resilience including enhancing our cyber-control capabilities across our technology estate to protect our customers, employees, services and assets.
- Strengthening our ability to quickly detect and respond to threats before they become incidents, including ransomware.
- Improving assurance of organisational and technical measures, including disaster recovery and assessment of third-party supplier controls.
- Promoting good behaviours and stressing the importance of maintaining vigilance through regular communication, training and awareness across our workforce.
- Encouraging an open and prompt reporting culture so that appropriate remedial action can be taken as soon as possible.
- Operate data privacy and protection policies and a compliance framework, which includes assessment and monitoring of data risks and controls across all our operations.

5. Customer expectations and our ability to grow revenue (previously 'Customer expectations and responsiveness to market changes') – High risk

Risk

Failure to deliver against existing and changing customer needs and expectations, including improvements to quality of service, could impact the demand for our products and services.

Our success at scaling and growing new areas of business is dependent on identifying profitable and sustainable areas of growth and embedding appropriate structures to support transformation.

Status

Societal expectations continue to change rapidly and demand is continuing to grow for high-quality, convenient and sustainable deliveries that are competitively priced. In response we are becoming more agile and customer centric.

The impact of industrial action in Royal Mail in 2022-23 (see Risk 3) and headwinds created by the economic environment (see Risk 1) have impacted consumer confidence and spending, which places pressure on parcels and letters revenue in Royal Mail.

In Royal Mail, we have introduced targeted pricing and surcharge measures together with a programme to win back lost customers and increase throughput in our Midlands Parcel Hub, which opened during the second quarter of 2023-24.

We are moving fast with our OOH delivery plans, including the trial and roll out of parcel lockers in conjunction with partners and continue to target large retail networks in the UK to expand our parcel shop offering.

GLS has focussed on the expansion of its global OOH network and parcel locker strategy, launched a number of customer-focussed digital solutions and continues to grow its cross-border segment and exploring new markets.

Current and planned mitigations

Royal Mail is focused on:

- Restoring quality of service.
- Implementing strategic pricing and surcharge actions.
- Expanding channel mix and service offerings such as OOH, parcel shops, Collect+ and rollout of locker banks.
- Driving agility in new product development and simple digital services.
- Growing doorstep services such as Parcel Collect.
- Increasing tracked services and near-universal barcoding of products.
- Increasing Sunday deliveries.

GLS is focused on:

- Scaling OOH delivery offerings and locker banks.
- Driving digital services in the final mile.
- Securing strategic acquisitions and organic growth opportunities to scale the business.
- Expanding delivery network capacity.

6. Financial sustainability of the Universal Service (previously 'Failure to secure Universal Service reform') – High risk

Risk

Without urgent reform, the continuing structural decline in addressed letter volumes and increased competition in the parcels market pose significant risks to the financial sustainability of the Universal Service. A modern and sustainable postal service is crucial for the customers we serve, our people and our company.

Status

According to Ofcom, a financially sustainable Universal Service should be able to achieve an EBIT margin of 5-10%. Since privatisation in 2013, the Universal Service network has only achieved this twice. Letter volumes have continued to decline since their peak in 2004-05. It is not sustainable to maintain the costs of a network built for 20 billion letters when we are now only delivering 6.7 billion. Reforming the Universal Service is essential if Royal Mail is to have a sustainable future.

In January 2024, Ofcom published a call for input, setting out evidence and options for how the Universal Service might need to evolve to more closely meet consumer needs. Ofcom's report demonstrates that reform is urgently needed to protect the future of the Universal Service.

We have been calling on Government and Ofcom to tackle this issue for several years, and the lack of action means that we are now facing a much more serious situation. Whilst other countries have grasped the opportunity to change, the UK is being left behind.

Ofcom's call for input closed on 3 April 2024. A summary of Royal Mail's response is available at www. www.internationaldistributionservices.com/en/about-us/regulation/the-future-of-letter-deliveries. We are calling on Ofcom to open a consultation in the Summer, and for any changes to the Universal Service to be live from April 2025.

Current and planned mitigations

- Continued engagement with Ofcom, the Government, our unions, people and other stakeholders on the case for change.
- Ran an extensive customer engagement programme and international benchmarking to assess the alternative possible options available for a more modern and sustainable Universal Service.
- Undertook a consultation and detailed modelling exercise on potential reform options which informed our response to Ofcom's call for input.
- Executing the Royal Mail transformation plan to underpin the sustainability of the Universal Service.

7. Talent: workforce for the future – Moderate risk

Risk

Our performance, operating results and future growth depend on our ability to attract and retain talent with the appropriate skills and expertise.

In Royal Mail, transformation and structural market change are creating the need for new and different skills. There is a risk that we do not develop the capability of our frontline managers or attract and retain senior leaders with the right capabilities and behaviours. In light of an ageing workforce, socio-economic factors and demographic change there is also a risk that we do not maintain a robust pipeline to fulfil frontline roles.

In GLS, there is a risk we do not attract talent with new skills and retain high-quality talent to deliver GLS' strategy.

Status

Due to challenges in the business environment over the last 18 months, we have seen an increase in retention risk across Royal Mail's senior management population. We are also experiencing higher than targeted levels of new joiner attrition in our frontline workforce.

Following the end of the industrial dispute we are better placed in the market and are finding more success in attracting high-calibre talent.

In GLS, we have made good progress with the establishment of a corporate HR Centre and actions to attract high-calibre talent to drive the digital and innovation agenda.

Current and planned mitigations

Royal Mail:
- Launched an Employee Value Proposition and developed an employer brand.
- Developing a future leader framework that will provide an understanding of leadership capabilities at all levels.
- Offer a number of development programmes including the Future Manager Development Programme for frontline managers.
- Operate a performance management framework.
- Implementing a range of initiatives to improve diversity, equity and inclusion across teams.
- Established the Operations Frontline Talent Steering Committee to accelerate and bring together related workstreams.
- Introduced a new onboarding tool and updating induction and supporting materials.
- Creating a 'Talent Ecosystem' to enable internal mobility, provide opportunities for career progression and improve succession planning.

GLS:
- Established mechanisms to share expertise and best practice across the business.
- Embedded a leadership and development framework including succession planning and a high potential programme.
- Improving employer branding, including integration and communication of GLS values.
- Developing and tracking people-related metrics and key performance indicators to measure success.

8. Climate change and environmental management – Moderate risk (see also TCFD Statement on pages 41 to 48)

Risk

Climate change is a global threat and, in common with all major organisations, it poses a number of risks and opportunities. We have identified priority physical and transition risks that could impact our businesses.

Transition risks: As our customers and stakeholders seek to adapt to climate change, demand is increasing for more sustainable products and services. The cost of operations could increase as we adapt to government and regulatory changes (including potential carbon taxes) to progress towards Net-Zero emissions and air quality targets for towns and cities.

Physical risks: An increase in the frequency of extreme weather events may result in disruption to operations and impact our ability to meet customer expectations, Royal Mail's obligations under the Universal Service or other contractual requirements. We may also see cost inflation as a result of resource scarcity, increased operational costs and required investment to protect the business and our people from extreme weather events.

We must also ensure that we comply with an expanding framework of environmental legislation and regulation, and prepare for emerging requirements to avert the risk of reputational damage, increased costs and potential fines.

Status

Demonstrating leadership on environmental issues, including the impact of our activities, is the right thing to do. It is also essential if we are to achieve competitive advantage, create value and deliver our strategy.

Our environmental strategies will help us reduce our environmental footprint and play our part in the transition to a low-carbon future while offering greener solutions to our customers.

We are committed to implementing the TCFD recommendations and have made progress during the year on our ongoing TCFD implementation project (see pages 41 to 48).

Current and planned mitigations

- Developed ESG ambitions and principles that are aligned to the ESG issues that matter most to our businesses and stakeholders.
- Executing environmental strategies across Royal Mail and GLS, including accelerated ambitions for decarbonisation to reach Net-Zero emissions before 2050 in support of the Paris Agreement (see pages 28 to 31).
- Investing in low- and zero-emission vehicles and technology and equipment to support energy and fuel efficiency across our property estate.
- Improving network efficiency, including looking to rationalise Royal Mail's property estate and opening new GLS EcoHubs, which have renewable energy generation and sustainable infrastructure.
- Engaging our people and suppliers in our efforts to become more efficient and reduce our use of natural resources.
- Monitoring the impact of extreme weather events on operations and across our property estate to determine suitable preventive and precautionary measures.
- Reducing water consumption and reducing the amount of waste we generate.
- Monitoring compliance with existing environmental legislation and preparing for future regulatory changes including the Corporate Sustainability Reporting Directive.

9. Actual or suspected breaches of material law and/or regulation – Moderate risk

Risk

Failure to comply with relevant material laws and regulations that apply to our business, including competition, anti-bribery, regulatory conditions imposed by Ofcom (including QoS targets), trade sanctions, taxation and corporate governance. Actual or suspected breaches could result in financial loss, fines, regulatory enforcement action, criminal charges, debarment and/or reputational damage impacting our ability to operate and grow.

Failure to comply with material laws and regulations related to the following matters are covered by the specified other risks GDPR (Risk 4), health and safety (Risk 11) and environmental legislation (Risk 8).

Status

There continues to be a focus on controls in relation to material laws and regulations with which the Group must comply.

Competition law:
Royal Mail's appeal against the Competition Appeal Tribunal's judgment to uphold Ofcom's decision to fine it £50 million has now concluded. The fine and interest (c.£52 million) were paid to Ofcom on 10 August 2022.

The stay on Whistl's related damages claim has been lifted. There have been two case management conferences (in December 2023 and April 2024) at which a trial date has been set for November 2025, plus significant milestones leading to the trial. Royal Mail believes Whistl's claim is without merit and will defend it robustly.

Regulatory conditions imposed by Ofcom:
In November 2023, following an investigation, Ofcom concluded that Royal Mail was in breach of its First and Second Class mail Universal Service QoS targets for the 2022-23 regulatory period. It fined Royal Mail £5.6 million (£8m discounted for mitigations).

Our current year Universal Service QoS for First and Second Class mail has been below the targets set by Ofcom who are expected to open an investigation. We are focused on improving service levels and we regularly engage with Ofcom on QoS.

See Notes 25 and 28 on pages 225 to 227 of the Financial Statements.

Current and planned mitigations

- Assess risks and obtain advice from specialist lawyers and compliance/regulatory professionals on a regular basis.
- Horizon scan to prepare for legislative changes and develop policies and processes to address them.
- Monitor compliance and assurance provision.
- Foster a culture where colleagues can speak up so we can promptly address any issues and stop them happening again.
- Engage with Ofcom in relation to USO QoS monitoring and restoration activity.

10. Business continuity and operational resilience – Moderate risk

Risk

We may fail to successfully respond to, recover from, or reduce the impact of a major threat or disruptive incident that could cause widespread operational disruption and financial loss to the Group, our customers and our supply chain. This could also impact on the ability of Royal Mail to meet its regulatory obligations.

Key threats include utility interruption and IT outages. Key threats related to the following matters are covered by the specified other risks: cyber attacks (see Risk 4), industrial relations (see Risk 3) and extreme weather (see Risk 8).

Status

Royal Mail is classified as a critical part of national infrastructure and also has a responsibility to provide sustained and continued postal services under the USO.

Royal Mail has experienced several disruptive events in recent years, including the COVID pandemic, national industrial action and a cyber attack, and our crisis management response process has been shown to be effective.

We continually focus on improving our business resilience and continuity action plans and our capability to remediate current and future threats.

GLS has a growing geographical footprint and has an interconnected international network across Europe and North America. Whilst there is commonality in the threats and risk the Royal Mail business faces, the multi-country nature of GLS means there is natural mitigation which lowers the impact to the Group in the event of operational disruption in a specific market.

Current and planned mitigations

— Ongoing strategic threat assessment and horizon scanning to promptly identify and assess emerging and current risks and develop prompt remediation strategies.
— Regularly review crisis management governance including lessons learned following disruptive events.
— Delivered a refreshed training plan covering crisis and continuity planning.
— Deploy a cross-functional strategic crisis and resilience governance structure and response teams to ensure an integrated resilience approach.
— Develop business impact assessments to map systems and interdependencies of critical products and services and alignment of disaster-recovery plans.
— Develop and implement tactical arrangements to support operational contingency plans and incident management.

11. Health, safety and wellbeing – Moderate risk

Risk

A health and safety incident or global health crisis could result in the serious injury, ill health or death of our people, third parties (including contractors) or members of the public. An incident, near miss or health and safety breach may lead to criminal prosecution or fines by the enforcing authority or civil action by the injured party, resulting in large financial losses and/or reputational damage.

Failure to manage the health, safety and wellbeing of our people could lead to reputational damage, loss of employee goodwill and financial losses through increased sickness absence, lower productivity, and failure to deliver the USO, civil action or criminal prosecution.

Status

The health, safety and wellbeing of our people, customers and members of the public is of paramount importance.

We have many employees, including seasonal staff and subcontracted/agency workers. We also operate one of the largest commercial fleets in the UK, manage a significant real estate footprint and interact extensively with members of the public. A large proportion of our people spend most of their time working outdoors on foot or driving, where the environment is unpredictable and can be more difficult to control.

Key health and safety risks include outdoor accidents such as road traffic as well as other accidents (such as dog attacks), and indoor accidents in depots.

Royal Mail has a large number of properties that are required to be maintained and kept safe for our employees and customers. In common with other businesses with a large property estate, we survey sites to ensure risk assessments are kept up to date, any new risks are understood and remedial work is undertaken as required.

Whilst health and safety risks can be assessed and controlled, the risk of harm to people cannot be eradicated.

Current and planned mitigations

IDS:
— Implement policies, directives, procedures and systems, supported by tailored training and awareness to embed a compliance culture and improve employee engagement.
— Senior leaders promote safe behaviours and reinforce compliance to standards through participation in regular communications and campaigns.
— Board and ESG Committee oversee performance metrics.
— Operate Group-wide measures to protect and support our employees in line with guidance and provision of wellbeing programmes.
— Monitor and review measures in place to assist in risk control and accident prevention, including undertaking appropriate investigation following incidents and near misses.

Royal Mail:
— Launched a refreshed programme of focused site audit activity to provide a more comprehensive baseline of compliance with our internal Safety, Health and Environment Management System.
— Continue to streamline and simplify the various health and safety systems in place to enhance their effectiveness.
— Undertake property surveys across the estate.
— Developed a Road Safety Plan aimed at reducing the number of road traffic collisions.

GLS:
— Expanded global OHS training and awareness programme.
— Operate health and safety audit programmes in all markets.
— Undertake regular improvement visits with selected countries.
— Host annual health and safety focused conference.

12. Failure to manage liquidity and capital structure (previously 'Failure to manage liquidity') – Low risk for IDS plc but material risk for the Royal Mail business

Risk

There is a risk that the Group fails to secure ongoing access to finance.

Uncertainty in the macro-economic environment, a prolonged period of high inflation and the impact of industrial action have adversely affected Royal Mail's business performance. These have driven operating losses and trading cash outflows in that subsidiary.

As a result, there is a risk that Royal Mail fails to secure ongoing access to finance and/or is unable to manage working capital and cash to support the ongoing running of, and investment in, the Royal Mail business.

Status

IDS plc management has taken effective action to preserve Group liquidity, including bond refinancing in the second quarter to provide additional cash headroom. The Group also has access to a £925 million bank syndicate loan facility that is available until September 2026 (see Notes 23 and 24 for further information on financial risk management).

Royal Mail has implemented measures to manage its cash position during the year through working capital management and prioritising capital expenditure. Royal Mail's generation of positive trading cashflows is key to preserving liquidity. The Board will keep under review whether it is appropriate to cross-subsidise Royal Mail. In the meantime Royal Mail takes all reasonable steps to finance the necessary transformation and turnaround from its own resources.

Current and planned mitigations

IDS plc:
- Ongoing monitoring of Royal Mail's and GLS's performance, liquidity and covenant headroom.
- Access to Group resources by Royal Mail and GLS subject to satisfactory progress against business plan and/or short-term working capital requirements.
- Ongoing review of capital allocation and priorities.

Royal Mail:
- Delivery of Royal Mail turnaround plan and effective implementation of efficiency programmes.
- Measures to conserve cash and prioritisation of capital expenditure.
- Raising capital through asset-backed funding arrangements such as sale and leaseback options.
- Exploring alternative means of raising capital including asset disposals.

Viability Statement

This Viability Statement should be read in conjunction with the Group's business strategy as set out in the Royal Mail and GLS strategic updates.

The Directors have assessed the prospects of the Group and its viability over the longer term as part of their ongoing risk management and monitoring processes.

Assessment period
While the Directors have no reason to believe that the Group will not be viable over the longer term, they have assessed the viability of the Group over a three-year period to March 2027 (the Viability Period) taking into account the Group's current financial position and the potential impact of our principal risks. This time period is considered appropriate as it is within the Group's five-year business planning cycle (Business Plan), where the first three years provide for the most certainty for determining the probability and likely impact of our principal risks. A three-year period is also the most appropriate time horizon over which to assess the evolving commercial and economic environment across the Group's letter and parcel markets, as consumer expectations and the products offered by competitors continue to develop rapidly. Furthermore, a three-year period most closely aligns to the Group's capital investment cycle and key liquidity risks.

Process, key factors and assumptions
The Group's viability is assessed as part of our regular strategy and budget reviews, financial forecasting, capital structure and ongoing risk management. The assessment takes into account a number of matters including:

- The Group's strategic priorities and Business Plan. Financial planning and forecasting processes covering the Group's profitability, cash flows and other key financial metrics underpin the Business Plan, which comprises a budget for the next financial year (based on a detailed commercial and operational assessment) together with a projection for the following two years.
- The large fixed cost base required to deliver the Universal Service Obligation in its current form.
- The Group's principal risks and the measures in place to mitigate those risks (see pages 49 to 58).
- The Group's capital structure and the allocation of capital to support Royal Mail and GLS' respective growth strategies (see page 73). This includes capital investment, liquidity position (including liquidity available from the bank syndicate loan facility, debt maturity profile, credit rating and dividend policy).

The key assumptions used in relation to the Business Plan that supports the viability assessment are as follows:

- In relation to Royal Mail, low double digit volume growth in parcels in 2024-25, supported by continued improvement in quality and strategic growth initiatives including expanded channel mix (e.g. lockers).
- Pricing actions taken to offset the long-term volume decline in letters. Royal Mail also anticipate a benefit from a General Election in 2024-25 which will boost letter volumes.
- Productivity improvements enabled by the pay deal which will more than offset operational headwinds including the 2% pay increase, the impact of higher workload and increasing fuel and fleet maintenance costs.
- Continued focus on cost control which will enable an increased investment to support transformation.
- The Business Plan also assumes that Royal Mail suffers no further industrial disruption over the viability period.
- GLS has low to mid single digit revenue growth in 2024-25 and some margin dilution linked to ongoing inflationary cost headwinds and new investment.
- External dividends are forecast over the viability period from 2024-25.

Scenario modelling
The Business Plan projections were stress tested by modelling a severe but plausible downside scenario which has the greatest potential to threaten the Business Plan. The scenarios, detailed on the next page, take account of the Group's high principal risks which due to their nature and likelihood of occurrence have been included and analysed for their possible material financial impact over the Viability Period. The plan does not anticipate any regulatory support from Ofcom or Government, for example change in the scope of the USO. Management believes modernisation of the USO is critical for margins to be materially improved and for the sustainability of the USO. Ofcom have defined a commercial rate of return for the regulated business in the range of 5-10% EBIT margin. Regulatory reform could materially improve the prospects of the Royal Mail business.

The scenario was tested in aggregate to determine whether the Group would be able to sustain its operations over the Viability Period, the lowest liquidity available to the Group during the period was c.£1.5 billion (£925 million undrawn bank syndicate loan facility plus £442 million cash) and sufficient headroom was maintained under its banking facilities.

The scenario took into account:

- The levels of committed capital and expenditure required to support Royal Mail and GLS' respective growth strategies.
- The Group's loans and borrowings. See Note 23 to the Financial
- Statements (pages 213 and 214).
- The Group's €550 million bond which matures in October 2026 and the bank syndicate loan facility which currently expires in September 2026, both within the Viability Period. The Business Plan assumes both facilities would be refinanced on similar commercial terms but incorporating the current higher market interest rates. However, in the very unlikely event that this is not possible, to ensure that the obligation is satisfied, the Group could use available cash/investments to repay the bond and does not require drawing on the bank syndicate loan facility. Other options could also be considered, including property disposals and further reducing investment.
- The actions undertaken to manage and mitigate the Group's principal risks (see pages 52 to 58).
- Short-term cost and cash saving actions available to the Group.

The mitigating actions include:

- Reducing capital and investment expenditure through postponing or pausing projects, change activity and reduction in leasing.
- Deferring or cancelling discretionary spend (including management bonus).
- Cost reductions through procurement and other cost saving programmes.
- Reviewing dividend.

Based on our best view of the severe but plausible downside scenario, including mitigating actions, and the outcome of the assessments undertaken, the Directors have concluded that the Group has reasonable expectation to remain viable supported by:

- Short-term cost and cash saving actions.
- Sufficient liquidity available to meet obligations as they fall due.
- The bank syndicate loan facility.
- Continued access to the debt markets.
- Sufficient assets and future cash flows to settle all liabilities in full.

The outcome of the assessments has also confirmed the importance of maintaining a conservative balance sheet, including a low net debt position on a pre-IFRS 16 basis. See page 73 for further information.

If outcomes are significantly worse, the Directors would need to consider what additional mitigating actions were needed including assessing the value of our asset base to support liquidity. Consequently, the Directors have concluded that to stress test a level of increased severity (beyond the downside scenario) which may cast doubt on the Group's ability to continue to be viable over the Viability Period is not currently reasonable.

Scenarios modelled and assumptions	Principal risks (See pages 52 to 58)
Scenario: — Deteriorating economic and market conditions. **Assumptions:** — Revenue growth in the Business Plan is not achieved and decline in operating margins.	— Economic and political environment — Customer expectations and our ability to grow revenue — Failure to reduce our operational cost base — Business continuity and operational resilience
Scenario: — Increased competition in the UK parcels sector including changes in consumer expectations and/or market disruption. **Assumptions:** — Lower parcel revenues and failure to deliver new product offerings.	— Customer expectations and our ability to grow revenue
Scenario: — Incurring costs to avoid industrial action in Royal Mail. **Assumptions:** — Lower operating profit as a result of incurring additional costs to avoid industrial action	— Industrial relations — Failure to reduce our operational cost base — Customer expectations and our ability to grow revenue
Scenario: — Delays in relation to the Royal Mail transformation plan. **Assumptions:** — Delays in budgeted cost efficiencies being realised.	— Failure to reduce our operational cost base
Scenario: — Cyber attack triggering service and/or operational interruption. **Assumptions:** — Cyber security breach impacting revenue/cost to rectify	— Major breach of information security, data protection regulation and/or cyber attack — Business continuity and operational resilience

Consideration of non- binding proposal by EP Group to acquire IDS plc
On 14 May 2024, the Board received a revised non-binding proposal of 370 pence per IDS share from EP Corporate Group a.s. (EP Group) for the entire issued share capital of IDS plc not already owned by EP Group and its affiliates, namely VESA Equity Investment S.à r.l. (Vesa Equity) (the Proposal). The Proposal follows significant negotiation including a number of earlier proposals from EP Group (the first of which was made on 9 April 2024 at a price of 320 pence per share in cash). The Board is minded to recommend the revised offer of 370 pence to IDS shareholders, should an offer be made at that level, subject to satisfactory resolution of the final terms and arrangements.

The Group has a number of financial liabilities in the form of unsecured senior fixed rate notes in place with a carrying value of £1,454 million at 31 March 2024 and a bank syndicate loan facility of £925 million undrawn at 24 May 2024 (see Note 23 for further details) as well as other contractual arrangements which contain provisions in relation to change of control of IDS plc. Upon a change of control, the bank syndicate loan facility would be subject to renegotiation which could result in withdrawal. In addition, the fixed rate notes contain provisions that in the event of a change of control of IDS plc together with an adverse credit rating change (downgrade to a non-investment grade rating), or credit rating withdrawal, the loan notes can be redeemed at the option of the noteholders.

Whilst the Board have been seeking assurances in relation to EP Group financing arrangements through due diligence and negotiation of contractual commitments, the financing arrangements of EP Group are outside of the control of the Board.

The Directors have concluded that it is beyond their control to dictate or confirm the actions of the EP Group if they were to acquire the Group. Therefore, given the potential change in control, the Directors consider these conditions to constitute a material uncertainty which may cast significant doubt over the Group's viability. Notwithstanding this uncertainty, having assessed the Group's risks, existing facilities and performance, the Directors have concluded that the Group has a reasonable expectation to remain viable over the Viability Period.

Climate change
Utilising the Group's risk assessment process, the Board has also considered how climate risks could impact the Group's viability. The key conclusions relating to the viability assessment were as follows:

The mitigated risk for carbon taxation to 2026-27 is £20 million based on the decarbonisation initiatives in place in current business plans, including the deployment of HVO a low carbon alternative fuel which is expected to deliver a material reduction in carbon-intensive fossil fuel use across our vehicle fleet.

The current net risk position is based on current decarbonisation performance (18% reduction across Scopes 1 to 2 to date), along with additional mitigating actions in plan, would mean there is not expected to be a material financial impact over the viability period. As such, the risk has been excluded from the scenario modelling outlined above.

Going Concern Statement
The consolidated Financial Statements have been prepared on a going concern basis. The financial performance and position of the Group, its cash flows and its approach to capital management are set out in the Financial Review. The Board reviewed the Group's projections for the next 12 months in conjunction with the downside scenario used to stress test the Viability Period. In assessing the potential impact of a change in control as a result of the non-binding proposal by the EP Group, the Directors have concluded that the extent of the uncertainty related to whether existing finance will be recalled following a change in control, together with a lack of visibility or control over the availability of funding following a change in control, are conditions that constitute a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and that it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding this uncertainty, having assessed the Company's and the Group's risks, existing facilities and performance, the Directors have concluded that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements. For further information, see Note 1 to the consolidated Financial Statements (pages 171 to 184).

Viability Statement
Based on the results of their analysis, including a number of severe but plausible scenarios assessed in aggregate, and in the absence of a change in control, the Directors have a reasonable expectation that the Group will be able to continue in operation, meet and settle in full its liabilities as they fall due, retain sufficient available cash and not breach any covenants under any drawn or undrawn facility over the three financial years to March 2027.

In assessing the potential impact of a change in control as a result of the non-binding proposal by the EP Group, the Directors have concluded that it is beyond their control to dictate or confirm the actions of the EP Group if they were to acquire IDS plc. Therefore, given the potential change in control, and the associated impact on the Group's borrowings, bank facilities and other contractual arrangements the Directors consider these conditions to constitute a material uncertainty which may cast significant doubt over the Group's viability. Notwithstanding this uncertainty, having assessed the Group's risks, existing facilities and performance, the Directors have concluded that the Group has a reasonable expectation to remain viable over the Viability Period.

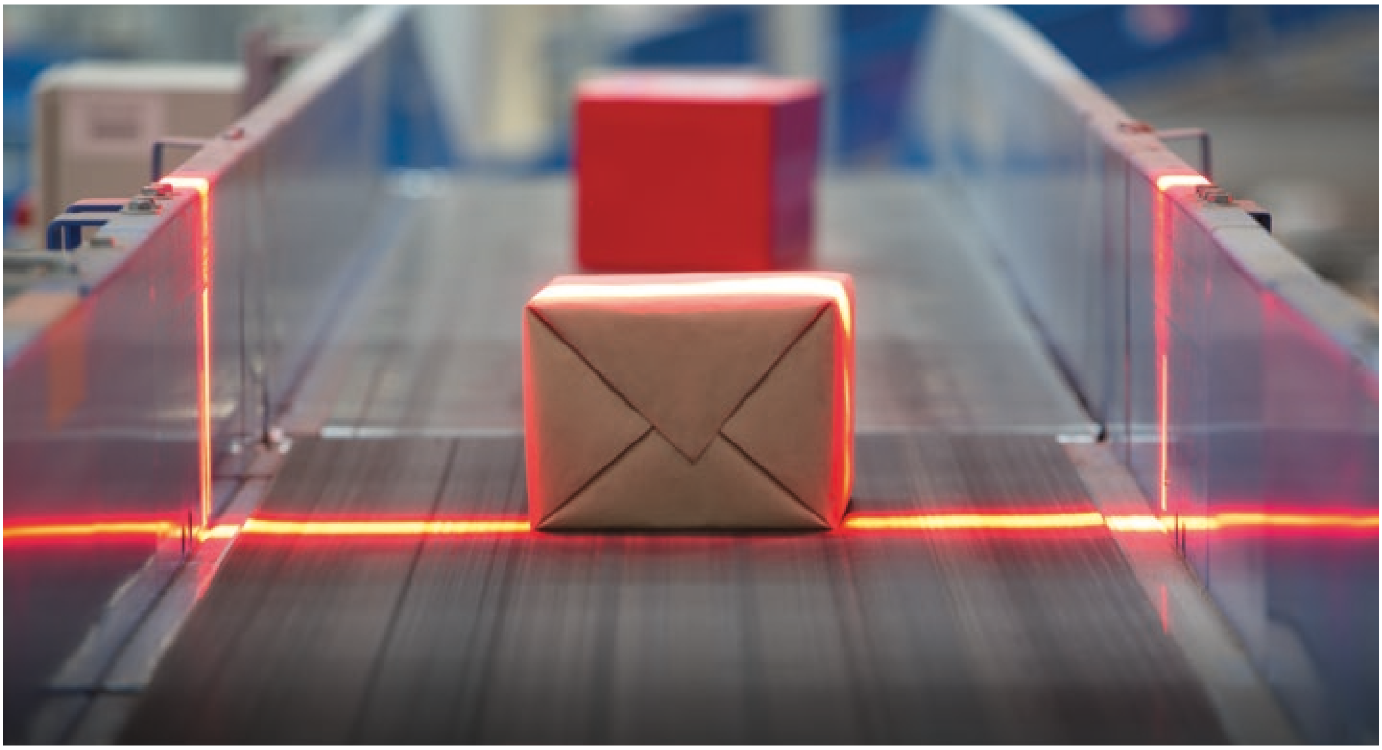
Financial Review

"Revenue has increased against a challenging macroeconomic backdrop. Due to Royal Mail's improved performance Group adjusted operating loss reduced year on year."

Michael Snape
Group Chief Financial Officer

Results on a 53 and 52 week basis

The Group and Royal Mail reported results are for the 53 week period to 31 March 2024. The 52 week 2023-24 results are derived by removing the 53rd week revenue and incremental costs in relation to Royal Mail, see the Groups APMs on page 238 to 243 for further details on this adjustment. Percentage changes are on a 52 week basis. The GLS financial year is 12 months to 31 March 2023 and 2024, so no adjustment is made for GLS' results. The 52 week results are in line with how the Chief Operating Decision Maker as defined by IFRS 8 reviews performance. All comparisons between 2023-24 and 2022-23 income statements to adjusted operating profit/(loss) in relation to the Royal Mail segment are on a 52 week basis unless otherwise stated. The GLS financial year is 12 months to 31 March 2024. Further details on the calculation of the 52 week results can be found in the section entitled 'Presentation of results and Alternative Performance Measures' on pages 238 and 239.



Summary results (£m)	Reported 53 weeks March 2024	Specific items and other adjustments	Adjusted[1] 53 weeks March 2024	Reported 52 weeks March 2023	Specific items and other adjustments	Adjusted[1] 52 weeks March 2023
Revenue	**12,679**	–	**12,679**	12,044	–	12,044
Royal Mail	**7,834**	–	**7,834**	7,411	–	7,411
GLS	**4,865**	–	**4,865**	4,650	–	4,650
Intragroup revenue[2]	**(20)**	–	**(20)**	(17)	–	(17)
Operating costs	**(12,545)**	162	**(12,707)**	(12,248)	(133)	(12,115)
Royal Mail	**(8,020)**	162	**(8,182)**	(7,963)	(133)	(7,830)
GLS	**(4,545)**	–	**(4,545)**	(4,302)	–	(4,302)
Intragroup costs[2]	**20**	–	**20**	17	–	17
Profit on disposal of property, plant and equipment	**15**	15	**–**	6	6	–
Operating profit/(loss) before specific items	**149**	177	**(28)**	(198)	(127)	(71)
Operating specific items	**(123)**	(123)	**–**	(544)	(544)	–
Operating profit/(loss)[3]	**26**	54	**(28)**	(742)	(671)	(71)
Operating profit/(loss) margin	**0.2%**	–	**(0.2)%**	(6.2)%	–	(0.6)%
Royal Mail	**(254)**	94	**(348)**	(1,039)	(620)	(419)
Royal Mail Operating (loss) margin	**(3.2)%**		**(4.4)%**	(14.0)%	–	(5.7)%
GLS	**280**	(40)	**320**	297	(51)	348
GLS Operating profit margin	**5.8%**		**6.6%**	6.4%	–	7.5%
Net finance costs	**(47)**	–	**(47)**	(39)	–	(39)
Net pension interest (non-operating specific item)	**135**	135	**–**	105	105	–
Profit/(loss) before tax	**114**	189	**(75)**	(676)	(566)	(110)
Tax (charge)/credit	**(60)**	5	**(65)**	(197)	(111)	(86)
Profit/(loss) after tax	**54**	194	**(140)**	(873)	(677)	(196)
Earnings/(loss) per share (basic) – pence	**5.6**	n/a	**(14.6)**	(91.3)	n/a	(20.5)
In-year trading cash flow	**(73)**	–	**(73)**	(34)	–	(34)
Royal Mail	**(246)**	–	**(246)**	(306)	–	(306)
GLS	**173**	–	**173**	272	–	272
Pre-IFRS 16 in-year trading cash flow[4]			**(279)**			(213)
Royal Mail			**(371)**			(410)
GLS			**92**			197
Gross capital expenditure	**(380)**	–	**(380)**	(407)	–	(407)
Royal Mail	**(176)**	–	**(176)**	(255)	–	(255)
GLS	**(204)**	–	**(204)**	(152)	–	(152)
Net debt	**(1,716)**	–	**(1,716)**	(1,500)	–	(1,500)

1. Reported results are prepared in accordance with UK adopted International Financial Reporting Standards (IFRS). In addition, the Group's performance is explained through the use of alternative performance measures (APMs) that are not defined under IFRS. A full list of the Group's APMs are set out on pages 238 to 243 and reconciliations to the closest measure prescribed under IFRS.
2. Intragroup revenue and costs represent trading between Royal Mail and GLS, principally a result of Parcelforce Worldwide operating as GLS' partner in the UK.
3. 2022-23 reported operating loss has been re-presented to £742 million from £748 million. This is due to profit on disposal of fixed assets now being recognised in operating profit
4. Pre-IFRS16 in-year trading cash flow is a non-GAAP measure.

Group results

Reported Group revenue was £12,679 million (2022-23: £12,044 million) and reported Group operating costs were £12,545 million (2022-23: £12,248 million).

Reported operating profit before specific items improved by £347 million to £149 million (2022-23: £198 million loss). Operating specific items were a cost of £123 million (2022-23: £544 million). The operating specific costs in the prior year were driven by an impairment charge in relation to Royal Mail of £539 million. In the current year a further impairment charge of £48 million has been recognised, mainly as a result of a deterioration in the property market, resulting in lower property disposal proceeds used in the impairment cashflows compared to prior year. Further details are included in Notes 1 and 4 to the Consolidated Financial Statements.

Reported Group operating profit was £26 million (2022-23: £742 million loss) and the operating profit margin was 0.2% (2022-23: 6.2% loss margin). Adjusted Group operating loss was £28 million (2022-23: £71 million loss). Adjusted Group operating loss margin was 0.2%, a slight improvement on the prior year (2022-23: 0.6% operating loss margin). The improvement was driven by a reduction in the losses within Royal Mail which more than offset a decrease in profit within GLS. Royal Mail's margin improved from a 5.7% adjusted loss margin to a 4.4% adjusted loss margin driven by the increase in revenue. GLS experienced a fall of 90 bps to 6.6% in adjusted operating margin, due to the impact of strategic investments and inflationary cost pressures which were not able to be offset by pricing and efficiency measures.

Non-operating specific items were a credit of £135 million (2022-23: credit of £105 million) and relate to net pension interest.

Reported profit before tax was £114 million (2022-23: £676 million loss) which comprised a £143 million loss in Royal Mail (2022-23: £951 million loss) and a profit of £257 million in GLS (2022-23: £275 million profit). Basic reported earnings per share increased to 5.6 pence per share (2022-23: 91.3 pence loss per share).

Revenue (£m)[1,5]	53 weeks March 2024	**52 weeks March 2024 ex. 53rd week in Royal Mail**	52 weeks March 2023	% change 52 wks 2024 ex. 53rd wk in Royal Mail vs 52 wks 2023
Group	12,679	**12,539**	12,044	4.1%
Royal Mail	7,834	**7,694**	7,411	3.8%
GLS	4,865	**4,865**	4,650	4.6%
Intragroup revenue	(20)	**(20)**	(17)	17.6%

Adjusted Operating Costs (£m)[1,5]	53 weeks March 2024	**52 weeks March 2024 ex. 53rd week in Royal Mail**	52 weeks March 2023	% change 52 wks 2024 ex. 53rd wk in Royal Mail vs 52 wks 2023
People costs	(6,793)	**(6,720)**	(6,440)	4.3%
People costs excluding voluntary redundancy	(6,781)	**(6,708)**	(6,407)	4.7%
Voluntary redundancy costs	(12)	**(12)**	(33)	(63.6)%
Non-people costs	(5,914)	**(5,885)**	(5,675)	3.7%
Total	(12,707)	**(12,605)**	(12,115)	4.0%

1. Reported results are prepared in accordance with UK adopted International Financial Reporting Standards (IFRS). In addition, the Group's performance is explained through the use of alternative performance measures (APMs) that are not defined under IFRS. A full list of the Group's APMs are set out on pages 238 to 243 and reconciliations to the closest measure prescribed under IFRS
5. The 52 week 2023-24 results are derived by removing the 53rd week revenue and incremental costs in relation to Royal Mail, see the Groups APM's on page 238 to 243 for further details on this adjustment. Percentage changes are on a 52 week basis. The GLS financial year is 12 months to 31 March 2023 and 2024, so no adjustment is made for GLS' results. The 52 week results are in line with how the Chief Operating Decision Maker as defined by IFRS 8 reviews performance.

Year-on-year Group revenue grew 4.1%. Growth was seen in both businesses, despite the difficult macro-economic environment, with Royal Mail increasing by 3.8% and GLS by 4.6%. In Royal Mail revenue was aided by price increases during the year and parcel volumes benefited from the successful win back of customers following the industrial action in the prior year. In GLS revenue was driven by volume growth with an increase achieved in almost all markets, with the most notable exception of Canada and the US where there is more exposure to the freight segment.

Adjusted Group operating costs increased by 4.0%, with people costs up by 4.3% and non-people costs growing 3.7%. People costs increased as a result of wage inflation, with a 6% pay award within operational costs in Royal Mail as part of the Business Recovery, Transformation and Growth Agreement with the CWU. This was only partly offset by productivity improvements which resulted in a reduction in overall frontline FTEs. In GLS people costs were influenced by wage inflation across all countries. Group non-people costs were impacted by higher inflation in Royal Mail, which saw particular increases in fuel and fleet maintenance costs, whilst in GLS costs rose due to increased subcontractor rates as a result of wage inflation. More detail can be found in the "People costs" and "Non-people costs" sections within the segmental analysis of this Financial Review.

Segment – Royal Mail

Reported operating loss was £254 million (2022-23: £1,039 million). Royal Mail adjusted operating loss was £348 million (2022-23: £419 million). Revenue grew year on year as the business successfully won back volume following industrial action in 2022-23 and implemented price increases during the year. This was partly offset by cost increases from higher pay and workload and focus on improving quality of service.

Revenue

Revenue (£m)[5]	53 weeks March 2024	**52 weeks March 2024 ex. 53rd week**	52 weeks March 2023	% change 52 wks 2024 ex. 53rd wk vs 52 wks 2023
Royal Mail	7,834	**7,694**	7,411	3.8%
Total Parcels	4,108	**4,040**	3,910	3.3%
Domestic Parcels (excluding international)[6]	3,382	**3,327**	3,226	3.1%
International Parcels[7]	726	**713**	684	4.2%
Letters & Other	3,726	**3,654**	3,501	4.4%

Volume (m units)[2]	53 weeks March 2024	**52 weeks March 2024 ex. 53rd week**	52 weeks March 2023	% change 52 wks 2024 ex. 53rd wk vs 52 wks 2023
Royal Mail				
Total Parcels	1,295	**1,273**	1,205	6%
Domestic Parcels (excluding international)[6]	1,120	**1,101**	1,064	3%
International Parcels[7]	175	**172**	141	22%
Addressed letters (excluding elections)	6,736	**6,617**	7,280	(9)%

5. The 52 week 2023-24 results are derived by removing the 53rd week revenue and incremental costs in relation to Royal Mail, see the Groups APM's on page 238 to 243 for further details on this adjustment. Percentage changes are on a 52 week basis. The GLS financial year is 12 months to 31 March 2023 and 2024, so no adjustment is made for GLS' results. The 52 week results are in line with how the Chief Operating Decision Maker as defined by IFRS 8 reviews performance
6. Domestic Parcels excludes import and export for both Royal Mail and Parcelforce Worldwide.
7. International includes import and export for Royal Mail and Parcelforce Worldwide.

In the following commentary all percentage changes in volume and revenue are based on a comparison of 52 weeks March 2024, excluding the 53rd week vs 52 weeks March 2023.

Total revenue increased 3.8% versus the prior year.
Revenue benefitted from the win back of customers following disruption in the previous year from 18 days of industrial action as well as pricing actions taken in the year. Revenue growth has been achieved despite a backdrop of economic uncertainty from the cost-of-living crisis, higher inflation and struggling UK retail performance.

Parcels

Total parcel revenue increased 3.3% year-on-year.

Domestic parcel revenues were up 3.1% year-on-year, with volumes up 3%. Royal Mail's premium products, Tracked 24®/48® and Tracked Returns®, experienced strong volume increases of 22% year-on-year.

Within domestic parcels, account parcel revenues increased by 5.9% on the prior year. Volume and revenue benefitted from the successful win back of customer volumes that were lost as a result of industrial action in the prior year. In addition to this, strong growth has been achieved through new volume from existing and new customers. During the year revenue has also been supported by pricing increases and surcharges for green and peak period deliveries.

Consumer and small business parcels revenue saw a slight decline on the prior year although we have seen a shift from Post Office Ltd to online channels.

Total international parcel volumes were up 22% and revenues were up 4.2% as a result of recovery following the 2023 cyber incident in previous year and growth in Chinese import volumes.

Letters

Total letter revenue grew 4.4%, as the benefit from price increases more than offset a decline in volume.

In 2023-24, the volume decline of addressed letters (excluding elections) continued in line with recent trends, falling 9%, meaning addressed letters volumes have fallen 32% since 2019-20. The decline in volume was particularly significant in international import and export letters and in advertising mail. The 11% downturn in advertising mail volumes reflects both the impact of higher print and production costs as well as more general economic uncertainty.

Stamped Letter revenues rose 14.2% as a result of two tariff increases during the year, with volumes rising 1% versus 2022-23. December is a pivotal month for stamp sales, and in 2022-23 sales were badly affected by industrial action which necessitated the final posting dates for Christmas being brought forward. December 2023 saw a significant recovery from this position, in the absence of industrial action.

Business mail volumes declined 7% on 2022-23. However, price increases introduced during the year led to year-on-year revenue growth of 7.2%.

Adjusted operating costs[15]

(£m)	53 weeks March 2024	**52 weeks March 2024 ex. 53rd week in Royal Mail**	52 weeks March 2023	% change 52 wks 2024 ex. 53rd wk in Royal Mail vs 52 wks 2023
People costs	(5,683)	**(5,610)**	(5,409)	3.7%
People costs excluding voluntary redundancy	(5,671)	**(5,598)**	(5,376)	4.1%
Voluntary redundancy costs	(12)	**(12)**	(33)	(63.6)%
Non-people costs	(2,499)	**(2,470)**	(2,421)	2.0%
Distribution and conveyance costs	(922)	**(906)**	(891)	1.7%
Infrastructure costs	(874)	**(869)**	(868)	0.1%
Other operating costs	(703)	**(695)**	(662)	5.0%
Total	(8,182)	**(8,080)**	(7,830)	3.2%

1. Reported results are prepared in accordance with UK adopted International Financial Reporting Standards (IFRS). In addition, the Group's performance is explained through the use of alternative performance measures (APMs) that are not defined under IFRS. A full list of the Group's APMs are set out on pages 238 to 243 and reconciliations to the closest measure prescribed under IFRS.
5. The 52 week 2023-24 results are derived by removing the 53rd week revenue and incremental costs in relation to Royal Mail, see the Groups APM's on page 238 to 243 for further details on this adjustment. Percentage changes are on a 52 week basis. The GLS financial year is 12 months to 31 March 2023 and 2024, so no adjustment is made for GLS' results. The 52 week results are in line with how the Chief Operating Decision Maker as defined by IFRS 8 reviews performance.

Total adjusted operating costs increased 3.2% year-on-year.

People costs
Total people costs increased by 3.7%.

Within people costs, operational people costs (excluding voluntary redundancy) increased by £141 million (3.0%) on a 52-week basis. The Business Recovery, Transformation and Growth Agreement, agreed with the CWU included a 6% pay award from 1 April 2023 which was only partly offset in the year by savings delivered as a result of productivity improvements. Frontline FTE were 110.1 thousand at the end of 2023-24, over 1,000 lower than 2022-23. Operational people costs were also impacted by the changing volume mix towards parcels, with parcel volumes representing 13% of total Royal Mail volume versus 11% in 2022-23. Parcels, especially the high growth premium products, are more complex and costly to deliver than letters. As a result of this, as well as the impact of industrial action in 2022-23, total workload (a measure of the effort involved in processing and delivering mail) increased by 5.0% versus the previous year. Operational people costs include investment made to improve quality, including a £13 million peak incentive programme at Christmas.

Within people costs, non-operational people costs (excluding voluntary redundancy) increased by £81 million (10.9%) on a 52-week basis, primarily due to the inclusion of a bonus to eligible employees for 2023-24 versus no payment in 2022-23. Voluntary redundancy costs reduced by £21 million versus 2022-23.

Non-people costs
Non-people costs increased by 2.0% year-on-year.

Within non-people costs, distribution and conveyance costs increased by 1.7% driven by fuel inflation and the increasing cost of maintaining Royal Mail's fleet of vehicles. This was partly offset by a reduction in distribution costs related to international export volume.

Infrastructure costs were broadly flat year-on-year. The impact of utility inflation was largely offset by other cost savings.

Other operating costs increased 5.0% year-on-year. This was partly driven by the 2023 cyber incident and higher compensation expenditure as a result of quality of service issues, exacerbated by the industrial action in 2022-23.

Segment – GLS[8]

Summary results[1] (£m)	**12 months 31 March 2024**	12 months 31 March 2023	% change
Volume (m)	**905**	862	5%
Revenue	**4,865**	4,650	4.6%
Operating costs	**(4,545)**	(4,302)	5.6%
Operating profit before specific items[1]	**320**	348	(8.0%)
(€m)			
Revenue	**5,635**	5,384	4.7%
Operating costs	**(5,264)**	(4,981)	5.7%
Operating profit before specific items[1]	**371**	403	(7.9%)

1. Reported results are prepared in accordance with UK adopted International Financial Reporting Standards (IFRS). In addition, the Group's performance is explained through the use of alternative performance measures (APMs) that are not defined under IFRS. A full list of the Group's APMs are set out on pages 238 to 243 and reconciliations to the closest measure prescribed under IFRS
8. The results for 2023-24 include the contribution from the acquisition of Altimax Courier Ltd, Versandmanufaktur GmbH, ProntoPacco and franchisees in Italy. Organic revenue growth was 3.8% in Euro terms. Operating profit before specific items and excluding acquisitions effects declined by 8.1% in Euro terms.

In Sterling terms, reported operating profit was £280 million (2022-23: £297 million).

Adjusted operating profit was £320 million (2022-23: £348 million), a reduction of 8.0%. The net impact of foreign exchange movements on operating profit was £nil (revenue adversely impacted by £2 million and costs positively impacted by £2 million). Adjusted operating margin declined by 90 basis points to 6.6% due to operational cost pressures resulting from inflationary effects which were not able to be offset through pricing and efficiency measures and the impact of strategic investments.

Revenue

Revenue increased by 4.6% in Sterling terms (4.7% in Euro terms). Excluding acquisitions, revenue was up 3.7% in Sterling terms, driven by higher parcel volumes but partly offset by lower freight revenues and product mix effects resulting in a higher proportion of lower weight B2C shipments. Revenue growth was achieved in most markets with the most notable exception of Canada and the US which are more exposed to the freight segment. GLS' European markets represented 88.7% of total revenue (2022-23: 87.3%), with the North American market contributing 11.3% (2022-23: 12.7%).

Overall volumes increased by 5% driven by a 10% increase in B2C volumes whilst B2B volumes were down 3%. Cross-border volumes grew by 8%. B2C volume share at 58% was three percentage points above the prior year.

Operating costs

(£m)	12 months 31 March 2024	12 months 31 March 2023	% change
People costs	**(1,110)**	(1,031)	7.7%
Non-people costs	**(3,435)**	(3,271)	5.0%
Distribution and conveyance costs	**(2,988)**	(2,847)	5.0%
Infrastructure costs	**(334)**	(310)	7.7%
Other operating costs	**(113)**	(114)	(0.9%)
Total	**(4,545)**	(4,302)	5.6%

Total reported operating costs in Sterling terms increased by 5.6%. The reported increase in costs in Euro terms is presented below:

(€m)	Reported 12 months 31 March 2024	Reported 12 months 31 March 2023	% change
People costs	**(1,286)**	(1,194)	7.7%
Non-people costs	**(3,978)**	(3,787)	5.0%
Distribution and conveyance costs	**(3,459)**	(3,296)	4.9%
Infrastructure costs	**(387)**	(359)	7.8%
Other operating costs	**(132)**	(132)	0.0%
Total	**(5,264)**	(4,981)	5.7%

People costs
In Euro terms people costs increased by 7.7%, (6.5% excluding acquisitions). Wage inflation in all markets contributed to the increase, including the effect from a further step-up in minimum wages in Germany, labour reforms in Spain and above average inflation rates in Eastern Europe markets.

Non-people costs
Non-people costs increased by 5.0%, (4.2% excluding acquisitions). Distribution and conveyance costs were up 4.9%, (4.2% higher excluding acquisitions), driven by higher subcontractor rates resulting from wage inflation partly mitigated by lower fuel costs, which in particular benefitted line-haul rates. Infrastructure costs increased by 7.8% (6.3% excluding acquisitions) with other operating costs flat. The increase in infrastructure costs was principally due to higher depreciation resulting from increased investment in strategic initiatives.

Country overview
The following individual market summaries detail revenue growth in local currency terms.
In Germany, the largest GLS market by revenue, organic revenue growth was 4.4% driven by improved pricing with volumes flat. Price increases implemented in response to the increased German minimum wage were partly mitigated by lower fuel surcharges due to the lower average diesel price during the year. Overall operating profit was in line with the prior year excluding acquisitions, which represented a strong performance compared with other competitors and the challenging market conditions. Effective 1 April 2023 the acquisition of the e-fulfilment business Versandmanufaktur GmbH was completed at an initial purchase price of €11 million of which €3 million of the purchase is deferred. The deferred amount is principally contingent on the expected achievement of the EBITDA target for the year 2025-26. Versandmanufaktur GmbH is being integrated into the GLS Germany operations and will complement its product portfolio.

GLS Italy revenue grew by 5.2% with good volume growth partly mitigated by softer pricing including mix effects from an increasing proportion of B2C volumes. Operating profit declined due to operational costs increases resulting from inflationary effects and initiatives to strengthen the subcontractor base. In May 2023, the acquisition of the parcel shop broker ProntoPacco was completed at an initial purchase price of €10 million of which 50% is deferred. The deferred amount is principally contingent on the expected achievement of EBITDA targets in the next 3 years. The acquisition solidifies GLS Italy's presence in the out-of-home delivery segment.

Revenue in GLS Spain grew by 18.4% driven by double-digit volume growth and improved pricing. Volume growth benefitted from new key accounts particularly in the B2C segment. Higher minimum wages due to Spanish labour reforms and additional costs during the ramp-up phase of the new Madrid hub resulted in an increase in the cost base. Nevertheless, operating profit improved compared with the prior year with a strong foundation to further grow the business in coming years.

GLS France revenue grew by 5.0%, due to a combination of higher volumes and slightly better pricing despite a negative impact from lower fuel surcharges. Volumes benefitted from significant growth in cross-border, with domestic volumes also increasing. A small operating loss was incurred due to inflationary effects on the cost base which were not fully recovered through better pricing. A new automated Paris hub will become operational in Autumn 2024 providing additional capacity to support volume growth.
This demonstrates our confidence in the longer-term outlook for France.

In the US, revenue declined by 4.2% in USD terms driven by lower freight revenues which could not be compensated by strong B2C volume growth. Despite the lower revenues losses were reduced by around a third due to lower costs, as a result of a combination of headcount reductions and operational efficiency improvements. Measures focused on further improving unit operational costs and the quality of revenue, including yield management activities, are continuing.

GLS Canada organic revenues declined by 5.5% in CAD terms due to a combination of lower freight revenues and lower fuel surcharges. The weak economic environment is placing pressure on freight volumes and led to a decline in operating profit in CAD terms, which was exacerbated in Euro terms due to the 6% weakening of the CAD. The unwinding of exceptional tailwinds which benefitted 2022-23 performance also impacted year on year development. On 1 June 2023 the acquisition of the parcel business Altimax Courier Ltd was completed at an initial purchase price of CAD 30 million of which CAD 5 million is deferred. The deferred contingent consideration comprises around CAD 2 million related to the achievement of expected EBITDA targets in three years after the acquisition date. The remaining balance is for indemnity holdbacks payable within 18 months of the acquisition date. The acquisition of Altimax increases GLS' footprint in the Atlantic coast region of Canada and will be integrated with existing Canadian operations. The integration of the Rosenau business situated in western Canada continues to progress.

Revenue growth in GLS' other developed European markets was 2.4%, driven by higher volumes. Operating profit was slightly below the prior year.

Other developing markets, where GLS has a high exposure to B2C, continued to grow despite the impact from the ongoing war in Ukraine and weak economic conditions. Revenues were up 8.5% in the period, with the strongest growth coming in Poland. Investment in strategic initiatives such as the roll-out of parcel lockers, 2-person handling services (Hungary) and the greenfield start-up in Serbia with initial start-up losses, resulted in an overall decline in operating profit compared with the prior year.

Other Group financial performance measures

Adjustments and specific items[1]

	53 weeks March 2024	52 weeks March 2023
Exclude adjustments to reported operating profit/(loss) (£m):		
Pension (charge)/credit adjustments (within people costs)	**(41)**	133
Depreciation/amortisation adjustment for impaired assets	**(121)**	–
Profit on disposal of property, plant and equipment	**(15)**	(6)
Total adjustments to reported operating (loss)/profit	**(177)**	127
Add back operating specific items (£m):		
Regulatory and legal	**57**	33
GLS amortisation	**21**	19
Impairment	**48**	539
Damages award	**–**	(35)
Legacy/other items	**(3)**	(12)
Total operating specific items	**123**	544
Non-operating specific item - net pension interest	**135**	105
Total tax credit/(charge) on specific items	**5**	(111)

1. Reported results are prepared in accordance with UK adopted International Financial Reporting Standards (IFRS). In addition, the Group's performance is explained through the use of alternative performance measures (APMs) that are not defined under IFRS. A full list of the Group's APMs are set out in the section titled 'Presentation of results and alternative performance measures' and reconciliations to the closest measure prescribed under IFRS.

The pension charge adjustment of £41 million comprises:

- £130 million credit (2022-23: £nil) in relation to a refund of cash held in escrow by the Trustee of the Royal Mail Pension Plan ('RMPP'). This was subsequently used to provide a one-off payment to UK employees following ratification of the Business Recovery, Transformation and Growth Agreement;
- £1 million credit (2022-23: £133 million credit) relating to the difference between the IAS 19 income statement pension charge rate of 14.8% (2022-23: 22.9%) for the Defined Benefit Cash Balance Section ('DBCBS') and the cash funding contribution rate agreed with the Trustee of 15.6% (2022-23 15.6%); and
- £172 million charge (2022-23: £nil) relating to a change to the rate of annual increases applied to the DBCBS (previously a specific constructive obligation of CPI+2% now considered to be a non-specific obligation of CPI+1.2%). This change has been recognised as a past service credit in the income statement in line with IAS 19.

In the prior year a £539 million impairment charge was recognised to write down the value of the Royal Mail excluding Parcelforce Worldwide cash generating unit (CGU). In the current year a further impairment charge of £48 million has been recognised mainly as a result of a deterioration in the property market resulting in lower property disposal proceeds used in the impairment cashflows compared to the prior year. The impairment charge in the prior year has resulted in a lower depreciation/amortisation charge in 2023-24 in infrastructure costs, and an adjustment of £121 million has been made to the adjusted results to reflect the depreciation/amortisation on a pre-impairment basis in line with how Management reviews the underlying performance of the business.

The profit on disposal of property, plant and equipment mainly comprises £12 million relating to the sale of Plot C2 of the Nine Elms, London site.

Regulatory and legal charges of £57 million represent the best estimate of costs to settle present obligations for Royal Mail and GLS, in relation to regulated quality of service in Royal Mail, legal claims and tax-related disputes in GLS Italy. In the prior year £33 million was in respect of a GLS Italy VAT settlement.

The damages award in the prior year related to a claim by Royal Mail against DAF trucks Ltd in December 2016 in respect of vehicles sold to Royal Mail between 1997 and 2011.

Legacy/other items mainly relate to £10 million credit for court awarded compensation resulting from the virtually certain recovery of assets, following an investigation in 2016 and 2017 into an under declaration of mail fraud, offset by specific asset write-offs. The prior year credit of £12 million largely comprised a £10 million release of the industrial diseases provision.

The tax credit of £5 million (2022-23: £111 million charge) consists mainly of a credit in relation to the GLS amortisation of intangible assets in acquisitions. The prior year charge consists of £115 million charge in relation to the derecognition of the UK net deferred tax asset and a net credit of £4 million in relation to the tax effect of certain specific items and the pension charge adjustment.

Net finance costs

Net finance costs of £47 million (2022-23: £39 million) comprise interest on leases of £43 million (2022-23: £32 million), interest on bonds (including the cross-currency swaps and the two new bonds issued in September 2023) of £44 million (2022-23: £24 million), fees on the bank syndicate loan facility and the €500 million backstop facility of £6 million (2022-23: £2 million), and other net interest payable of £5 million (2022-23: £2 million). This was offset by interest income of £51 million (2022-23: £21 million) which increased as a result of higher interest rates and from the net proceeds of the two bond issues in September 2023.

The blended interest rate on gross debt, including leases for 2024-25, is approximately 4%. The impact of retranslating the €500 million 2028 and €550 million 2026 bonds is accounted for in equity. The remaining €364.5 million 2024 bond is naturally hedged for foreign currency risk by the Euro-denominated current asset and cash equivalent investments held by the Group from the proceeds of the €500 million 2028 bond.

Taxation

The Group recognised a reported tax charge of £60 million (2022-23: £197 million) which consists of a tax credit of £8 million (2022-23: £119 million charge) in Royal Mail and a tax charge of £68 million (2022-23: £78 million) in GLS.

The GLS reported effective tax rate of 26.5% (2022-23: 28.4%) is higher than the GLS weighted average effective tax rate of 21.3% (2022-23: 21.0%) mainly due to the provision in respect of the tax-related disputes in GLS Italy for which there is no tax credit and the effect of losses in certain territories for which no deferred tax credit is recognised.

The GLS adjusted effective tax rate of 24.6% (2022-23: 25.2%) is lower than the reported effective tax rate as it does not include the effect of the provision in respect of the tax-related disputes in GLS Italy which is treated as a specific item.

The Royal Mail reported tax credit of £8 million (2022-23: £119 million charge) mainly relates to an amount over provided in prior years. Due to the uncertainty of generating future taxable profits, Royal Mail continues to not recognise a tax credit for its losses and other temporary differences.

Earnings per share
Reported basic earnings per share was a profit of 5.6 pence per share (2022-23: 91.3 pence loss per share) and adjusted basic earnings per share was a loss of 14.6 pence per share (2022-23: 20.5 pence loss per share).

In-year trading cash flow[1]

	53 weeks ending March 2024			52 weeks ending March 2023		
(£m)	Royal Mail	GLS	Group	Royal Mail	GLS	Group
Adjusted operating (loss)/profit	(348)	320	(28)	(419)	348	(71)
Depreciation and amortisation	417	185	602	433	169	602
Adjusted EBITDA	69	505	574	14	517	531
Trading working capital movements	(143)	(24)	(167)	(70)	18	(52)
Share-based awards (LTIP and DSBP) charge	4	–	4	2	–	2
Gross capital expenditure	(176)	(204)	(380)	(255)	(152)	(407)
Estate Upgrade Programme[9]	(5)	–	(5)	(14)	–	(14)
Net finance costs paid	(8)	(24)	(32)	(22)	(19)	(41)
Income tax received/(paid)	13	(80)	(67)	39	(92)	(53)
In-year trading cash flow	(246)	173	(73)	(306)	272	(34)
Capital element of operating lease repayments[10]	(125)	(81)	(206)	(104)	(75)	(179)
Pre-IFRS 16 in-year trading cash flow	(371)	92	(279)	(410)	197	(213)

1. Reported results are prepared in accordance with UK adopted International Financial Reporting Standards (IFRS). In addition, the Group's performance is explained through the use of alternative performance measures (APMs) that are not defined under IFRS. A full list of the Group's APMs are set out on pages 238 to 243 and reconciliations to the closest measure prescribed under IFRS.
9. Capital expenditure on the properties in this programme is funded via the disposal of other properties. The disposal proceeds are recognised outside of in-year trading cash flow.
10. The capital element of lease payments of £216 million (2022-23: £202 million) shown in the statutory cash flow is made up of the capital element of operating lease payments of £206 million (2022-23: £179 million) and the capital element of finance lease payments of £10 million (2022-23: £23 million).

In-year trading cash flow
Group in-year trading cash outflow was £73 million, compared with £34 million outflow in the prior period. This increased outflow was predominantly driven by an increase in working capital, partially offset by an improvement in Group EBITDA, and a reduction in capital expenditure in Royal Mail.

Royal Mail in-year trading cash flow improved by £60 million year-on year. This was driven by higher EBITDA and lower capital expenditure, offset by an increase in trading working capital. Royal Mail trading working capital movements declined by £73 million year-on-year, primarily driven the timing of payroll and VAT payments as a result of the 53rd week.

Royal Mail capital expenditure was £176 million (2022-23: £255 million), of which £97 million (2022-23: £127 million) was transformational spend. Transformational spend predominantly relates to our investment in parcel hubs and automation. Royal Mail maintenance spend was £79 million (2022-23: £128 million).

Royal Mail income tax received of £13 million (2022-23: £39 million) was mainly in relation to tax losses carried back to previous years. GLS paid income tax of £80 million (2022-23: £92 million), this was £12 million lower than the prior year mainly due to lower profits.

GLS in-year trading cash flow decreased by £99 million year-on-year due to lower EBITDA, an outflow in trading working capital and higher capital expenditure, partially offset by lower income tax payments.

The Group capital element of operating lease repayments of £206 million (2022-23: £179 million) reflects the net impact on in-year trading cash flow as a result of adopting IFRS 16. The increase is due to new leases in the current and prior year. Adjusting for the capital element of operating lease repayments, pre-IFRS 16 in-year trading cash flow would have been £279 million outflow (2022-23: £213 million outflow).

Net debt[1]

A reconciliation of net debt is set out below.

(£m)	53 weeks March 2024	52 weeks March 2023
Net debt brought forward at 27 March 2023 and 28 March 2022	(1,500)	(985)
Free cash flow	(14)	(89)
In-year trading cash flow	(73)	(34)
Cash cost of operating specific items	(11)	(53)
Proceeds from disposal of property, plant and equipment (excluding Estate Upgrade Programme[11] and London Development Portfolio)	18	3
Proceeds from disposal of property relating to the Estate Upgrade Programme[11]	–	8
Acquisition of business interests	(35)	(7)
Cash flows relating to London Development Portfolio	87	(6)
Purchase of escrow investments	(16)	(13)
Reclassifcation to liabilities held for sale	18	–
Movement in GLS client cash[12]	12	(2)
New or increased lease obligations (non-cash)	(236)	(204)
New asset finance (non-cash)	(10)	(27)
Foreign currency exchange impact	31	(53)
Amortisation of Bond discount (finance costs payable)	(1)	–
Dividends paid to equity holders of the Parent Company	–	(127)
Net debt carried forward	(1,716)	(1,500)
Operating leases[13]	1,388	1,319
Pre-IFRS 16 net (debt)[14]	(328)	(181)

1. Reported results are prepared in accordance with UK adopted International Financial Reporting Standards (IFRS). In addition, the Group's performance is explained through the use of alternative performance measures (APMs) that are not defined under IFRS. A full list of the Group's APMs are set out on pages 238 to 243 and reconciliations to the closest measure prescribed under IFRS
11. Capital expenditure on the properties in this programme is funded via the disposal of other properties, the capital expenditure is presented within in-year trading cash flow.
12. GLS client cash movements are presented as part of the working capital movements line in the statutory cashflow. The movement in the period excluding foreign currency exchange impacts is £12 million inflow (2022-23: £2 million outflow). The foreign currency movement on GLS client cash in the period was a loss of £1 million (2022-23: £2 million gain) which is included in the £31 million foreign currency exchange inflow line in the table (2022-23: £53 million outflow).
13. This amount represents leases that would not have been recognised on the Balance Sheet prior to the adoption of IFRS 16.
14. This measure is considered as the Group's banking covenants are calculated on a pre-IFRS 16 basis.

The cash cost of operating specific items was an outflow of £11 million (2022-23: £53 million outflow) consisting mainly of the Ofcom regulatory fine payment of £6 million and Industrial Diseases claims of £6 million offset by a £1 million receipt of court awarded compensation. The prior year consisted mainly of Ofcom regulatory fine payment of £52 million, Industrial Diseases claims of £3 million, £33 million relating to GLS settlement of VAT adjustments in Italy covering 2016-2021 and a £35 million receipt of damages awarded following settlement of a court case.

Acquisition of business interests of £35 million outflow (2022-23: £7 million outflow) relates mainly to the acquisition of Altimax (£15 million), other smaller GLS acquisitions (£12 million) and payment of deferred consideration on prior year acquisitions (£9 million) less cash acquired on acquisition (£1 million). The prior year outflow relates mainly to the acquisition of Tousfacteurs by GLS.

The net cash inflows relating to the London Development Portfolio were £87 million (2022-23: £6 million outflow). Further details are provided in the London Development Portfolio section below.

The amount of GLS client cash held at 31 March 2024 was £47 million (2022-23: £36 million). There was a revaluation movement of £1 million within the year.

New or increased lease obligations of £236 million (2022-23: £204 million) relate to additional lease commitments that were entered into during the year. Property lease additions, modifications and acquisitions totalled £194 million (2022-23: £139 million).

New asset finance of £10 million (2022-23: £27 million) represents borrowings to fund the purchase of tangible fixed assets in GLS.

Net Debt (£m)

	2023-24 Royal Mail	2023-24 GLS	2023-24 Corporate Centre	2023-24 Group
Bonds	–	–	(1,454)	(1,454)
Asset finance	–	(29)	–	(29)
Financial leases	(25)	(10)	–	(35)
Cash and cash equivalent investments[15]	202	359	366	927
Current asset investments	–	–	216	216
Client cash	–	47	–	47
Inter-business loans	(603)	(186)	789	–
Net Debt pre-IFRS 16	**(426)**	**181**	**(83)**	**(328)**
Operating leases	(908)	(480)	–	(1,388)
Net debt	**(1,334)**	**(299)**	**(83)**	**(1,716)**

15. Cash and cash equivalents includes bank overdrafts of £56 million at 26 March 2024 that are part of a cash pool for the UK companies which generally has a net £nil balance across the Group and forms an integral part of the Group's cash management.

Approach to capital management

The Group capital allocation framework until now has been to: invest in our business to support growth, maintain our investment grade rating, pay a sustainable dividend and retain flexibility for selective acquisitions. Due to the high operational leverage in our business, we continue to keep low levels of financial leverage. The net debt position (pre-IFRS 16) at 31 March 2024 was £328 million (2022-23: £181 million). GLS is cash generative and we believe Royal Mail has the potential to be an independently cash generative business. In line with this framework, the Group's key 2023-24 capital management objectives are detailed below together with a progress update.

Objectives	Enablers	2023-24 update
Meet the Group's obligations as they fall due.	Maintaining sufficient cash reserves and committed facilities to: — Meet all obligations, including pensions. — Manage future risks, including the principal risks.	At 31 March 2024, the Group had available resources of £2,068 million (2022-23: £1,698 million) made up of cash and cash equivalents of £927 million (2022-23: £773 million), current asset investments of £216 million (2022-23: £nil) and undrawn committed bank syndicate loan facilities of £925 million (2022-23: £925 million). At 31 March 2024, the Group met the loan covenants (which were amended on 24 March 2023 to replace Group EBITDA in the calculations with GLS EBITDA) and other obligations for its bank syndicate loan facility and bonds. On 14 September 2023, the Group issued two further bonds and partially repaid the 2024 bond, the remaining €364.5 million of which matures in July 2024. As set out in the Viability Statement, the Directors have a reasonable expectation that the Group will continue to meet its obligations as they fall due.
Support a progressive dividend policy.	Generate sufficient in-year trading cash flow to cover the ordinary dividend. Maintain sufficient distributable reserves to sustain the Group's dividend policy.	The Group reported £73 million of in-year trading cash outflow (2022-23: £34 million outflow). A final dividend of 2.0p for 2023-24 has been proposed, funded by GLS (2022-23: £nil). Capital managed by the Group, excluding the pension scheme surplus net of withholding tax, is £1,851 million at 31 March 2024 (2022-23: £1,957 million). The Group had retained earnings of £3,540 million at 31 March 2024 (2022-23: £3,761 million). The Group considers it has a maximum level of distributable reserves of around c. £2 billion (2022-23: £2 billion), which excludes the impact of the pension surplus on retained earnings.
Reduce the cost of capital for the Group.	Target investment grade standard credit metrics i.e. no lower than BBB- under Standard & Poor's rating methodology.	During the year, the Group maintained a credit rating of BBB with Standard & Poor's, the outlook was also maintained as negative.
Retain sufficient flexibility to invest in the future of the business.	Funded by retained cash flows and manageable levels of debt consistent with our target credit rating.	During the year, the Group made total gross capital investments of £380 million (2022-23: £407 million) and acquisition of business interests of £35 million (2022-23: £7 million) while retaining sufficient capital headroom. The gross capital investments of Royal Mail were £176 million (2022-23: £255 million). The gross capital investments of GLS were £204 million (2022-23: £152 million).

Objectives	Enablers	2023-24 update
Maintain suitable financial leverage	Retain sufficient leverage, commensurate with the Board's assessment of the risk environment	During the year, the Group made no dividend payments (2022-23 £127 million). The net debt position (pre-IFRS 16) at 31 March 2024 was £328 million (2022-23: £181 million).

Financial risks and related hedging
The Group is exposed to commodity price and currency risk.

Royal Mail operates a three-year layered rolling hedging strategy for fuel and energy. Royal Mail has hedges in place for 84% of total underlying commodity costs for 2024-25; as a result, a further 10% increase in underlying commodity costs would reduce operating profit by just £2 million. However, a 10% increase in fuel duty/other additional costs would reduce operating profit by £13 million.

Without hedging, diesel and jet fuel costs for 2024-25 would be around £2 million higher, while gas and electricity costs would be around £20 million lower, based upon closing commodity prices at 31 March 2024.

Additionally, within fuel costs, Royal Mail has a forecast unhedged exposure to c.27 million litres of HVO in 2024-25, £49m at current prices. Hedges are being considered for this exposure.

GLS generally out-sources its collection, delivery and line-haul activities to subcontractors, and therefore is not significantly directly exposed to higher fuel costs. Nevertheless, there is an indirect exposure, as increasing fuel costs for subcontractors lead to higher rates for their services as they seek to pass on the higher fuel costs incurred. This indirect exposure is mitigated to a degree by fuel surcharges paid by customers in a number of GLS markets.

The Group is exposed to foreign currency exchange risk in relation to interest payments on the euro bonds, certain obligations under Euro denominated finance leases, trading with overseas postal administrations and various purchase contracts denominated in foreign currency. GLS' functional currency is largely the Euro, which results in translational foreign currency exchange risk to revenue, costs and operating profit. The €550 million bond, issued in October 2019 and maturing in 2026, is fully hedged by a cross-currency interest rate swap with no residual exposure to foreign currency or interest rate risk.

The average exchange rate between Sterling and the Euro was £1:€1.16 (2022-23: £1:€1.16). This resulted in net nil impact on GLS' reported operating profit before tax in 2023-24 (2022-23: £5 million increase). The net impact on Group operating profit before tax was £nil (2022-23: £5 million increase).

The Group manages its interest rate risk through a combination of fixed rate loans and leasing, floating rate loans/facilities and floating rate financial investments. At 31 March 2024, all the gross debt (excluding bank overdrafts which were part of a cash pool) of £2,906 million (2022-23: £2,309 million) was at fixed rates.

London Development Portfolio
In total we have invested £6 million in the period (2022-23: £6 million) on works to separate the retained operational sites from the development plots at Mount Pleasant and infrastructure works at Nine Elms.

1) Mount Pleasant
This site was sold to Taylor Wimpey in 2017 subject to completion of separation works. These works were completed in 2021, with £180 million received as at 31 March 2024 with the remainder of the cash due to be received through a final stage payment in 2024-25 of £9.5 million.

2) Nine Elms
This 13.9-acre site with planning consent to develop 1,911 residential units, was split into various plots and sold. As at 31 March 2024 the sale proceeds received are £271 million.

Further investment by Royal Mail will be required in relation to infrastructure obligations.

Pensions
Royal Mail makes contributions to two main schemes in the UK; the Royal Mail Defined Contribution Plan (RMDCP) and the Defined Benefit Cash Balance Section (DBCBS) of the Royal Mail Pension Plan.

The Group also operates two additional UK defined benefit schemes which are closed to future accrual, the legacy section of the RMPP and the Royal Mail Senior Executives Pension Plan (RMSEPP).

The buy-out of the RMSEPP was completed in June 2022, when the bulk annuity policies held were exchanged for individual policies between the insurers and all remaining members.

The Group's obligations under the RMSEPP have now been fully extinguished and the Plan was wound up in April 2024. The residual assets were returned to the Group after the remaining closure expenses and the deduction of withholding tax.

Royal Mail also aims to introduce a new pension scheme, the Royal Mail Collective Pension Plan (RMCPP) which will replace the existing DBCBS and the RMDCP for future accrual. The new pension scheme will comprise a Defined Benefit Lump Sum Section (DBLS), similar to the existing DBCBS, and a Collective Defined Contribution (CDC) Section. The Trustee's application to the Pensions Regulator for authorisation has been approved so the RMCPP scheme is expected to launch in FY 2024-25.

The CDC Section will be accounted for as a defined contribution scheme and the DBLS as a defined benefit scheme with the accounting treatment expected to be similar to the DBCBS. The new arrangements will have fixed employer contributions of 13.6%, plus an additional 1.0% for employees who choose to save for an additional lump sum payment. Standard employee contributions will be 6.0%.

Cash pension costs
The Group's cash pension costs in respect of all UK pension schemes were £347 million (2022-23: £376 million) in the year, excluding Pension Salary Exchange (PSE). This represents the pension funding costs as prescribed in the schedule of contributions relating to the reporting period, rather than the cash payments made in the period. In addition, the Group paid £19 million into the pensions escrow account in respect of the DBCBS employer contributions for February. Due to the timings of payments, the £22 million employer contributions for March 2024 have been paid into the escrow account in April 2024.

When the design of the RMCPP was agreed in 2018, the fixed employer contribution rate of 13.6% of pensionable pay was designed to be affordable and sustainable for Royal Mail. The expected cost of RMCPP based on pensionable payroll at that time was approximately the same as the cost of the existing schemes, at around £400 million per year. The new RMCPP is expected to increase cash payroll costs by c.£40 million per annum, when it is introduced. The main reason for the increase is that although the estimated cost of the RMCPP as a percentage of pensionable pay will remain broadly the same as in 2018, payroll costs have increased. In addition, since the RMPP closed to accrual in 2018, the cost of existing plans has been reducing over time relative to overall pay costs, as DBCBS members leave and are replaced by new employees who join the RMDCP, at a lower employer contribution rate.

Defined benefit schemes – balance sheet position
An IAS 19 deficit of £60 million (26 March 2023: £145 million) is shown on the balance sheet in respect of the DBCBS; however, the scheme is not in funding deficit and it is not anticipated that deficit payments will be required. The reduction in DBCBS accounting deficit of £85 million since March 2023 is mainly due to a move from a specific to non-specific constructive obligation for future increases in DBCBS (which has resulted in a decrease of £172 million in the DBCBS liability). This impact has been offset by index-linked gilt yields (against which the DBCBS liabilities are hedged) increasing by more than corporate bond yields (which drives the discount rate used to value the accounting liabilities). This has meant that the assets have not grown in value by as much as the liabilities (before allowing for the constructive obligation change).

The RMPP scheme closed to future accrual in its previous form from 31 March 2018. The pre-withholding tax accounting surplus of the legacy section of the RMPP at 31 March 2024 was £2,462 million (26 March 2023: £3,003 million). The overall accounting surplus (before withholding tax) decreased by £541 million over the year. The accounting liabilities decreased by £80m over the year, in part due to the change in assumptions. The RMPP assets decreased by £621 million over the year mainly driven by the fact that the assets are hedged against gilt yields (used for cash funding purposes), whereas the accounting liabilities are driven by corporate bond yields. Over the year, gilt yields rose more than corporate bonds, so the assets moved more than the liabilities on an accounting basis.

Further details of all the Group's pension arrangements can be found in Note 11 to the Consolidated Financial Statements.

Dividends
A final dividend of 2.0p for 2023-24 has been proposed, to be funded by GLS.

Non-Financial and Sustainability Information Statement

In accordance with sections 414CA and 414CB of the Companies Act 2006, we set out below where information can be found in this Annual Report relating to non-financial and sustainability matters, including our commitment and approach to responsibly managing our relationships with our people, customers, communities and the environment. We also highlight, where relevant, the policies to support our performance in these areas, and how we monitor their effectiveness and their outcomes.

Environment

Material policies

ESG Policy Statement (Group)

Environment and Energy Policy (Royal Mail)

Environmental Standard (GLS)
Outlines our commitments to responsible management of natural resources, climate change mitigation and adaptation, pollution prevention and protection of the environment. Includes engagement with our people, customers and suppliers.

Outcomes

- Our environment strategies, approach and policy outcomes. Pages 28 to 31.
- Environmental performance against key metrics including carbon emissions and waste generation. Pages 30 and 31.
- The Board factors the impact of the Group's operations on the community and the environment into its decision making. Page 26.
- Disclosure consistent with ten TCFD recommendations (and partially consistent with one of the recommended disclosures) and compliant with the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. Statutory climate-related financial disclosures as contained within the TCFD Statement. Pages 41 to 48.

How we monitor effectiveness

- Monitor scores and rankings in sustainability benchmarks and indices.
- Measure performance against key environmental metrics which are externally assured.
- Monitor customers' expectations in relation to our environmental performance.
- Regular audits against our environment management systems.
- Include environmental criteria in supplier selection frameworks and monitor suppliers' performance (Royal Mail).
- Board oversight of performance by the ESG Committee. Pages 104 and 105.

Risk management

- Principal risk: Climate change and environmental management. Page 56.

Employees

Material policies

Royal Mail and GLS Health and Safety policies
Our commitments to managing health and safety risks, including removing or reducing the likelihood of injury or harm to our employees or others.

ESG Policy Statement (Group)

Business Standards (Royal Mail)

Code of Business Standards (GLS)
Page 40.

People Policy (Royal Mail)
A single policy statement which sets out our overarching commitment to colleagues throughout their employment with Royal Mail.

Royal Mail Speak Up (Reporting) policy and GLS Whistleblower system
Our commitments to investigating suspected wrongdoing, including the system for raising concerns and our respect for whistleblower confidentiality.

Equality, Diversity and Inclusion Statement (Royal Mail)

Diversity Statement (GLS)
Our commitments to ensure that equality, diversity and inclusion are at the heart of our business values, policies, processes and everyday practices. Pages 34 to 36.

Outcomes

- Our people strategies, approach and policy outcomes. Page 34.
- Our health, safety and wellbeing performance. Pages 32 and 33.
- Our gender diversity profile. Page 35.
- Feedback from employee engagement activities and surveys. Pages 34, 89 and 90.
- The Board factors the interests of our employees into its decision making. Pages 25 and 26.

How we monitor effectiveness

- Monitor health and safety performance metrics which are externally assured. Page 33.
- Undertake regular audits against our SHE management systems. Page 32.
- Regular employee engagement forums and surveys allow us to monitor culture and engagement. Pages 22, 34 and 90.
- Track workforce diversity (in GLS gender diversity only) across job levels and different business areas. Page 35.
- Monitor the contact across our whistleblowing channels and investigate concerns/incidents raised. Pages 39 and 98.
- Designated Non-Executive Director for engagement with the workforce. Page 90.
- Board oversight of performance by the ESG Committee. Pages 104 and 105.

Risk management

- Principal risks: Industrial relations, Talent: workforce for the future, Actual or suspected breaches of material law and/or regulation, and Health, safety and wellbeing. Pages 55 to 57.

Social and community

Material policies

ESG Policy Statement (Group)
Page 40.

Sustainable Procurement Code of Conduct (Royal Mail)

Supplier Code of Conduct (GLS)
Page 40.

Outcomes

- Our quality of service performance and customer feedback scores. Pages 17 and 22.
- Our community investment approach and policy outcomes including Royal Mail's UK social and economic contribution. Pages 36 and 37.
- Our supply chain approach and policy outcomes including monitoring of suppliers (monitoring for Royal Mail only). Page 39.
- Payment practices, available at www.gov.uk/check-when-businesses-pay-invoices (Royal Mail).
- The Board factors the interests of suppliers, customers and other stakeholders into its decision making. Pages 25 and 26.

How we monitor effectiveness

- Research in relation to Royal Mail's socio-economic impact in the UK to understand the level of benefit we deliver to the communities we serve. Page 37.
- Monitor the scores and rankings in sustainability benchmarks and indices.
- Monitor customer feedback. Page 22.
- Monitor service performance. Page 22.
- Investigating breaches to our supplier codes, plus effective monitoring and auditing of high-risk suppliers (Royal Mail).
- Monitor payment practices (Royal Mail).
- Board oversight of performance by the ESG Committee. Pages 104 and 105.

Risk management

- Principal risks: Customer expectations and our ability to grow revenue, Climate change and environmental management, and Business continuity and operational resilience. Pages 54, 56 and 57.

Respect for human rights

Material policies

ESG Policy Statement (Group)
Page 40.

Equality, Diversity and Inclusion Statement (Royal Mail)

Diversity Statement (GLS)
Pages 34 to 36.

People Policy (Royal Mail)

Modern Slavery Act Statement

Sustainable Procurement Code of Conduct (Royal Mail)

Supplier Code of Conduct (GLS)
Page 40.

Outcomes

- Human rights approach and policy outcomes. Page 37.

How we monitor effectiveness

- Embed human rights risks into our compliance risk monitoring programme.
- Monitor high-risk supplier categories for evidence of breaches to our standards (Royal Mail).
- Operate strict resourcing controls that govern the onboarding of new permanent, temporary and contract staff to ensure compliance with vetting standards (Royal Mail).
- Board oversight and review of Modern Slavery Act Statement by the ESG Committee.

Risk management

- Our risk management framework governs how we identify, assess and manage such risks. The risk appetite determines the level of risk we are prepared to accept. Pages 49 to 51.
- Our Modern Slavery Act Statement.

Anti-bribery and corruption

Material policies

Ethical Business Conduct Policy (Prevention of Bribery, Corruption, Conflicts of Interest, Money Laundering, Terrorist Financing and the Facilitation of Tax Evasion) (Royal Mail)
Page 40.

Business Standards (Royal Mail)
Code of Business Standards (GLS)
Page 40.

Sustainable Procurement Code of Conduct (Royal Mail)
Supplier Code of Conduct (GLS)
Page 40.

Royal Mail Speak Up (Reporting) policy and GLS Whistleblower system
Pages 39 and 89.

Outcomes

- Our approach to ethics and compliance and policy outcomes. Pages 39.
- Completion rate of compliance training against target. Page 39.

How we monitor effectiveness

- Provision of mandatory compliance training for employees. Pages 39.
- Require annual manager attestations to maintain the Business Standards (Royal Mail). Page 39.
- Country Manager attestations as part of quarterly compliance reporting (GLS).
- Regular screening of suppliers to check for instances of corruption.
- Monitoring contacts made across our whistleblowing channels. Pages 39 and 89.

Risk management

Our risk management framework governs how we identify, assess and manage such risks. The risk appetite determines the level of risk we are prepared to accept. Pages 49 to 51.

Principal risks: Actual or suspected breaches of material law and/or regulation. Page 56.

Other non-financial information

Most of the policies and procedures referred to above are available at www.internationaldistributionservices.com/sustainability/governance/policies and www.gls-group.eu/GROUP/en/about-us/compliance.

This Strategic Report was approved by the Board on 24 May 2024 and signed on its behalf by:

Martin Seidenberg
Group Chief Executive Officer

Michael Snape
Group Chief Financial Officer

Corporate Governance

Chair's Introduction

Keith Williams
Non-Executive Chair

"Our approach to corporate governance helps us deliver long term success and generate value for our stakeholders."

Dear Shareholder,
On behalf of the Board, I am pleased to present this year's Corporate Governance Report, which sets out the key activities of the Board and its Committees during the year.

As explained in my statement on page 2, the Group has made good progress this past year. Royal Mail's operational performance has improved and the business has advanced its modernisation agenda. GLS delivered a strong financial performance and continued to deliver its strategic agenda.

In recent weeks, the Board has spent significant time considering the proposals from EP Group for the entire issued share capital of IDS. See page 2 for further information.

Board and Committee composition
This year has been one of transition for the Board. After a period of instability within Royal Mail and the departure of Simon Thompson as CEO Royal Mail, Martin Seidenberg, former CEO GLS and Executive Director, was appointed as Group CEO with effect from 1 August 2023. The Board felt it was the right time to bring Royal Mail and GLS together and centralise leadership via a Group CEO who could drive collaboration and efficiency across both businesses to deliver change, growth and value across the Group.

In January 2024, we announced that Michael Snape had been appointed as Group CFO and Executive Director, taking over from Mick Jeavons. I would like to take this opportunity to thank Mick for the significant contribution he has made to the Board over the past few years and to Royal Mail in his 30-year career.

Lastly, in response to the findings of our 2021-22 Board evaluation, we were pleased to welcome Ingrid Ebner as a Non-Executive Director and member of the Nomination Committee in June 2023. The search for an additional Non-Executive Director with audit experience is ongoing.

Biographical information for all Directors can be found on pages 82 and 83 and further information on recruitment and induction processes can be found on pages 92 and 93.

Our purpose and culture
Our purpose – connecting customers, companies and countries – is at the core of everything we do. To deliver long-term success and generate value for all stakeholders, the Board seeks to uphold strong governance standards. Fostering a trusting and inclusive culture across the Group is integral to this and the Board sets the tone from the top, demonstrating and encouraging values-driven behaviours. Information on how the Board monitors culture is included on page 89.

Stakeholder engagement
Stakeholder views and interests are at the forefront of the Board's decision making and we believe that this is critical to achieve long-term success. We have continued to engage with our shareholders on key issues throughout the year. I held 17 meetings with key investors to discuss a variety of key themes, including performance against strategy, industrial relations, and Universal Service reform.

Maria da Cunha, who was our Designated Non-Executive Director for engagement with the workforce throughout the year, also continued to meet with our employees across the Group and has regularly updated the Board and the ESG Committee about the valuable feedback our colleagues have provided. Following Maria's three-year tenure, I am pleased to say that Ingrid Ebner, who has extensive logistics experience, took over the role with effect from 1 April 2024. On behalf of the Board, I would like to thank Maria for the energy, enthusiasm, and insight she has brought to the role and her interactions with colleagues.

Information on how the Board has fulfilled its duties to our stakeholders under section 172 of the Companies Act 2006 is included on pages 25 and 26 and further information on how we engaged with our stakeholders is included on pages 22, 23 and 90.

Name change
During the year the Board considered and approved the Company's name change from International Distributions Services plc to International Distribution Services plc. The change was registered at Companies House on 10 May 2024. Whilst this was initially the preferred name for the Company when the name was changed from Royal Mail plc in October 2022, the Companies House registration system did not allow the use of the name at that time.

ESG
Our ESG Principles demonstrate the importance we place on ESG. This year, following a growing convergence between Royal Mail's and GLS' ESG strategies, we updated our ESG Principles to make them more applicable at Group level and established a set of Group ESG ambitions. The ESG Committee Report explains how it has monitored implementation of these principles. In addition, reflecting our commitment to comply with TCFD and develop our skills and capabilities to better assess and manage climate-related risks and opportunities, the Board participated in a training session in March 2024 focused on decarbonisation and upcoming regulatory changes to environmental reporting.

Diversity, equity and inclusion (DEI)
The Board values the benefits that diversity brings and is pleased that as at 31 March 2024, its composition aligned with the Financial Conduct Authority (FCA) Listing Rule 9.8.6R(9). During the year, the ESG Committee continued to monitor progress made against Royal Mail's and GLS' DEI strategies, including Royal Mail's diversity targets.

We also updated our Board Diversity Policy to include the following new objectives in line with the recommendation of the Parker Review to set a target for ethnic representation in senior management by 2027 and the requirement of the FCA Disclosure Guidance and Transparency Rule 7.2.8A(R) for diversity across board committees:

- 10% ethnic representation within our Group Leadership Team.[1]
- 40% women's representation across our Board Committees.
- At least one member from an ethnic background across our Board Committees.

→ For further information, please see pages 94 and 95.

Board evaluation
The Board undertakes a formal evaluation of the performance of the Board, its Committees, the Chair and individual Directors on an annual basis. After conducting internal evaluations in 2021-22 and 2022-23, the Board engaged Lintstock to complete an external evaluation in 2023-24. Whilst we are pleased that the overall outcome of the evaluation was positive, to ensure continuous improvement, the Board has agreed several actions for implementation in 2024-25.

→ Further information can be found on page 91.

I hope that you find this report useful and I look forward to meeting shareholders at our forthcoming AGM on 25 September 2024.

Keith Williams
Non-Executive Chair
24 May 2024

1. The Group Leadership Team includes the Group CEO, the Group CFO, the CEO Royal Mail, the CEO GLS, the Group Company Secretary and their direct reports. This cohort aligns with the FTSE Women Leaders Review definition of 'leadership teams' and the Code and the Parker Review's definition of 'senior management'.

UK Corporate Governance Code 2018 (the Code)

The Board confirms that for the year ended 31 March 2024 the Company complied with all relevant Provisions in the Code. A copy of the Code is available at www.frc.org.uk.

On 22 January 2024, the Financial Reporting Council published an updated version of the Code, which will apply to financial years beginning or after 1 January 2025 (other than in respect of Code Provision 29 which applies one year later). We are preparing for these upcoming changes and will report against the revised Code in due course.

Application of Code Principles

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Board of Directors

N R

Keith Williams
Independent Non-Executive Chair

Appointed to the Board
Non-Executive Director on 1 January 2018
Non-Executive Deputy Chair on 7 November 2018
Non-Executive Chair on 22 May 2019
Interim Executive Chair on 15 May 2020
Non-Executive Chair on 1 February 2021

Skills and experience
– Proven business leader with significant chair and board leadership experience. Keith spent 18 years at British Airways, including five years as CFO, three years as CEO and two years as Executive Chair, during which time he led the transformation of British Airways. Formerly a Non-Executive Director and Deputy Chairman of the John Lewis Partnership, a Non-Executive Director of Aviva plc and an Executive Board member and Chair of the Audit Committee at Transport for London.
– Extensive industrial relations, operational and customer service experience.
– Chartered accountant.

Significant external appointments
– Chair of Halfords Group plc
– Chair of Great British Railways Transition Team

Martin Seidenberg
Group Chief Executive Officer

Appointed to the Board
Executive Director on 1 April 2021
Group Chief Executive Officer on 1 August 2023

Skills and experience
– Significant international and logistics experience. Martin spent 15 years with Deutsche Post DHL in a variety of senior logistics, parcel-related and strategic roles including CEO of the DACH region at DHL Supply Chain.
– Deep knowledge of GLS, having joined in 2015 as Chairman of GLS Germany, becoming GLS CEO in June 2020.

Significant external appointments
– None

Michael Snape
Group Chief Financial Officer

Appointed to the Board
18 January 2024

Skills and experience
– Extensive turnaround experience and financial leadership gained in a number of leading international companies during their transformation.
– Michael was previously Chief Financial Officer (CFO) of Boots, part of Walgreens Boots Alliance. Prior to Boots Michael was International CFO for Tesco and his earlier career was spent with Waitrose, part of the John Lewis Partnership, and J Sainsbury plc.

Significant external appointments
– None

R E N

Maria da Cunha
Independent Non-Executive Director

Designated Non-Executive Director for engagement with the workforce until 31 March 2024

Appointed to the Board
22 May 2019

Skills and experience
– Extensive experience in industrial relations, transformation programmes and employee engagement gained through her 18-year career at British Airways, where Maria was the Director of People, Legal and Government and Industry Affairs, and the Director of People and Legal. Maria was formerly a Non-Executive Director of De La Rue plc.
– Qualified solicitor with significant risk, compliance and legal knowledge, having held various positions with Hogan Lovells, Lloyd's of London and Law College of Europe.

Significant external appointments
– Panel Member of the Competition and Markets Authority

A N R

Michael Findlay
Independent Non-Executive Director

Appointed to the Board
22 May 2019

Skills and experience
– Extensive strategy, finance and M&A experience. Michael spent 27 years in investment banking at Robert Fleming & Co, UBS and most recently Bank of America Merrill Lynch, where he was Co-Head of Investment Banking and Corporate Broking for the UK and Ireland.
– Significant knowledge of the letters and parcel sector. He is a former Non-Executive Director of UK Mail Group plc, where he was also the Senior Independent Director, Chair of the Remuneration Committee and a member of the Audit Committee.

Significant external appointments
– Chair of Morgan Sindall Group plc
– Chair of London Stock Exchange plc (a subsidiary of London Stock Exchange Group plc)

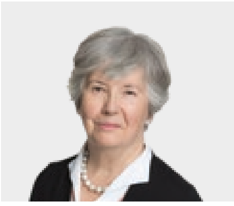
E A R N

Lynne Peacock
Independent Non-Executive Director

Appointed to the Board
1 November 2019

Skills and experience
– Significant board and executive experience, having served as the CEO of National Australia Bank Europe Limited (NAB) and the CEO of Woolwich plc. Lynne was formerly a Non-Executive Director at Standard Life Aberdeen plc, Scottish Water, Jardine Lloyd Thompson Group plc and Nationwide Building Society.
– Transactional experience gained through her involvement in Woolwich plc's IPO and FTSE 100 listing and its sale to Barclays, the disinvestment of NAB's Irish operations and the integration of Clydesdale and Yorkshire Banks.

Significant external appointments
– Senior Independent Director of Serco Group plc
– Non-Executive Director of TSB Banking Group plc
– Senior Independent Director of TSB Bank plc (a subsidiary of TSB Banking Group plc)
– Non-Executive Director and Deputy Chair of Royal London Group



A E N

Baroness Hogg
Senior Independent Non-Executive Director

Appointed to the Board
1 October 2019

Skills and experience
- Extensive board and governance experience, having served as Chair of 3i Group plc and as a Non-Executive Director of several companies, including BG Group and GKN plc. Baroness Hogg won the Sunday Times Lifetime Achievement Award for Non-Executive Directors in 2017.
- Significant political and regulatory experience through her former roles as Lead Independent Non-Executive Director of HM Treasury, Chair of the Financial Reporting Council and Head of the Prime Minister's Policy Unit under John Major. She was granted a life peerage in 1995 and sits in the House of Lords as a crossbencher.

Significant external appointments
- None

E N

Shashi Verma
Independent Non-Executive Director

Appointed to the Board
29 September 2021

Skills and experience
- Proven business leader with extensive experience in developing innovative technology. Shashi is the Director of Strategy and Chief Technology Officer at Transport for London (TfL), a role in which he is responsible for the operation of TfL's revenue collection system. He also led the development and implementation of contactless payments on TfL's systems.
- Significant customer service experience gained through his responsibility for integrating TfL's customer-facing activities and for running its customer service operations.

Significant external appointments
- None

A N

Jourik Hooghe
Independent Non-Executive Director

Appointed to the Board
1 June 2022

Skills and experience
- Extensive financial, accounting, operations and strategy experience in consumer goods and retail businesses. Jourik is Chief Financial Officer of Swissport International AG, and his responsibilities cover group finance, including controlling, accounting, M&A, IR, tax, procurement, fleet and ESG.
- Jourik was previously Executive Vice President and Group Chief Financial Officer of Wizz Air Holdings plc. Prior to that he spent 18 years at Procter & Gamble in various finance roles, including Head of Global Strategy and Regional CFO, in businesses across Europe, India, China, the Middle East and Africa. Jourik also spent time at Adecco Group, where he transformed the finance and accounting function into a data and technology-driven organisation.

Significant external appointments
- None

N

Ingrid Ebner
Independent Non-Executive Director

Designated Non-Executive Director for engagement with the workforce from 1 April 2024

Appointed
28 June 2023

Skills and experience
- Extensive logistics and supply chain experience, including the optimising and automation of systems, and more recently oversaw the development of a global contract logistics capability and led the design and implementation of a global organisation structure. Ingrid is Vice President, Global Fulfilled by Maersk Standards and Regional Delivery IMEA & LAM of A.P Moller-Maersk, and reports to the Executive Committee.
- Previously, Ingrid spent 21 years at Amazon within their divisions across Europe, in various supply chain roles including Director of Supply Chain Operations Continental Europe where she was responsible for building the AMXL end-to-end operations organisation.

Significant external appointments
- None

Mark Amsden
Group General Counsel and Company Secretary

Appointed
1 May 2019

Skills and experience
- Significant legal and company secretarial experience. Mark was the former General Counsel and Company Secretary of Wm Morrison Supermarkets plc and the interim Company Secretary of Yorkshire Water. Formerly a partner at Addleshaw Goddard LLP, where he specialised in corporate litigation and headed up the national IT litigation practice.
- Data and technological experience. Mark helped oversee Morrisons' move online with Ocado and then Amazon, and dealt with the response to Morrisons' employee data theft in 2014.

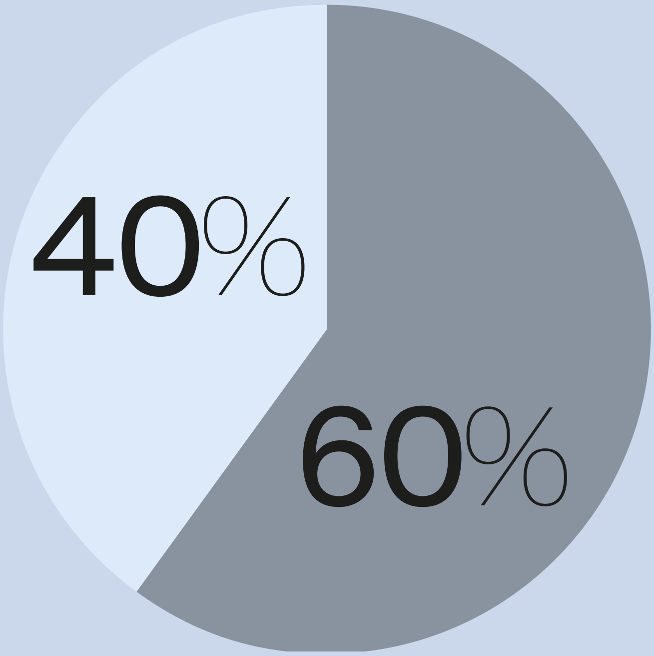
Significant external appointments
- None

Committee membership key:

A Audit and Risk
E ESG
N Nomination
R Remuneration
■ Committee Chair

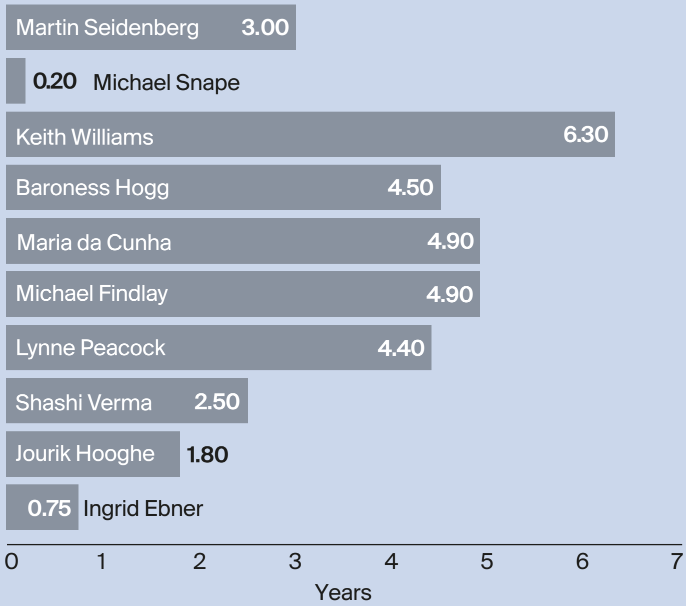
Board at a Glance

Board gender diversity (as at 31 March 2024)



	2023-24	2022-23
Female	**40%**	33%
Male	**60%**	67%

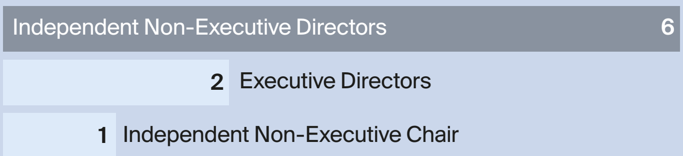
Board tenure (as at 31 March 2024)



Board ethnic diversity (as at 31 March 2024)

Board independence (as at 31 March 2024)

75%



Board skills and experience

Key activities in 2023-24

— Board changes:

→ See pages 80, 92 and 93.

— Universal Service reform:

→ See page 24.

— Overseeing plans to stabilise Royal Mail and improve its quality of service.

→ See pages 17 and 18.

Governance Framework

Our governance framework sets out where accountability for decisions resides and is integral to good corporate governance. The Board has overall responsibility for governance but delegates certain responsibilities to its Committees which are detailed below. The Matters Reserved for the Board and the Terms of Reference for each of the Committees are available at www.internationaldistributionservices.com/about-us/management-and-committees.

The Board

The role of the Board is to promote the long-term success of the Company and generate value for all stakeholders.

Nomination Committee
Chair: Keith Williams

- Reviews the structure, size and composition of the Board and its Committees, taking into consideration the balance of skills, knowledge, experience, independence and diversity of the Board.
- Supports the development of a diverse executive pipeline and ensures appropriate plans are in place for the orderly succession of the Board and the senior management team.

→ See pages 92 to 95.

Remuneration Committee
Chair: Maria da Cunha

- Sets the Remuneration Policy and, within the terms of the agreed Policy, determines and approves remuneration and incentive arrangements for the Chair, the Executive Directors, the members of the Royal Mail and GLS Executive Boards and the Group Company Secretary.

→ See pages 106 to 138.

Audit and Risk Committee
Chair: Michael Findlay

- Oversees the Group's financial reporting.
- Oversees the relationship with the external auditor, including monitoring the effectiveness of the external audit process and the independence and objectivity of the auditor.
- Oversees the Group's risk management and internal control processes.
- Receives regular reports on internal audit work carried out and assesses the effectiveness of internal audit.

→ See pages 96 to 103.

Environmental, Social and Governance Committee
Chair: Lynne Peacock

- Oversees Royal Mail's and GLS' environmental strategies and targets and reviews their respective ESG Reports.
- Oversees Royal Mail's and GLS' DEI strategies and culture.
- Monitors Royal Mail's and GLS' health and safety performance and wellbeing initiatives.
- Ensures Royal Mail and GLS support community and societal issues, including services to support vulnerable customers.
- Oversees the Group's participation in key ESG benchmarks and engagement with investors and other stakeholders on ESG issues.

→ See pages 104 to 105.

Division of Responsibilities

The role of each Director, which is summarised below, ensures a clear division of responsibility between Executive and Non-Executive Board members, which supports the integrity of the Board's operations.

Non-Executive

Independent Non-Executive Chair

- Responsible for the leadership and effectiveness of the Board and for promoting high ethical and governance standards, taking into account the interests of the shareholders and other stakeholders.
- With the support of the Group Chief Executive Officer, considers the appropriateness of risk management across the Group.
- With support from the Group Company Secretary, ensures that the Board receives high-quality information, that Board effectiveness is considered and that all new Directors are provided with a thorough and tailored induction programme.
- Ensures an effective and complementary Board and fosters relationships between all Directors, driving a culture that supports constructive discussion, challenge and debate.
- Maintains effective communications with shareholders and other stakeholders, ensuring that their views are understood and considered appropriately during Board discussions.

Senior Independent Director

- Acts as a sounding board for the Chair.
- Serves as a trusted intermediary for the other Directors.
- Oversees the annual appraisal of the Chair's performance.
- Available to meet with shareholders, should they have issues or concerns.

Independent Non-Executive Directors

- Responsible for contributing sound judgement and objectivity to the Board's deliberations and overall decision-making process.
- Provide constructive challenge and monitor the Executive Directors' delivery of the strategy within the Group's risk and governance structure.
- Provide independent insight and support based on relevant experience.
- Satisfy themselves of the integrity of the Group's financial information and of the effectiveness of financial controls and risk management systems.
- Determine the appropriate level of remuneration for Executive Directors and ensure that there is appropriate succession planning in place at both Executive and Board level.
- Engage with internal and external stakeholders and feed back insights as to their views in relation to Royal Mail's and GLS' cultures.

Designated Non-Executive Director for engagement with the workforce

- Represents the Board in engagement with the workforce.
- Develops a thorough understanding of the workforce's views and Royal Mail's and GLS' cultures.
- Develops, implements and feeds back on employee engagement initiatives in conjunction with management.
- Provides an employee voice in the Boardroom by raising relevant matters on issues raised.
- Communicates to the workforce the outcomes and developments made by the Board on specific matters.

Executive

Group Chief Executive Officer

- Executive responsibility for the Group's strategy and, together with the Board, oversees its implementation.
- Executive responsibility for the Group's management, subject to matters that are reserved to the Board.
- Leads the Royal Mail and GLS Executive Boards in the day-to-day running of the businesses, consistent with the strategy and commercial objectives agreed by the Board.
- Considers the appropriateness of risk management across the Group.
- Ensures due consideration is given to environmental and ESG matters, as well as the Group's culture and values.
- Together with the Chair, represents the Group to its customers, suppliers, shareholders and other stakeholders.

Group Chief Financial Officer

- Provides strategic financial leadership.
- Responsible for the day-to-day management of the Group finance function.
- Oversees and monitors the Group's internal control systems and the accurate reporting of its financial results.
- Ensures commercial focus across all business activities.
- Oversees the Group's treasury, investor relations, tax, insurance and pension arrangements, and monitors regulation.

Group Company Secretary

- Ensures that Board procedures are complied with, applicable rules are followed and that good information flows exist to the Board and between its Committees.
- Supports the Chair to provide advice to Board members, particularly in relation to corporate governance practices, induction training and personal development.
- Communicates with shareholders and other stakeholders as appropriate and ensures that due regard is paid to their interests.
- Works with the Chair, the Group Chief Executive Officer and the Group Chief Financial Officer, to ensure that the Board and Board Committees have high-quality information, adequate time and appropriate resources in order to function effectively and efficiently.
- Supports the Chair and Chairs of Board Committees in considering Board effectiveness.
- Provides support to the Chair and Board members as required.
- Ensures that relevant policies of the Group, Royal Mail and GLS are reviewed by the Board or the relevant Committee on an annual basis.

Board Activities

Board meeting agendas are derived from the Board's forward planner which sets out the topics expected to be discussed during each year. In advance of each Board meeting, the Group Company Secretary holds an agenda-setting meeting with the Group CEO and Group CFO. The agenda is then agreed with the Chair.

The Board held 12 in-person scheduled meetings during the year, one of which was held in Madrid during a site visit to GLS. Details of individual attendance are set out in the adjacent column. In addition, two virtual ad-hoc meetings were held to discuss items related to the 2022-23 audit and to approve the appointment of the Group CFO. The Board also met several times with the Royal Mail Executive Board in the early part of the financial year to closely monitor Royal Mail's performance and its recovery following resolution of the dispute with the CWU at the end of April 2023. Details of Committee membership and meetings are set out on pages 92, 96, 104 and 106. Agenda setting for each Committee meeting follows a similar process to that described above.

All Directors are committed to attending all scheduled Board meetings, and relevant Committee meetings, and only fail to do so in exceptional circumstances. Similarly, every effort is made by Directors to attend ad-hoc meetings. Board and Committee papers are made available to Directors via an online portal one week before a meeting takes place to allow sufficient time for review. Where an individual was unable to attend a meeting, feedback was sought in advance of the meeting by the Chair and a debrief offered following the meeting.

During the year, the Board regularly considered a number of items, including health and safety, updates from the Group CEO, Committee Chair updates following Committee meetings, Group financial performance, regulatory reports, investor relations reports and employee engagement feedback. In addition to the regular topics discussed, set out in the table below is a summary of the key matters considered and approved during the year. Stakeholder issues, and the impact of decisions on stakeholders, formed part of the Board's discussion.

Director	Attendance (scheduled meetings)
Keith Williams	12/12
Martin Seidenberg	12/12
Michael Snape[1]	3/3
Baroness Hogg	12/12
Maria da Cunha	12/12
Michael Findlay	12/12
Lynne Peacock	12/12
Shashi Verma	12/12
Jourik Hooghe[2]	11/12
Ingrid Ebner[3]	8/9
Mick Jeavons[4]	8/9
Simon Thompson[5]	2/2

1. Michael Snape joined the Board on 18 January 2024.
2. Jourik Hooghe was unable to attend one meeting due to an unavoidable meeting clash.
3. Ingrid Ebner joined the Board on 28 June 2023. Ingrid was unable to attend one meeting due to a family emergency.
4. Mick Jeavons stood down from the Board on 18 January 2024. Mick was unable to attend one meeting due to illness.
5. Simon Thompson stood down from the Board on 12 May 2023.

	Matters considered	Matters approved
Strategy	— Royal Mail's pricing strategy. — Royal Mail's network strategy.	— GLS acquisitions. — Expansion/construction of new GLS depot at Ringsted (see page 26). — Royal Mail's vehicle replacement plan.
Business	— Plans to stabilise Royal Mail. — Industrial relations. — Universal Service reform. — Possible offer from EP Group (see page 2).	— Royal Mail and GLS business plans and budgets. — Business Recovery, Transformation and Growth Agreement (see page 24). — Response to Ofcom's call for input on Universal Service reform. — Quadient locker agreement (see page 13).
Financial management	— Capital allocation. — Group liquidity.	— Results announcements and trading statements. — Dividend (see page 3). — Blocklisting of shares. — Bond issue (see page 26). — Tax strategy.
Risk management and internal control	— Risk management and internal control systems (see page 49 to 51).	— Principal and emerging risks, including risk appetite (see pages 49 to 58).

	Matters considered	Matters approved
Governance, ESG and regulation	— Royal Mail Collective Pension Plan. — Royal Mail's and GLS' whistleblowing processes. — Material litigation. — Relationship, and issue faced with, the Post Office. — Subsidiary directorships.	— Board changes (see pages 80, 92 and 93). — Name change. — 2023-24 Board evaluation actions (see page 91). — Matters reserved to the Board and role responsibilities. — Committee Terms of Reference. — Modern Slavery Statement. — Board Diversity Policy (see page 94). — Group ESG Policy Statement. — Royal Mail Health and Safety Policy. — Royal Mail Speak Up (Reporting) Policy. — Group Communications Policy. — Occupational health contract. — Conflicts of interest register (see page 88).

The Board continued its long-standing practice of having individuals from relevant business areas present at its meetings on key items. This gives the Board the opportunity to meet key individuals from across the Group and gain a deeper insight into its business. This year, more than 60 senior managers presented at, or attended, one or more Board or Committee meeting.

Outside of Board meetings, the Non-Executive Directors and the Chair meet regularly without the Executive Directors, helping to further develop the working relationships between the Non-Executive Directors and assess the performance of the Executive Directors. In addition, the Non-Executive Directors continued to make themselves available to meet with senior management to assist in areas of specialty.

Conflicts of interest

Directors are required to notify the Chair and Group Company Secretary of any potential or actual conflicts of interest. These are then formally reported at the beginning of a Board meeting for approval. The Board also monitors the content of the conflicts of interest register annually. During the year, several external appointments were considered by the Board and, in all cases, it was agreed that there was no evidence of a conflict.

Board visit to Royal Mail's Quality Control Centre

Improving Royal Mail's quality of service is a key priority and several actions have been taken, including using data more effectively to monitor service performance. In November 2023, the Board was taken on a tour of the Quality Control Centre at our Mount Pleasant site, led by the Royal Mail Chief Operational Officer and the Customer and Quality Director. The purpose of the tour was to demonstrate how enhanced technology and real-time data were being used to monitor and improve service levels. During the visit, the Board was shown how Business Recovery, Transformation and Growth Agreement initiatives were being implemented and updated. The Board was particularly impressed to see how the triangulation of data from different sources was being used to address the business quality of service, one of customers' core criticisms.

Culture

If we are to achieve long-term success, it is essential that we foster a trusting and inclusive culture across the Group. The Board sets the tone from the top, demonstrating and encouraging values-driven behaviour. The Board monitors the culture across Royal Mail and GLS to ensure it is aligned with our purpose and each businesses' respective strategy.

Purpose: To connect customers, companies and countries

Royal Mail values	**GLS values**	
— Be positive – about what we can achieve — Be brilliant – for our customers — Be part of it – each one of us is responsible	— Reliability — Security — Transparency	— Flexibility — Sustainability

How the Board monitors culture: engagement channels

Considers employee survey feedback (see page 34).	Reviews whistleblowing reports and processes.	Participates in site visits (see page 90)	Considers feedback from the Designated Non-Executive Director for engagement with the workforce (see page 90).

How the Board monitors culture: dashboard indicators

Indicator	2023-24 performance	
Sickness absence[1] (see page 33)	Royal Mail: 6.75%	GLS: 4.73%
Lost time accident frequency rate[1] (see page 33)	Royal Mail: 0.78	GLS: 1.98
Gender diversity (see pages 34 to 36)	Royal Mail: 20% female 80% male	GLS: 30% female 70% male
Ethnic minority representation (Royal Mail only[2])	Royal Mail: 13%	

Key 2023-24 insights and outcomes

Royal Mail

- **A need to turn feedback into action:** Introduced a simplified approach of 'just one thing', developed an action planning support guide for managers and provided managers with more training to support better action planning.
- **A need to restore levels of company pride and ensure employees feel valued and recognised for their contributions:** Launched the 'Change for Good' campaign which aims to build a company culture everyone can be proud of. The 'Heart of Royal Mail Awards', a new peer-nominated recognition programme, will launch later this year.
- **Employees want more opportunities to get involved in decisions that affect them:** Growing a network of engagement champions and wellbeing ambassadors to enable more upward feedback and support local activity. 'Always on' listening approach, with channels to feedback on issues and suggestions, both locally, and at a company level.
- **Employees want more direction and insight into future planning:** Royal Mail's Chief Operating Officer toured the UK with a strategy roadshow, onboarding managers with operational priorities for the year ahead. A regular calendar of events is being put in place to ensure leaders and managers are kept up to date on performance and priorities.

GLS

- **GLS Austria:** 'Strengthening healthy living' project launched to help employees stay healthy in response to 2022 survey findings. Areas identified to support healthier lifestyles, with employee working groups set up throughout Austria to define measures for implementation. A further survey will be carried out in two years' time to check whether employees' wellbeing has improved.
- **GLS Hungary:** Several actions put in place in response to 2022 survey findings, covering salary and benefits, development and training, and team building. 2023 survey findings showed commitment to GLS remained high, but there was a need to further focus on development and individual progress.
- **GLS Croatia:** Several actions put in place in response to 2022 survey findings, covering improved collaboration and exchange between departments, internal knowledge sharing, employee development and management of career opportunities.

1. Refers to direct employees only.
2. GLS operates predominantly in the EU and therefore does not collect ethnicity data in line with EU data protection laws.

Shareholder and Workforce Engagement

Shareholder engagement
To achieve long-term success, it is vital that we understand shareholder views so that we can factor them into our decision making. The Board, supported by our investor relations team, engages regularly with shareholders.

We carry out a comprehensive investor relations programme, which this year covered the activities detailed below. Monthly investor relations reports are submitted to the Board, covering investor sentiment, share price movements, analyst commentary and share register movements, and the Board receives regular in-person updates from the Group's Investor Relations Director.

- Full year 2022-23 and half year 2023-24 roadshows, attended by the Group CEO and Group CFO.
- Bond roadshow in September 2023, resulting in a successful raise of €500m and £250m.
- ESG engagement programme with our largest shareholders.
- Five investor conferences, two of which were attended by the Group CFO.
- 101 meetings with 74 institutional investors, including 22 shareholders, representing 59 % of our equity and 86% of our actively managed equity.[1] 17 of these meetings were attended by the Chair, and on occasion other Non-Executive Directors. Two meetings were attended by the entire Board. Discussions covered a variety of topics, including the potential separation of our two businesses, performance against strategy and financial targets, Royal Mail customer win-back activities, the Company's plan to become cash generative and pay a dividend, leadership changes, industrial relations, Universal Service reform, GLS investments and margins, progress against environmental targets, health and safety performance, and culture.

As part of the Remuneration Committee's 2023 review of the Directors' Remuneration Policy, Maria da Cunha, Chair of the Remuneration Committee, wrote to our top 15 shareholders to seek their feedback on the proposed changes. We were pleased that the current Policy received over 97.9% support at our 2023 Annual General Meeting (AGM). We are seeking a further change to the Policy at our forthcoming AGM and Maria da Cunha has written to our top 20 shareholders seeking their feedback. Further information can be found on page 109.

Engagement with our retail shareholders is also important. The Board was therefore pleased to again hold a hybrid AGM in 2023, which was attended by all Directors. The AGM is a key forum for our retail shareholders to ask questions to the Board and the hybrid format enhanced engagement, allowing questions to be submitted in person, via the online platform and via telephone. In addition, shareholders attending in person had the opportunity to meet our Board immediately after the AGM. The 2024 AGM, which will again be in hybrid format, will be held on Wednesday 25 September 2024 in Newbury and online.

In addition to the AGM, retail shareholders are able to email in any questions they may have throughout the year. These are typically dealt with by the Company Secretariat team.

1. Calculated based on share register as at 31 March 2023.

Workforce engagement
Many of the decisions we make could impact our colleagues and it is therefore important that we engage with them and understand their views.

At the start of the year the Board visited GLS' new Madrid-based hub, which commenced full scale operation in March 2023. During their visit, the Board met with a number of GLS employees, who shared their thoughts on working for GLS. Throughout the year the Board was also encouraged to undertake other site visits in different locations and collectively Board members undertook 25 site visits across the UK, Spain, Germany and Denmark.

During the year Maria da Cunha, who was our Designated Non-Executive Director for engagement with the workforce throughout the year, held 11 Royal Mail Employee Voice Forums with frontline and managerial colleagues across delivery offices, mail centres and the north-west super hub. One of these was attended by three other Non-Executive Directors. The following key themes arising from these discussions, and the actions we are taking to address them, are set out below.

- At the start of the year a lack of clarity on change. Throughout the year, the business worked hard to communicate the change initiatives being deployed across its operations and, as a result, in Employee Voice Forums held towards the end of the year, change had dissipated as a key theme and colleagues were more accepting of it.
- Concerns around the fleet and workload and a view that revisions had not worked in all areas. A vehicle replacement programme was approved by the Board during the year and revisions will be revisited with better data where needed. While further work is required, the Board is satisfied that these issues are being progressed.
- Universal Service reform. Colleagues want the Universal Service to change and management believes reform would bring significant benefit to managers and their teams. The Board is supportive of a change to the Universal Service and approved Royal Mail's response to Ofcom's call for input on the future of the universal postal service in March 2024 (see page 24).

Maria also held two GLS Employee Voice Forums in Spain and France. The following key themes arising from these discussions, and the actions we are taking to address them, are set out below.

- Difficulty in retaining talent and attracting new suitable candidates in Spanish IT and sales labour market. To enhance attractiveness for both current and potential employees, opportunities are being explored to make work more convenient including up to 100% home working where feasible.
- Challenges around learning new operative processes at the Madrid hub. There is an initiative called 'Escuela de la Excelencia' (Excellence School) where operations processes are explained to GLS warehouse employees around Spain, including employees working at the Madrid hub.
- Opportunity to enhance information exchange and interconnection with other departments as well as increased exchange of experience across the Group. GLS Group HR has created a knowledge base across the entire GLS Group.

Ingrid Ebner succeeded Maria as the Designated Non-Executive Director for engagement with the workforce with effect from 1 April 2024. Further information on how the Board has fulfilled its duties to our stakeholders under section 172 of the Companies Act 2006 can be found on pages 25 and 26. Information on how we engaged with our stakeholders is set out on pages 22 and 23.

Board Evaluation

The Board formally evaluates its performance and effectiveness annually through the Board evaluation process. The 2023-24 Board and Committee evaluations were externally facilitated by Lintstock, an independent consultancy that has no other relationship with the Group or its individual Directors. This followed the internal Board and Committee evaluation that was led by the Senior Independent Director in 2022-23, details of which can be found in our Annual Report and Financial Statements 2022-23.

Progress against 2022-23 evaluation actions

Actions	Progress
— Recruit an additional Non-Executive Director with accountancy experience.	— The search for an additional Non-Executive Director is ongoing.
— Increase focus on talent retention as a key risk, by both the ARC and Remuneration Committee.	— During the year Royal Mail and GLS presented plans to the ARC for tackling talent retention as a key risk. Talent retention was also considered by the ARC as part of regular discussions around key risks. — The challenge of recruiting, retaining and engaging key talent has framed many of the Remuneration Committee's decisions.
— Nomination Committee to consider Non-Executive Director succession planning (taking note of Committee needs) and talent management.	— During the past two years three new Non-Executive Directors have been appointed. — Committee membership and succession, as well as Committee Chair succession, were considered during the year. — The Board's balance of skills and experience was reviewed by the Nomination Committee during the year.
— As far as possible, Committee Chairs to ensure that topics are considered by only one Committee and/or the Board to minimise overlap and ensure effective management of issues.	— The Terms of Reference for each Committee are regularly reviewed by the Committees and the Board. — The Matters Reserved for the Board are regularly reviewed ensuring that the correct matters are delegated to the correct Committee. — Detailed forward planners for the following year are considered by the Chairs of the relevant Committees, ensuring that the relevant matters are considered by the relevant committee, to remove any duplication.

2023-24 Board evaluation process

Stage 1 – Selection of independent evaluator – December 2023

— Following a beauty parade, Lintstock was identified as the preferred external evaluator.
— After seeking the opinion of the Board, Lintstock was engaged to conduct the 2023-24 Board and Committee evaluation.

Stage 2 – Evaluation development – January/February 2024

— Material from previous two Board and Committee evaluations shared with Lintstock.
— Questionnaires developed by Lintstock in consultation with the Deputy Company Secretary and the Group Company Secretary. Questions structured around agreed topics, comprising Board composition, Board dynamics, Committees, information and support, meetings and decision making, strategic oversight, risk and external environment, people and succession, and overall Board experience.
— Proposed questionnaires reviewed by the Chair, the Senior Independent Director and each Committee Chair.

Stage 3 – Evaluation process – February/March 2024

— Questionnaires issued to Board members.
— Responses returned to Lintstock.

Stage 4 – Findings and actions – April 2024

— Lintstock produced the Board and Committee evaluation reports for review.
— Board and Committee evaluation reports presented to the Board and key priority actions agreed for 2024-25.

2023/24 Board evaluation findings

The findings of the Board evaluation were positive, with composition seen to be strong and Board dynamics having improved with the appointment of the Group CEO. Other areas which scored well, relative to an external benchmark, were external environment (government/regulatory and investor sentiment), induction and ongoing education, monitoring employee sentiment and monitoring culture. Whilst the overall findings were positive and confirmed the Board operates effectively, to ensure continuous improvement, several actions were agreed.

Priority actions for 2024-25

— Appoint a Non-Executive Director with audit experience.
— Further improve the quality of papers.
— Enhance use of external insight on topics.

Individual Director performance

Individual Director performance was considered by the Chair as part of the Board evaluation. The findings, in combination with the individual skills (see page 84) and time commitment of each Director, support the proposal for those Directors to stand for re-appointment at the 2024 AGM.

Chair performance

The performance of the Chair was evaluated in conjunction with the Board evaluation. The Board's feedback confirmed that Keith Williams is an inclusive and highly committed Chair who provides strong leadership and has a deep understanding of the Group's businesses. He benefits from excellent relationships with Board members and has built a network of stakeholders that he utilises and supports in an effective and measured manner.

Nomination Committee Report

Role of the Committee
The Committee's role and responsibilities are summarised on page 85.

Key activities in 2023-24
- Recommended the appointment of Martin Seidenberg as Group CEO.
- Oversaw recruitment of Michael Snape as Group CFO and recommended his appointment.
- Oversaw the recruitment of Ingrid Ebner as an independent Non-Executive Director and recommended her appointment.
- Approved the appointment of Karl Pfaff as CEO GLS and oversaw the recruitment of Emma Gilthorpe as CEO Royal Mail.
- Considered succession planning for the Chair and Non-Executive Director roles and Committee composition.
- Reviewed talent capability and development, and succession planning within Royal Mail and GLS.
- Ongoing search for an additional independent Non-Executive Director.

2024-25 priorities
- Continue to monitor talent capability and development, and succession planning across Royal Mail and GLS.
- Continue to consider Board-level succession planning.
- Continue the search for an additional independent Non-Executive Director.

Committee membership and attendance
The table below contains information about the Committee's membership and the number of scheduled meetings each Director attended and was entitled to attend during the year ended 31 March 2024. In addition, four ad-hoc meetings were held to consider the appointment of Martin Seidenberg as Group CEO, future Non-Executive Director recruitment, the appointment of Michael Snape as Group CFO and to discuss talent and succession planning within Royal Mail and GLS.

Director	Joined	Attendance (scheduled meetings)
Keith Williams (Chair since 22 May 2019)	19 April 2018	**2/2**
Maria da Cunha	25 September 2019	**2/2**
Michael Findlay	25 September 2019	**2/2**
Baroness Hogg	1 October 2019	**2/2**
Lynne Peacock	1 November 2019	**2/2**
Shashi Verma	29 September 2021	**2/2**
Jourik Hooghe	1 June 2022	**2/2**
Ingrid Ebner[1]	28 June 2023	**0/1**

1. Ingrid Ebner joined the Nomination Committee on 28 June 2023. She was entitled to attend one meeting during the year but was unable to do so due to a family emergency.

Committee meetings were attended by the Group CEO, the Group Company Secretary and other members of senior management, where relevant. In line with our Conflicts of Interest Policy, Directors are asked to absent themselves from any discussions regarding their own re-appointment or succession. The Committee is supported by the Group Company Secretary.

Keith Williams
Non-Executive Chair

Dear Shareholder,
I am pleased to present this year's Committee Report which sets out the Committee's activities during the year.

Board composition and succession
Our long-term success is dependent on attracting and retaining the right balance of skills and experience across the Group. This starts with the Board. During the year, the Committee continued to review and assess Board and Committee composition, taking into consideration the balance of skills, experience, knowledge, independence, and diversity.

As mentioned in my introduction on page 80, this year has been one of transition for the Board and the Committee has overseen the appointment of a Group CEO, a Group CFO and a Non-Executive Director. In doing so, the Committee has sought to construct an effective, robust, well-balanced and complementary Board, with the appropriate balance of skills, experience, independence and knowledge of the Group. Information on the process used for each of these appointments is set out on page 93.

Biographical information for each Director is included on pages 82 and 83 and information on Board composition, including the skills matrix, is included on page 84.

Executive Management appointments
During the course of the year the Committee oversaw the appointments of a new Group CEO, a new Group CFO and new CEOs for GLS and Royal Mail.

In preparation for the revision of the Group's leadership structure (see page 80) the Committee recommended the appointment of Martin Seidenberg as Group CEO. During the previous three years, the Committee had had the opportunity to evaluate Martin's performance as CEO GLS and as an Executive Director. He had proven his ability as a CEO and demonstrated many strengths, including setting GLS' strategy and overseeing its effective delivery. His people skills and deep knowledge of the parcels industry had also benefitted the business and the Group. The Board was delighted to approve his appointment, which was announced on 20 July 2023 and became effective on 1 August 2023.

Odgers Berndtson was engaged to undertake the search for a new Group CFO and compiled a longlist of external and internal candidates. Following the recruitment process detailed in the panel on page 93, the Committee recommended the appointment of Michael Snape as Group CFO. In making this recommendation the Committee took into account Michael's extensive turnaround experience and excellent financial leadership across a number of international companies during their transformation. The recommendation was approved by the Board and announced on 18 January 2024 and became effective that day.

Non-Executive Director appointment
In response to the findings of the 2022-23 Board evaluation (see page 91), the Committee engaged Egon Zehnder to undertake a search for a new Non-Executive Director. The search is ongoing.

As mentioned in last year's report, in response to the findings of our 2021-22 Board evaluation, Ingrid Ebner was appointed to the Board on 28 June 2023. Korn Ferry supported the recruitment process that resulted in her appointment. Further information on Ingrid's recruitment process can be found in our 2022-23 Annual Report and Financial Statements.

Our recruitment process
Stage 1 – Agree objective of the process and candidate specification
Stage 2 – Engage external search agency and confirm requirements
Stage 3 – Longlist of candidates reviewed against the Committee's latest Board composition, diversity and skill set
Stage 4 – Shortlist of candidates interviewed by Chair and Directors
Stage 5 – Preferred candidate is identified, and background checks are completed

External search agencies
Korn Ferry, Odgers Berndtson and Egon Zehnder were retained during the year to support the recruitment processes described above. Egon Zehnder has been a leader in the recruitment sector for over 50 years, and Odgers Berndtson have international expertise enabling them to identify a diverse range of candidates. The Committee determined that all three firms had the relevant skills and experience to successfully undertake the briefs. All are signatories to the Voluntary Code of Conduct for Executive Search Firms, which promotes gender diversity and best practice for corporate board recruitment searches. None of the agencies have any other connection to the Group or any of its Directors.

Board induction programme
We develop a tailored and comprehensive induction programme for each externally appointed Director which aims to ensure that new appointees are equipped to fulfil their role and participate in Board discussions as quickly as possible. The programme usually includes one-to-one meetings with the Chair, other Directors, the Group Company Secretary and senior management across the Group, as well as meetings with the Company's advisers and operational site visits.

During the year Ingrid Ebner and Michael Snape joined the Board as a Non-Executive Director and the Group CFO respectively.

As part of her induction programme, Ingrid visited GLS' office in Copenhagen, where she met the Danish leadership team. During tours of Royal Mail's Mount Pleasant operations and its Hammersmith delivery office, she met with the Regional Operations Director, the Customer Operations Manager and a number of employees, and did a postie walk.

Michael's induction is ongoing and includes scheduled visits to a number of Royal Mail's and GLS' operations.

Director re-appointments
Our Non-Executive Directors undertake a fixed term to expire at the end of the third AGM after their appointment, which can be extended by a further two three-year terms. The Committee monitors the tenure of Non-Executive Directors to ensure that it plans sufficiently in advance of retirements from the Board to ensure orderly succession. There were no re-appointments during the year.

All Directors are required to stand for appointment or re-appointment at each AGM. Ahead of the 2024 AGM, the Committee considered the performance and effectiveness of each Director as well as their skills and time commitment. The Committee concluded that all Directors were valuable members of the Board and subsequently recommended to the Board that all Directors should stand for re-appointment at our forthcoming AGM.

Copies of the Executive Directors' service contracts and the Non-Executive Directors' letters of appointment are available for inspection by appointment at the Company's registered office during normal office hours and at the AGM.

Time commitments
The terms of appointment of each Non-Executive Director require them to devote, on average, a minimum of two days a month to the Group's business. In practice, they tend to devote considerably more time than this, supporting projects where their areas of expertise contribute to specific initiatives.

The Committee has reviewed the time each of the Non-Executive Directors has spent discharging their duties to the Company and confirms that each has demonstrated that they have sufficient time to fulfil their role properly.

Each Non-Executive Director is required to declare any significant outside commitments prior to their appointment with an indication of the time commitment involved. In November 2023 Lynne Peacock advised the Chair that she was to be appointed Deputy Chair and independent Non-Executive Director of Royal London and a member of its Remuneration Committee and its Nominations and Governance Committee. Following consideration by the Chair and the Group Company Secretary the matter was discussed with the Board. Following such discussion it was determined that Lynne's new role would not impact her ability to properly fulfil her duties to the Group.

Talent and succession planning
During the year the Committee spent a significant proportion of its time considering talent capability and development, and succession planning within senior levels of Royal Mail and GLS.

Royal Mail
The Committee noted that whilst there had been a marked improvement, there was a continuing talent risk within Royal Mail. The business has taken several actions to mitigate this, including renewing its focus on talent management and launching new management development programmes. See pages 34 and 35 for further information.

The Committee reviewed Royal Mail's Executive Board succession plans and identified a need to improve succession development within the business. The Committee also reviewed the findings of the senior leadership talent review, which focused on assessing potential for growth, identifying successors, and mitigating flight risks. The Committee noted that action plans were being put in place to address these issues.

GLS

The Committee noted the talent management and succession planning activities underway within GLS including the introduction of a structured onboarding and offboarding process across all GLS countries and the development of a GLS Leadership Development and Training Framework including the provision of development and training to potential successors. See page 34 for further information.

DEI

We recognise the importance of fostering a diverse and inclusive culture across the Group. To fulfil our purpose and support the delivery of Royal Mail's and GLS' growth strategies, it is essential that our workforce reflects the broad diversity of the customers and communities we serve. We must offer an inclusive, fair and accessible workplace where all our people can grow, develop and succeed. While some progress has been made during the year in this important area, the Committee noted that there was still much to do to achieve Royal Mail's 2025 diversity targets largely due to attrition. The Committee considered the measures being implemented to increase diversity and agreed that their effectiveness should be monitored on an ongoing basis.

Our Board Diversity Policy, which covers the Board, its Committees, the Group Leadership Team and senior leadership, aims to ensure that the Board has the appropriate balance of skills, experience and background to deliver stakeholder value. A copy is available at www.internationaldistributionservices.com/about-us/governance.

The adjacent table sets out the policy's current objectives, how the Committee has implemented them and the outcomes as at the date of this Annual Report.

Board Diversity Policy objectives	Implementation and results
Endeavour to achieve 40% female representation on the Board.	Female representation on the Board as at 31 March 2024 was 40%. See page 84.
Endeavour to have at least one woman in a senior Board role (Chair, Senior Independent Director, Chief Executive or Chief Financial Officer).	Our Senior Independent Director is a woman. See page 83.
Endeavour to achieve 40% women's representation and have at least one member from an ethnic minority background, across its Board Committees (including the Audit and Risk, Remuneration and Nomination Committees).	Female representation across the Board Committees as at 31 March 2024 was 55%. Ethnic minority representation across the Board Committees as at 31 March 2024 was one.
Encourage management to achieve (by the end of 2025) 40% women's representation in the Group Leadership Team.[1,2]	Female representation in the Group Leadership Team as at 31 March 2024 was 33%. See page 95.
Encourage management to achieve (by the end of 2027) 10% ethnic minority representation in the Group Leadership Team.[3]	Ethnic minority representation in the Group Leadership Team as at 31 March 2024 was 4%.
Place emphasis on development of diversity within the Group and commit to further pursuing diversity, as appropriate and on merit, within the senior leaders of the Group.	See pages 34 to 36.
Endeavour to have at least one Director on the Board from an ethnic minority background.	A member of our Board is from an ethnic minority background. See page 84.
Only engage executive search firms that are signatories of the Voluntary Code of Conduct for Executive Search Firms.	See page 93.
When recruiting Non-Executive Directors, ensure that the Board's Diversity Policy's commitments, as well as personal strengths, are considered.	See page 93.
Consider candidates for appointment as Non-Executive Directors from a wider pool.	See page 93.

1. The Group Leadership Team includes the Group CEO, the Group CFO, the CEO Royal Mail, the CEO GLS, the Group Company Secretary and their direct reports. This cohort aligns with the FTSE Women Leaders Review (FWLR) definition of 'leadership teams' and the Code and the Parker Review's definition of 'senior management'.
2. In line with the FWLR target.
3. In line with the Parker Review recommendation to set a target for ethnic minority representation for 'senior management'.

Statement on compliance against regulatory targets on gender and ethnicity

The Board confirms that as at 31 March 2024 (being the reference date selected by the Board for the purposes of this disclosure), the Company complied with the following regulatory targets:

— One of our senior Board positions (Chair, CEO, SID or CFO) is held by a woman.
— One member of our Board is from a non-white ethnic minority background.
— The proportion of women on our Board is 40%.

The data required in relation to this statement and the Board and Executive Management diversity table below are based on information contained within our payroll systems.

Group Leadership Team diversity

As at 31 March 2024, the gender balance of our Group Leadership Team was 33% female and 67% male. As at the date of this report, 24 May 2024, female representation in the Group Leadership Team has increased to 35%.

Board and Executive Management[1] diversity as at 31 March 2024

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management	Percentage of Executive Management
Men	6	60%	3	4[2]	100%[2]
Women	4	40%	1	0	0%
Not specified/prefer not to say	0	0%	0	0	0%

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management	Percentage of Executive Management
White British or other White (including minority-white groups)	9	90%	4	4	100%
Mixed/Multiple Ethnic Groups	0	0%	0	0	0%
Asian/Asian British	1	10%	0	0	0%
Black/African/Caribbean/Black British	0	0%	0	0	0%
Other ethnic group, including Arab	0	0%	0	0	0%
Not specified/prefer not to say	0	0%	0	0	0%

1. Executive Management includes the Group CEO, the Group CFO, the CEO Royal Mail, the CEO GLS and the Group Company Secretary. This cohort aligns with the FCA's Listing Rules definition of Executive Management.
2. As at 24 May 2024, Executive Management consisted of 4 men and 1 woman, translating to 80% male and 20% female.

Committee evaluation

The Committee's annual evaluation of its performance was undertaken as part of the Board effectiveness evaluation (see page 91).

Keith Williams
Chair of the Nomination Committee
24 May 2024

Audit and Risk Committee Report

Role of the Committee
The Committee's role and responsibilities are summarised on page 85.

Key activities in 2023-24
- Oversaw the Group's financial reporting and reviewed results announcements for recommendation to the Board.
- Approved the Group's key accounting estimates and judgements, in particular the carrying value of Royal Mail given its current financial position, for recommendation to the Board.
- Reviewed KPMG's audit strategy and fees.
- Monitored progress to improve the effectiveness of the Group's financial reporting controls.
- Monitored progress made against Risk Assurance's transformation strategy.
- Monitored and reviewed the Group's principal and emerging risks, including progress and risk assessments in relation to fraud.
- Reviewed climate-related risks and remediation across the Group including preparedness for future legislation and reporting requirements.

Priorities for 2024-25
- Ensure the accuracy of the Group's results announcements.
- Continue to monitor the delivery of improved financial reporting controls.
- Continue to monitor the Group's principal and emerging risks, taking into account evolution of the Group's strategy, and progress on fraud risk management.
- Oversee the Group's response to and compliance with Code changes and the application of the Minimum Standard: Audit Committees and the External Audit.

Committee membership and attendance
The table below contains information about the Committee's membership and the number of scheduled meetings each Director attended and was entitled to attend during the year ended 31 March 2024. In addition, two ad hoc meetings were held to consider matters in relation to the half-year results announcement and risk management.

Director	Joined	Attendance (scheduled meetings)
Michael Findlay (Chair since 30 May 2019)	30 May 2019	**5/5**
Baroness Hogg	1 October 2019	**5/5**
Lynne Peacock	1 November 2019	**5/5**
Jourik Hooghe[1]	1 June 2022	**4/5**

1. Jourik Hooghe was unable to attend one meeting due to illness.

Committee meetings were routinely attended by the Non-Executive Chair, the Group CEO, the Group CFO, the Royal Mail CFO, the Global Director of Risk & Audit, the Group Financial Controller, the Group General Counsel and Company Secretary, and representatives from the external auditor, KPMG. Other non-members attended certain meetings by invitation as appropriate.

Michael Findlay
Chair

Dear Shareholder,
I am pleased to present this year's Committee Report which sets out the Committee's activities during the year.

The Board considers that I have recent and relevant financial experience, having spent nearly 30 years in investment banking. I was also previously a Non-Executive Director of UK Mail Group plc and a member of its audit committee. The Board considers that the Committee, as a whole, has the competence relevant to the Group's businesses (see pages 82 and 83 which include biographical information about each Committee member).

The Committee meets regularly with the external auditor, independent of the Executive Directors, to ensure that financial reporting is subject to rigorous review throughout the year. I also meet regularly with the Global Director of Risk & Audit, independent of the Executive Directors, to discuss risk assurance matters.

Committee advisers
To support the Committee in carrying out its responsibilities, it receives independent assurance from the Group's Risk Assurance function and regular reports from the Compliance function. The Committee is also supported by the Royal Mail and GLS Audit and Risk Committees, the Group General Counsel and Company Secretary, and the Group CFO. I regularly attend the GLS ARC along with the Global Director of Risk & Audit, the Group CFO, and the Group General Counsel and Company Secretary.

The Committee is also supported by the Group's actuary, Willis Towers Watson Limited, which provides expert opinion and long-term assumption advice with respect to pension accounting, and Aon Limited, which provides similar expertise in relation to other long-term liabilities.

The Committee receives regular reports from the external auditor across a wide range of issues related to its oversight responsibilities.

Committee activity
During the year, the Committee regularly considered a number of items including updates from the Royal Mail and GLS Audit and Risk Committees and the Pensions Committee, together with updates on compliance across the Group and the status of actions identified through the 2022-23 Committee evaluation. The Committee also approved policies in relation to Non-Audit Services, Ex-Auditor Employment, Information Security, Acceptable Use of IT and Data Privacy.

During its meetings, the Committee also participated in risk spotlight discussions coordinated by the Global Director of Risk & Audit and presented by relevant members of the management team. These covered cost management, revenue growth, margin erosion, cyber security, data protection, health and safety, GLS subcontractor risks, talent: workforce for the future, business continuity, breach of material laws/regulation and climate change and environmental management.

In addition to the regular topics discussed, set out in the table below is a summary of the key matters considered and approved during the year.

Matter considered	Activity
Financial Reporting	
Half-year and full-year results Significant matters and judgements	— Reviewed and satisfied itself on the integrity of the half-year and full-year results, including consideration of the significant accounting estimates and judgements, legal claims, contingent liabilities, impairment assessments, alternative performance measures, the policies being applied, the statutory audit findings, covenant compliance and pension assumptions.
Alternative performance measures	— Reviewed the Group's alternative performance measures (APM), including new measures introduced in the year, to ensure that they remain relevant, are given no more than equal prominence to GAAP measures, have a reasonable materiality threshold and have good quality reconciliations between the APM and the closest GAAP measure.
Fair, balanced and understandable	— Reviewed and assessed the Annual Report and Financial Statements to be fair, balanced and understandable (see page 98).
Going concern and viability statements	— Considered the going concern basis of preparation of the Financial Statements (see page 98). — Considered the Viability Statement (see pages 59 to 61).
Regulatory accounts	— Reviewed and approved the regulatory financial statements 2022-23.

Matter considered	Activity
External Auditor	
Re-appointment	— Recommended to the Board the re-appointment of KPMG as external auditor. — Reviewed and approved the external auditor's engagement letter. — Reviewed and recommended to the Board the approval of the external auditor's letter of representation.
KPMG reports	— Reviewed KPMG's control and audit findings, including its appraisal of significant accounting judgements, its audit opinion for the full-year results and its review for the half-year results. — Reviewed and approved KPMG's audit plan and strategy.
Effectiveness	— Conducted a review of the effectiveness of the external audit process (see page 101).
Independence and objectivity	— Reviewed the independence and objectivity of the external auditor (see page 101).
Audit cycle and non-audit services and fees	— Reviewed the external audit cycle and identified improvements for future audits. — Reviewed and approved the external audit fee, as well as the review and pre-approval of fees in relation to non-audit services.

Matter considered	Activity
Risk Management and Internal Controls	
Controls and effectiveness	— Received regular updates on financial reporting controls and the Group's programme of activity to enhance the financial reporting control environment. — Reviewed the effectiveness of the Group's risk management and internal control systems (see pages 102 and 103). — Reviewed assessments of the impact of changes to the Code and plans to comply with new requirements in respect of internal controls.
Principal and emerging risks	— Reviewed the Group's risk profile and the principal risks that might impact the achievement of the Group's strategy, any changes in the size and nature of these risks, and progress towards target on a regular basis. — Reviewed the principal risks and uncertainties statement for inclusion in this Annual Report. — Discussed new and emerging risks, their impact and timeframe, and response strategy.
Fraud risks	— Received updates on fraud risks across the Group and activities to formalise the fraud risk management framework and monitoring.

Matter considered	Activity
Risk Management and Internal Controls continued	
Assurance map	— Reviewed the assurance map that assessed the adequacy of the second lines of defence in place over Royal Mail's and GLS' principal risks and improvement actions required.
Internal Audit	— Reviewed and approved the Annual Internal Audit plan and amendments during the year. — Received reports and regular updates on Internal Audit activity. — Oversaw progress against Risk Assurance's transformation strategy (see page 103). — Reviewed the effectiveness and independence of the Risk Assurance function. — Reviewed and approved changes to the Risk Assurance Charter.

Matter considered	Activity
Other Matters	
Whistleblowing	— Reviewed regular whistleblowing reports. — Reviewed and recommended to the Board the Royal Mail Speak Up (Reporting) Policy in relation to whistleblowing.
Ethics and business conduct	— Reviewed and approved the Royal Mail Ethical Business Conduct Policy (Prevention of Bribery, Corruption, Conflicts of Interest, Money Laundering, Terrorist Financing and the Facilitation of Tax Evasion).
Treasury and taxation	— Reviewed the Group's Treasury Policy and made recommendations to the management team. — Reviewed and recommended to the Board the approval of the 2024-25 tax strategy. — Reviewed the Group's tax risks.
Governance	— Reviewed the Committee's 2024 forward planner. — Reviewed and recommended the Board approve changes to the Committee's Terms of Reference, taking into account the FRC's Minimum Standard: Audit Committee and External Audit published in May 2023. — Approved changes to the Terms of Reference for the Royal Mail ARC, the GLS ARC and the Pensions Committee. — Received an update on duty to report payment practices and performance for the half year and full year. — Approved the Committee's report for the Annual Report and Financial Statements 2023-24. — Reviewed and considered the implications of the FRC's Annual Review of Corporate Reporting, issued in October 2023.

Going concern and viability statements

The Committee considered the basis of preparation of the Financial Statements as a going concern, as set out in Note 1 to the Financial Statements. The Committee also reviewed the form and basis of conclusion underlying the long-term Viability Statement. Action taken by the Committee in undertaking these assessments is set out on page 99.

In assessing the potential impact of a change in control as a result of the non-binding proposal by the EP Group, the Committee satisfied itself that it is beyond the control of the Directors to dictate or confirm the actions of the EP Group if they were to acquire IDS plc. Therefore, given the potential change in control, and the associated impact on the Group's borrowings, the bank syndicate loan facility and other contractual arrangements the Committee consider these conditions to constitute a material uncertainty which may cast significant doubt over the Group's going concern and viability.

The Going Concern Statement and Viability Statement are set out on page 61.

Fair, balanced and understandable

At the request of the Board, the Committee assessed whether the Annual Report and Financial Statements 2023-24, taken as a whole, were fair, balanced and understandable, and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy. The Committee's assessment took into account the disclosures, as well as the processes and controls underlying its production, including:

- Internal verification of factual content.
- Comprehensive reviews undertaken by the Group's legal team and key members of the senior management team.
- Consistency checks against the Group's market disclosures and strategy.
- External reviews undertaken by advisers and the external auditor.

The Committee concluded that the Annual Report and Financial Statements 2023-24 were fair, balanced and understandable, and the Board confirmed this view. The Board's statement is contained on page 143.

Significant matters and application of judgements

During the year, the Committee considered and discussed a number of significant matters and/or judgements made by management. The table below details the key issues discussed and the actions taken.

Matter	Action taken by the Committee
Going concern and viability assessments The going concern and viability assessments of the Group are significant judgements in preparing the Financial Statements. The financial performance and position of the Group, its cash flows projections and its approach to capital management are considered as part of the Board's going concern and viability assessment. The business plan, taking account of the Group's principal risks (see pages 52 to 58), capital structure and the severe but plausible downside scenario (see page 60) are also considered. Following a revised non-binding proposal from EP Group for the entire issued share capital of IDS plc on 14 May 2024, the change in control provisions in the Group's unsecured fixed rate notes, the bank syndicate loan facility and other contractual arrangements were considered as part of this assessment and the impact that might have on the Group's funding and liquidity position.	The Committee reviewed and challenged the appropriateness of the scenarios modelled, the mitigating factors, and the three-year viability assessment period reflecting the Group's outlook and the effects of the macro-economic uncertainties faced by the Group. The Committee also considered the position of the Group in the event of a change of control and the provisions in the Group's unsecured senior fixed rate notes and the bank revolving credit facility. The Committee also considered the financing arrangements of EP Group in the event of a change in control, and the fact that these financing arrangements are outside the control of the Directors. The Committee concluded that it is beyond the control of the Directors to dictate or confirm the actions of the EP Group if they were to acquire the IDS plc Group. Therefore, given the potential change in control, the Committee recommended to the Board that these conditions constitute a material uncertainty which may cast significant doubt over the Group's going concern and viability. The external auditor reviewed the conclusions and recommendation to the Board in relation to the going concern and viability assessments. The Committee also reviewed the detailed disclosures and concluded that they were appropriate.
Deferred revenue – advance customer payments The Group recognises advance customer payments on its balance sheet, predominantly relating to stamps and meter credits purchased by customers but not used at the balance sheet date. The majority of this balance is made up of stamps sold to the general public, referred to as Stamps in the hands of the Public (SITHOP). In 2023-24 management has applied a new methodology to calculate the deferred revenue balance. One of the primary data inputs for this new methodology is the use of barcoded stamp scan data to build a profile of how long stamps are held by customers before being used for postage. These 'usage curves' are then applied to historic sales to derive a deferred revenue balance. Management uses estimates and judgements in applying the new SITHOP methodology. Areas of estimates and judgements include: products removed from both the scan and sales data to reflect fact that certain stamps are not typically purchased for use e.g. collector stamps; non scan percentage; method of extrapolating usage for periods where barcoding information is not available; bucket size; buy forward of stamps; retail stamp stock days; level of breakage, breakage period; and adjustments to reflect posting patterns around key events close to the reporting year end e.g. tariff increases. For further details see Note 1 to the Financial Statements on pages 171 to 184. These estimates and judgements impact revenue, profit and net assets. At 31 March 2024 the Group recognised £138 million (March 2023: £147 million) of deferred revenue in respect of stamps sold to the general public but not used at the balance sheet date.	The Committee examined a report from management summarising the new deferred revenue calculation and the estimates and judgements applied including sensitivity analysis to understand the range of possible outcomes. The Committee considered the controls and additional procedures performed by management in relation to the integrity of the data and the calculation model. The Committee also considered the outputs of the model compared with the previous methodology, noting that the deferred revenue balance was within the range of expected outcomes. Separately, the external auditor reviewed the methodology and calculation and assessed the assumptions made. The Committee concluded that the level of deferred revenue remained appropriate.

Matter	Action taken by the Committee
Pensions – Defined benefit obligations The valuation of the defined benefit pension plan obligations relies on the estimation of long-term assumptions, i.e. discount rate, inflation, mortality and pension increases. Small movements in these assumptions can lead to material impacts on the balance sheet. The valuation of certain unquoted pension scheme assets also includes a high degree of estimation uncertainty. In view of the complexity of accounting for pension schemes, significant focus is required on the associated disclosure to ensure that it is fair, balanced and understandable.	Key long-term assumptions were prepared by the Group's actuary, Willis Towers Watson Limited, and benchmarked against prevailing economic indicators and other large pension schemes. All of these assumptions are disclosed in Note 11 (pages 194 to 203) to the Financial Statements. Changes in the assumptions were summarised for the Committee, and explanations were provided for the movements in returns on scheme assets, particularly as a result of the liability hedging strategy. The results of the assumption benchmarking were also discussed. The external auditor used its own independent actuarial experts to confirm that the assumptions used were reasonable and appropriate. The Committee was also satisfied with the approach taken to verify third-party valuations for unquoted scheme assets and the associated disclosures.
DBCBS constructive obligation When the Royal Mail Defined Benefit Cash Balance Section (DBCBS) of the Royal Mail Pension Plan (RMPP) commenced in 2018-19, the Directors agreed that an appropriate IAS19 accounting treatment was to recognise a 'specific' constructive obligation to award annual increases of CPI plus 2% over the lifetime of the scheme. To date, the average of the actual increases awarded has been below CPI plus 2% per annum, and therefore the Group's view is that it is more appropriate to use a 'non-specific' constructive obligation commencing in 2024-25, which will reflect the average increases over the last five years (but reserving the right to adjust this if future expectations are significantly different). Based on the average of the last five years of increases, the accounting constructive obligation at 31 March 2024 is CPI plus 1.2%. Note 1 provides more details, including the impact of this change on the Financial Statements.	The Group's actuary, Willis Towers Watson Limited, has determined the impact that a change in the constructive obligation from CPI plus 2% to CPI plus 1.2% will have on the DBCBS liabilities. The Committee reviewed the assessment and concluded that the change in the accounting constructive obligation was reasonable and appropriate including the treatment through the reported profit and loss account in the current year. The external auditor used its own independent actuarial experts to review the impact of this change and it has confirmed that the Group's accounting treatment adopted is reasonable and appropriate.
Impairment testing At the year end date an impairment test was carried out in respect of the Royal Mail (excluding Parcelforce Worldwide) cash generating unit (CGU). Royal Mail UK has significant non-current assets, both tangible and intangible, that form part of the Royal Mail UK (excluding Parcelforce Worldwide) CGU. Judgement is exercised in reviewing the carrying value in respect of possible impairment. As a result of the poor trading performance of the Royal Mail UK business, management identified an indicator of impairment, and as a result performed an impairment assessment in 2022-23, leading to the recognition of a partial impairment of the CGU. In assessing whether the CGU remained impaired in 2023-24, and whether a further impairment charge or reversal was required the carrying value of the CGU was compared to its recoverable amount. Management assessed the recoverability of the CGU using the higher of a value in use (VIU), or fair value less cost to dispose (FVLCD). The FVLCD methodology resulted in a higher recoverable amount. The FVLCD considers a discounted cash flow modelling from the perspective of a 'market participant'. The model includes a number of assumptions in relation to trading expectations, execution risk associated with realising the transformational benefits in the business plan, long-term growth rate, and discount rate.	The Committee reviewed and challenged the methodology and results of the impairment review, including the appropriateness of key assumptions and data points used. This included review and challenge over the growth rates, risk associated with the transformational benefits and the discount rate used. Particular focus and challenge were given to the risk and opportunities associated with the cash flows, including the cashflows in relation to property disposals and the wider economic environment. The Committee also considered the sensitivity of the impairment calculation and the wide range of possible outcomes. The Committee satisfied itself that the assumptions used within the CGU impairment model, together with the resulting impairment charge, were reasonable. The Committee also reviewed the allocation of the impairment charge and the associated disclosure for inclusion within the Financial Statements.

Matter	Action taken by the Committee
Parent Company, IDS plc (see pages 233 to 235) The carrying amount of the Parent Company's investments in, and amounts due from, subsidiaries represents 72% (2022-23: 83%) and 28% (2022-23: 17%) of the Parent Company's total assets respectively. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to the materiality in the context of the Parent Company Financial Statements, this is considered to be the area that has the greatest effect on the Parent Company balance sheet.	The Committee received confirmation from management that it had adequately assessed the recoverability of investments in subsidiaries and intercompany indebtedness, by assessing and confirming that the net assets of the relevant subsidiaries (being an approximation of their minimum recoverable amount) were in excess of their carrying value at the balance sheet date.
Provisions for liabilities The Group has significant provisions totalling £184 million, including: £3 million in relation to voluntary redundancy; £39 million in relation to industrial diseases claims; £52 million in relation to regulatory and legal obligations; and £22 million in relation to property decommissioning costs. Judgement is exercised in making these assumptions that form the basis of the provision calculations (see Notes 1 and 25 to the Financial Statements on pages 171 to 184 and pages 225 and 226 respectively).	The Committee reviewed the methodology and key assumptions used in determining significant provisions, including the basis for any release of provisions. The Committee considered the past utilisation of each provision, when reviewing the appropriateness of the provision. The Committee concluded that the amounts recorded in respect of provisions were appropriate and represented the current best estimate of each liability, and that associated disclosures were appropriate.

External auditor
KPMG was appointed by shareholders as the Group's statutory auditor at the 2015 AGM following a formal tender process undertaken in 2014. The firm's re-appointment was confirmed by shareholders at the 2023 AGM. The current lead audit partner is Andrew Bradshaw, who was appointed at the beginning of the 2022-23 audit process. The external audit contract will be put out to tender at least every ten years in line with the provisions of the UK Competition and Markets Authority's Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the CMA Order). The Committee therefore considers that it would be appropriate to conduct an external audit tender by no later than the 2025-26 reporting year, by which time KPMG will have been the Group's external auditor for ten years.

We have complied in all material respects throughout the year with the CMA Order.

Effectiveness of the external audit process
The Committee is responsible for the relationship with the external auditor, including examining the effectiveness of the audit process.

The FRC's Minimum Standard: Audit Committees and External Audit was published in May 2023. In many cases our practices already reflect these standards in relation to our external audit and we will endeavour to incorporate additional standards into our practices going forward.

At its meeting in May 2024, the Committee carried out its annual review of the external auditor's performance and the effectiveness of the external audit process, taking into account:

— The terms and scope of the external auditor's engagement, as set out in its engagement letter.
— The audit work plan for the financial year 2023-24.
— The effectiveness of the working relationship and interactions with the Committee.
— The quality of the audit, the handling of significant judgements by the external auditor and responses to questions from the Committee.
— A report from KPMG on its own internal quality procedures.
— Feedback from the Committee evaluation process.
— Feedback from the external auditor effectiveness survey, which was completed by key stakeholders involved in the external audit process and confirmed that the KPMG audit team had sufficient experience and technical knowledge, and displayed adequate professional scepticism. However, additional time was requested late in the audit process to complete the usual standard audit procedures which caused delays in the agreed audit timetable.

Based on its review, the Committee concluded that whilst the external audit process was effective, the delays in the audit timetable was a significant concern and the Committee were therefore unsatisfied with the 2023-24 audit by KPMG. These matters will be discussed with KPMG and addressed in advance of the 2024-25 audit.

Assessment and safeguarding the independence and objectivity of the external auditor
The Committee considered the independence and objectivity of the external auditor through:

— Assurances provided by the external auditor on the safeguards in place to maintain independence.
— Oversight of the Non-Audit Services Policy (see below).
— Reviewing the external auditor's non-audit services and fees (see below).
— Oversight of the Ex-Auditor Employment Policy.

Non-Audit Services Policy
Our Non-Audit Services Policy governs the process for approving certain non-audit services provided by the external auditor. The purpose of the Policy is to ensure that the level of fees earned from non-audit services and the type of services provided do not impair the external auditor's independence and objectivity. The Policy is overseen and was reviewed by the Committee during the year to ensure that it remained fit for purpose.

In general, the external auditor is not approached to perform non-audit work. The Committee does, however, currently permit the external auditor to provide non-audit-related services, insofar as permitted by auditor independence rules, and the external auditor may be engaged to perform such non-audit services if it is uniquely placed to undertake them, or if the performance of the non-audit services will support a future statutory audit (including the provision of buyer assist due diligence) and would not compromise the auditor's independence. The engagement may follow a competitive tender process. The Committee has delegated authority to the Group CFO to pre-approve assignments up to £25,000, with an annual limit of £500,000.

During both the current and prior years, the Committee permitted the auditor to provide non-audit services in relation to the half year review, regulatory audit required by Ofcom, audit related assurance services as well as work required as part of the debt issue in September 2023, as the auditor was uniquely placed to complete them and the Committee was comfortable that these services did not compromise its independence.

External auditor fees
The Committee keeps under review the services and fees incurred by the external auditor. Total fees for audit and audit-related work during the year amounted to £4,681,000 and total fees for non-audit services during the year amounted to £ 797,000, which represented around 21% of the external audit fee. Non-audit services primarily related to the Financial Statements, regulatory audit, the half-year Condensed Consolidated Financial Statements and other non-audit services relating to regulatory reporting and raising of debt. The Committee was satisfied that the non-audit work was best handled by the external auditor because of its knowledge of the Group, and that undertaking the work did not put under threat the independence of the external auditor. All non-audit services were approved in accordance with the Non-Audit Services Policy.

In addition to the fees earned from the Company, KPMG has been engaged by the respective Pension Trustee as external auditor of the Royal Mail Pension Plan, the Royal Mail Defined Contribution Plan and Royal Mail Trustees Limited, the fees for which were £225,000 in 2023-24.

Re-appointment of external auditor
The Committee concluded that it is satisfied with the independence and objectivity of KPMG. This, together with the findings that the external audit process was effective, supports the Committee's recommendation to the Board that it seeks shareholder approval at the 2024 AGM for the re-appointment of KPMG as the external auditor for the year ending 30 March 2025.

FRC's Audit Quality Review (AQR) of the Group's 2023 audit
The FRC routinely monitors the quality of the audit work of certain UK audit firms through inspections of sample audits and related procedures at individual audit firms, and during the year KPMG's 2023 audit of the Group was reviewed by the AQR team. There was one finding identified relating to KPMG's consideration of IT controls. The AQR also highlighted good practice observations in relation to KPMG's challenge over methodology and key assumptions used in the SITHOP model, assessment and challenge of the uncertainties within assumptions underpinning the Royal Mail CGU impairment model, and challenge provided by the KPMG actuaries in respect of key judgements relating to the valuation of pension schemes.

The Committee discussed the review findings with KPMG and agreed that a specific action would be implemented in relation to how KPMG evidenced its conclusions in relation to the specific area identified as part of the 2024 audit. Overall, the review raised no concerns with the Committee in relation to the fundamental quality of the 2023 audit and the Committee remains satisfied with the efficiency and effectiveness of the 2023 external audit process.

Risk management and internal control
The Board believes that effective risk management and a sound internal control environment are fundamental to the Group's success. It has established a risk management framework that seeks to identify, assess and manage risks that could impact our businesses (see pages 49 to 51) and reviews the effectiveness of this framework annually. The Committee supports the Board through its ongoing review of the Group's principal and emerging risks (see pages 52 to 58) and by advising the Board on the effectiveness of risk management and internal control systems.

In relation to the Group's financial reporting process, the Committee relies on a number of specific internal control mechanisms to ensure that the Group provides accurate and timely financial results and implements accounting standards and judgements effectively, including in relation to going concern and viability. The Committee receives:

— Regular updates on the evolving regulatory environment, including FRC, best practice guidance and the requirements of the Code and the Disclosure Guidance and Transparency Rules. The Committee also receives reports on proposed changes to legislation and regulatory reviews and the potential impacts. During the year the Committee was updated on the new accounting standard 'IFRS 17 Insurance Contracts' and it was noted that this would not have a material impact on the Group.
— Management reports, including analysis of results and comparisons against last year's results.
— Reports from the external auditor, including management letters on controls.

Review of risk management and internal control systems

The Committee has reviewed the effectiveness of the Group's risk management and internal control systems. This covered financial, operational and compliance principal risks.

The evaluation process is ongoing throughout the year. An annual paper is presented to the Committee and Board providing a summary of risk and assurance activity to support their annual assessment. The assessment included consideration of the following:

— Status of principal risks (including fraud risks) and the assurance activity undertaken in relation to them in accordance with the Group's risk management framework (see pages 49 to 51).
— 'Spotlights' on risks sessions, led by relevant members of the management team, that take place throughout the year and focus on existing controls and additional remediation required.
— Assurance map for the Royal Mail and GLS principal risks, assessing the second-line controls and actions required to improve them.
— Bi-annual reporting from Compliance and Ethics on the operating effectiveness of compliance controls.
— Progress made against the Internal Audit plan and the conclusions provided by the internal audit reports issued in the year.
— Timeliness of implementation of actions agreed to mitigate any risk and control gaps identified during internal audits.
— Year-end finance letters to the Group CFO to confirm completeness of key risks impacting the Group, compliance with relevant legislation, any known fraud instances, financial reporting and controls requirements.
— Testing of key controls over the higher-risk processes and balances in the preparation of the Financial Statements.
— Reports from the Finance team on the progress and status of the financial reporting control programme.
— The opinion and reports of the external auditor.

Whilst the Committee considered the system of risk management and internal control across the Group to be generally effective in the year, in light of the increasing risks facing the Royal Mail business as it transforms and the increasing future requirements under the Code, there is recognition of the need to improve its effectiveness.

Key activity underway and planned to be performed in 2024-25 includes:

— Continuing to formalise, systemise and remediate financial reporting controls, with a particular focus on remediating IT general controls, controls over payment processes and outsource suppliers (part of a set of 'super key controls').
— Further improving cyber security controls to address identified control weaknesses in response to increasing external threats and lessons learned from recent incidents.
— More formally defining the Group's Controls framework including material controls, systems and accountabilities, and developing a formalised assurance plan across the principal risks and external financial and non-financial reporting in response to revisions to the Code.
— Continuing to enhance risk management across the Group, particularly in relation to principal operational risks including customer expectations and ability to grow revenue, operational cost base reductions as well as fraud management.

Internal audit

Internal Audit provides independent assurance to the Committee through its Internal Audit projects. This assurance is used as input to the Committee's and Board's monitoring of the effectiveness of risk management and internal control systems. Internal Audit sits within the Risk Assurance function, which is led by the Global Director of Risk & Audit, who has direct access to me and the Board Chair, which ensures the independence of the function.

At each Committee meeting, an update on Internal Audit activity is provided, including an overview of audits completed in the period, with a focus on unsatisfactory audits; progress made against the Internal Audit plan; and the status of actions arising from completed audits.

An Internal Audit plan aligned to the Group's principal risks is developed annually and updated for changes in risks and priorities with the Committee's approval. Prior to the start of the new financial year, the Committee reviewed and approved the Internal Audit plan for the next financial year, which incorporates risk-based audits that encompass both the Royal Mail and GLS businesses.

During the year, the Committee also oversaw progress against Risk Assurance's transformation strategy. The Committee noted that good progress had been made in relation to several strategic pillars which are noted below under the section on effectiveness of risk assurance.

Effectiveness of Risk Assurance

During FY22, in accordance with the Chartered Institute of Internal Auditors Standards (CIIA Standards), Deloitte, on behalf of the Committee, conducted an independent external quality assessment (EQA) on the effectiveness of Royal Mail's and GLS' respective Internal Audit functions. The CIIA's Standards recommend that an external assessment must be conducted at least once every five years by a qualified, independent external assessor or assessment team. The next EQA will be conducted no later than the 2026-27 reporting year. During the year the Committee reviewed the effectiveness of Risk Assurance. In particular, the following matters were noted:

— Continued progress in the performance of audits over the technology environment at Royal Mail and GLS, and use of data analytic audit techniques in the UK business.
— Successful implementation of software to support central management and reporting of audits over Royal Mail and GLS.
— Continued progress in the implementation of risk-based audits across GLS.
— Improved audit action tracking and reporting processes over open and overdue actions.
— Broader coverage of principal risk spotlights and formalisation of fraud risk reporting across the Group.
— Implementation of an assurance map within GLS and an updated assurance map for Royal Mail.

Committee evaluation

The Committee's annual evaluation of its performance was undertaken as part of the Board effectiveness evaluation (see page 91).

Michael Findlay
Chair of the Audit and Risk Committee
24 May 2024

Environmental, Social and Governance Committee Report

Role of the Committee
The Committee's role and responsibilities are summarised on page 85.

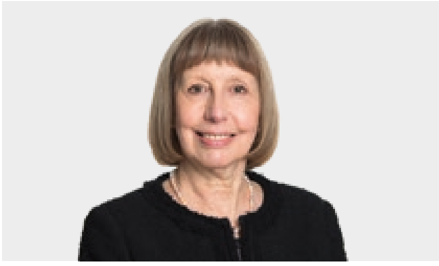
Key activities in 2023-24
- Monitored the implementation of Royal Mail's and GLS' environmental strategies.
- Monitored Royal Mail's and GLS' health and safety performance.
- Monitored Royal Mail's and GLS' cultures and progress against DEI strategies.
- Reviewed relevant ESG policies and procedures.
- Reviewed Royal Mail's early plans to develop a Scope 3 emissions reduction strategy.
- Reviewed Royal Mail's employee benefits and wellbeing support.

Priorities for 2024-25
- Continue to monitor implementation and progress against Royal Mail's and GLS' environmental strategies.
- Continue to monitor Royal Mail's and GLS' health, safety and wellbeing performance.
- Review Royal Mail's Scope 3 emissions reduction strategy.
- Continue to monitor progress against Royal Mail's diversity targets.
- Monitor GLS' preparedness for the Corporate Sustainability Reporting Directive.

Committee membership and attendance
The table below contains information about the Committee's membership and the number of scheduled meetings each Director attended and was entitled to attend during the year ended 31 March 2024.

Director	Joined	Attendance (scheduled meetings)
Lynne Peacock (Chair since 20 July 2022)	1 February 2022	**5/5**
Maria da Cunha	25 September 2019	**5/5**
Baroness Hogg	4 February 2021	**5/5**
Shashi Verma	29 September 2021	**5/5**

Committee meetings were routinely attended by the Non-Executive Chair, the Group CEO, the Group CFO, the Group Company Secretary and the Group Director of Investor Relations. Other members of senior management attend certain meetings by invitation as appropriate. The Committee is supported by the Group Company Secretary and members of the Royal Mail and GLS ESG teams.



Lynne Peacock
Chair

Dear Shareholder,
I am pleased to present this year's Committee Report which sets out the Committee's activities during the year. It should be read in conjunction with the ESG Review on pages 27 to 40.

Following a growing convergence between Royal Mail's and GLS' ESG strategies, we updated our Group ESG Principles to make them more applicable at Group level and established a set of Group ESG ambitions.

Environment – supporting the transition to a low carbon future
Throughout the year, the Committee continued to monitor the implementation of Royal Mail's and GLS' environmental strategies and is particularly pleased that Royal Mail has received SBTi accreditation for its 2040 Net-Zero target and that GLS is applying for accreditation of its own Net-Zero 2045 target. Whilst the Committee is pleased with the progress Royal Mail has made on emissions reductions this year, particularly so given the challenging financial constraints faced by the business, it accepts there is a need to accelerate progress. See pages 28 to 31 for further information.

The Committee continued to receive standing updates on the Group's TCFD implementation and is pleased that the Group is now compliant with 10 of the 11 TCFD recommendations, with work ongoing to ensure compliance with the one outstanding recommendation relating to the impact of climate-related risks and opportunities on business and financial planning. Our TCFD Statement is set out on pages 41 to 48.

Reflecting our commitment in this area and to develop our skills and capabilities to better assess and manage climate-related risks and opportunities, in March 2024 the Committee participated in a wider Board training session provided by an external specialist focused on decarbonisation and upcoming regulatory changes to environmental reporting.

Social – delivering economic and social benefits
Health, safety and wellbeing
The health and safety of our workforce, and those impacted by our operations, is of the utmost importance. Ensuring that our people go home safe to their families each night is one of our primary concerns. Reflecting this, each Committee meeting begins with a 'safety moment', delivered in turn by Royal Mail and GLS, that focuses on a topical safety matter and any lessons learned from it. This process has promoted greater collaboration between the two businesses, with Royal Mail sending out a 'safety flash' based on information from one of GLS' safety moments.

The Committee also monitors the health and safety performance of Royal Mail and GLS. During the year the Committee was pleased to see a further reduction in GLS' lost time accident frequency rate (LTAFR), which has been on a downward trend since the inception of the business' Occupational Health and Safety awareness programme. Within the Royal Mail business, after a discouraging start to the year, the Committee is pleased that the business' LTAFR has stabilised under new safety leadership, which has also brought an intensified focus on preventing dog attacks and road traffic collisions. Under guidance from the Committee, Royal Mail's safety dashboard was also updated to increase the weighting of leading indicators.

During the year, the Committee reviewed the employee benefits and wellbeing support Royal Mail provides to ensure that the business offering was competitive and provided support to employees during the cost-of-living crisis. As part of this review the Committee was updated about the launch of a new wellbeing proposition – Your Wellbeing – and additional employee benefits, including financial support (see page 33).

The Committee also received a teach-in on the Rowland Hill Fund and its relationship with Royal Mail.

→ See pages 32 to 37 for further information.

Culture

The Committee assists the Board in monitoring Royal Mail's and GLS' cultures. The engagement channels and data which the Committee and the Board used to monitor culture throughout the year, as well as the key insights and outcomes, are included on page 89.

DEI

The Committee reviewed progress against Royal Mail's and GLS' DEI strategies during the year and regularly reviewed progress against Royal Mail's diversity targets. Whilst the Committee notes the progress made against each business' overall DEI strategy, in the coming year the Committee will increase its focus on this important area to ensure that momentum is maintained/accelerates. See pages 34 to 36 for further information.

Community engagement

The Committee discussed the Group's societal and community investment, including how Royal Mail's charity partnership with the British Heart Foundation was progressing and the various activities in place across GLS. The Committee commends GLS colleagues for the funds they have raised (€42,500, which was doubled by GLS Italy) for colleagues who suffered heavy flood damage to their homes in May 2023.

The Committee also discussed Royal Mail's ongoing projects to protect vulnerable customers, including awareness of scams and the launch of a new product which allows customers to register standing preferences related to their accessibility needs for all parcels being collected or delivered.

→ See pages 36 and 37 for further information.

Supply chain

During the year the Committee reviewed Royal Mail's early plans to develop a Scope 3 emissions reduction strategy. This strategy is currently in development and will be considered by the Committee in 2024-25.

The Committee also reviewed, and recommended to the Board, the approval of the Group's 2022-23 Modern Slavery Statement, which sets out the measures taken to detect, prevent and remedy the risk of modern slavery within our businesses and supply chains.

Governance – operating responsibly

Alongside the activities highlighted above, at each of its meetings the Committee also reviews KPI dashboards for both Royal Mail and GLS. Royal Mail's dashboard metrics cover safety, environment, joiners and leavers, diversity and absence, and GLS' dashboard metrics cover health and safety, environment and gender diversity.

During the year the Committee reviewed, and either approved or recommended to the Board, several ESG-related policies and reports, including the Group ESG Policy Statement, the Royal Mail and GLS ESG Reports and the Royal Mail Environment Policy, People Policy, Health and Safety Policy and Business Standards.

The Committee ensures its own effective governance through application of its terms of reference, which were reviewed during the year, with only minor changes made.

Stakeholder engagement and reporting

The Committee received its annual update on the Group's participation in key ESG benchmarks and noted that the Group had improved or maintained its ratings in several benchmarks.

The Committee also received regular updates on the Company's engagement with investors, customers and other stakeholders on ESG issues from the Group Director of Investor Relations and the ESG teams, who are standing attendees of Committee meetings.

Committee evaluation

The Committee's annual evaluation of its performance was undertaken as part of the Board effectiveness evaluation (see page 91).

Lynne Peacock
Chair of the ESG Committee
24 May 2024

Directors' Remuneration Report

2024-25 priorities

- Ensure the pay and reward structure supports the Group's strategy.
- Ensure remuneration arrangements are attractive and competitive and aligned with our strategy and performance.

Committee membership and attendance

The table below contains information about the Committee's membership and the number of scheduled meetings each Director attended and was entitled to attend during the year ended 31 March 2024.

Director	Joined	Attendance (scheduled meetings)
Maria da Cunha	25 September 2019	5/5
Lynne Peacock	1 November 2019	5/5
Michael Findlay	25 September 2019	5/5
Keith Williams	4 February 2021	5/5

Maria da Cunha
Chair

Dear Shareholder,

On behalf of the Board, I am pleased to present the 2023-24 Directors' Remuneration Report.

This report covers my second year as Remuneration Committee Chair and sets out details of remuneration paid to Directors in 2023-24 and our intended approach for 2024-25.

I am pleased that 97.88% of shareholders supported our Remuneration Policy at our 2023 AGM. We are proposing one change to the Remuneration Policy this year, and therefore this report also includes a revised Policy, for which we are seeking approval at the upcoming AGM. More information is provided below.

Executive Director and Executive Board changes

This year we made some important changes to the Group's structure, with the introduction of a Group CEO role to whom the CEOs of both our operating divisions will report. Martin Seidenberg, formerly CEO of GLS, became Group CEO in August 2023. Michael Snape joined us as Group CFO in January 2024 after Mick Jeavons stepped down from the role. Below Executive Director level, Karl Pfaff became CEO of GLS in August 2023 and we also welcomed Emma Gilthorpe as CEO of Royal Mail in May 2024.

The packages for Martin Seidenberg and Michael Snape were disclosed in the stock exchange announcements at the time of their respective appointments. Further details are set out below.

As disclosed on page 127, the Committee determined that Mick Jeavons would continue to be eligible for any 2023-24 Short-Term Incentive Plan (STIP), to reflect his ongoing role through the year end process and would retain his unvested Deferred Share Bonus Plan awards. He also retained his Long-Term Incentive Plan (LTIP) awards which will vest in accordance with normal timescales, subject to time pro-rating for length of service. Simon Thompson, the former CEO of Royal Mail, also stepped down in the year; details of his remuneration on departure were disclosed in last year's Directors' Remuneration Report.

Context within which remuneration decisions have been made

Despite a challenging macroeconomic backdrop, the Group has good momentum. The business delivered a robust performance in 2023-24 and both GLS and Royal Mail made good progress against key strategic objectives.

At Royal Mail, prompt action to stabilise the business following the industrial action of last year resulted in an improved cash position and better quality of service, which is now on a positive trajectory, and enabled the business to achieve its best peak operational performance for four years over the important Christmas period. We were also successful in winning back customers lost during the industrial action of last year, and delivered productivity improvements in both processing and delivery.

Following on from the agreement reached with the CWU, approved by CWU members in July 2023, we have made good progress on the delivery of the agreed initiatives. The revised ways of working are already leading to positive benefits in both financial and operational performance, including:

- A revised attendance and sickness policy, introduced in Autumn 2023, has already delivered a c. 1% reduction in frontline sick absence.
- Seasonal working, allowing us to flex up resource in the busy peak period and down in the quieter Summer period.
- Introduction of the 'My Performance' app in October 2023, to provide direct feedback to our posties on operational KPIs, which is improving first time delivery rates and safety metrics.

More remains to be done to transform the Royal Mail business, but initial progress is pleasing, and positions us with a good platform for 2024-25. Our posties and managers should be proud of their efforts and contributions.

GLS has continued to deliver a strong performance, with revenue growth across almost all markets, outperforming versus peers. We continued to invest and upgrade the GLS network, and the new hub in Madrid has provided additional capacity and contributed to double digit volume and revenue growth in Spain. GLS also made good progress in transforming the last mile and developing its digital proposition, providing customers with more out-of-home solutions and doubling the size of its locker network. GLS also continued to build a global service offering, GLS is taking action to mitigate the impact of inflationary pressures through increased automation, productivity improvements and fixed cost containment. We continue to invest to position the business for long-term growth, margin expansion and good cash generation, and are confident we have the right model and strategy for the future to enable us to deliver for all stakeholders.

Group performance

I am pleased to report that the Group delivered a robust financial performance in 2023-24. Key financial highlights include:

- Group revenue increased to £12.7 billion, from £12.0 billion, with growth in both Royal Mail and GLS.
- Group reported operating profit was £26 million (2002-23: loss of £742 million), and adjusted operating loss improved year-on-year to £28 million, from a loss of £71 million.
- GLS revenue increased by 4.6% (4.7% in Euro terms) to £4.9 billion, driven by good parcel volume growth, partly mitigated by lower freight revenue and mix. Continued inflationary wage pressures and the impact of strategic investments resulted in a decline in adjusted operating profit year on year, as expected, to £320 million, down 8.0% (7.9% lower in Euro terms).
- Royal Mail revenue increased to £7.8 billion, from £7.4 billion. This was driven by 6% growth in parcel volumes and letter revenue growth of 4.4%. Adjusted operating loss reduced to £348 million (2022-23: £419 million loss), a result of the increase in revenue.

2023-24 remuneration outcomes

Salaries

Martin Seidenberg's salary was set at £700,000, taking into consideration the size and responsibilities of the new Group CEO role and the strength of his skills and expertise. Michael Snape's salary was set at £487,000, determined taking into account the market benchmarks and his prior experience as a group CFO.

Short-term incentive plan (STIP)

The Committee considered a wide range of factors when assessing the performance of the STIP measures against the targets set for the Executive Directors, including the outcomes for customers and shareholders. Separate scorecards were applied for each of Royal Mail, GLS and the Group. Martin Seidenberg's STIP award was measured against the GLS scorecard from 1 April until his promotion to the Group CEO role, from which time his performance was measured against the Group scorecard. A summary of performance under each scorecard is below, followed by the corresponding STIP payouts.

- The Group STIP scorecard combines GLS and Royal Mail financial measures (amounting to 75% of the scorecard). Non-financial measures (ESG and strategic priorities) make up the balance of the scorecard. Based upon the performance of both businesses, the overall outcome of the Group STIP is 75.9% of maximum.
- 75% of the scorecard for GLS is based on financial measures and performance against these (revenue and cashflow) continued to be positive. The remaining 25% of the scorecard is based on non-financial measures (health and safety, sustainability and strategic priorities). The Committee was pleased with the excellent progress made against these. As a result of the performance delivered, the overall outcome of the GLS STIP is 81.7% of maximum.
- For the Royal Mail STIP scorecard, 75% of the potential payout is based on financial measures (trading cashflow and operating loss) with 25% based on non-financial measures (environmental and strategic priorities). The Committee were pleased with progress made during the year, in particular against the financial measures, which resulted in an overall Royal Mail STIP outcome of 60.2% of maximum.

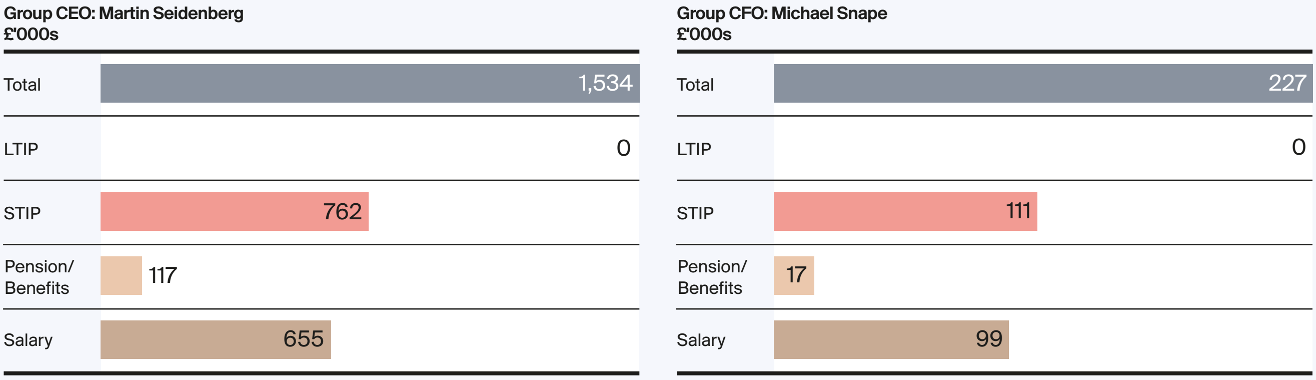
After assessment, the Committee concluded that the overall performance of the Group and each business against the STIP targets, considering the wider experience of our stakeholders, including customers, shareholders and employees, did not require any discretionary adjustments and concluded the formulaic outcome for STIP fairly and appropriately reflects the performance of the business over the period and should be adhered to. Full details of the performance and targets set are on page 126.

For the current and former Executive Directors, the respective STIP awards for 2023-24 are:

Executive Director	Scorecard	STIP payout (as a % of maximum)
Martin Seidenberg – Group CEO (August 2023 to March 2024)	Group	75.9%
Martin Seidenberg – CEO GLS (April 2023 to July 2023)	GLS	81.7%
Michael Snape – Group CFO (January 2024 to March 2024)	Group	75.9%
Former Executive Directors		
Mick Jeavons – Group CFO (April 2023 to January 2024)	Group	75.9%
Simon Thompson – Royal Mail CEO (April 2023 to May 2023)	Royal Mail	60.2%

In accordance with the Policy, one third of the bonus for current Executive Directors will be deferred into shares for three years.

Total remuneration



Long-term incentive plan (LTIP)

Awards under the 2021 Royal Mail LTIP were granted to Martin Seidenberg (as CEO GLS), Simon Thompson and Mick Jeavons on 12 August 2021. The performance period ended at the end of March 2024. As disclosed on page 128 Simon Thompson's unvested LTIP awards lapsed when he stepped down from the Board.

Following an assessment of the performance conditions, the LTIP awards held by Martin Seidenberg and Mick Jeavons have a vesting outcome of 0% and therefore will lapse in full. Full details of the performance and targets set are on page 127.

Total remuneration

Based on the above STIP and LTIP outcomes, each Executive Director's 2023-24 remuneration is set out on page 125. The Committee believes the respective single figures of total remuneration are appropriate in the context of the wider stakeholder experience.

2023 LTIP grants

The Committee granted awards in July 2023 to Martin Seidenberg and Mick Jeavons, and Michael Snape in February 2024.

Mick Jeavons received an award of 150% of salary and, as noted above, he retained this award on termination of his employment (subject to the original performance conditions and time pro-rating).

Martin Seidenberg received an award of 300% of salary, which included an additional award above the usual policy maximum, in accordance with our recruitment policy.

Michael Snape received an award of 150% salary pro rated for time in role during the performance period.

The performance targets for all awards were set out in the stock exchange announcement at the time of grant. Group scorecard metrics apply to the LTIP award granted to Martin Seidenberg up to 200% of salary and to all of the LTIP awards granted to Michael Snape and Mick Jeavons. These are relative total shareholder return (TSR) (40%), UK Operating Profit (20%), UK Trading Cash Flow (10%), GLS EBITA (20%) and GLS Free Cash Flow (10%). The additional 100% of salary award for Martin Seidenberg is subject to very stretching relative TSR performance versus FTSE companies ranked 51-150 (excluding mining and financial services companies), assessed after three years. 0% of this part of the award will vest for 75th percentile performance, and 100% will vest for 90th percentile performance.

In addition, a financial performance underpin will apply to this stretch TSR element. Royal Mail must record a profit on an adjusted operating profit basis (excluding voluntary redundancies) in 2025-26, the final year of the performance period, for this element to be eligible to vest.

This approach recognised that a larger upside opportunity was necessary to recruit talent of sufficient calibre for the Group CEO role in the business circumstances at the time. However, the link to very stretching TSR performance ensures that Martin is incentivised to deliver outstanding returns for shareholders over the three years to 2026.

The terms of these awards also provide the Committee with the ability to review the outcome at vesting, considering the underlying performance of the Group.

Wider employee context

— GLS employees were awarded pay rises ranging between 5.9% (Spain and Canada) and 25.7% (Hungary), reflecting varying levels of local pay inflation in the countries that GLS operates in.
— Following the two-year pay deal agreement with Unite, Royal Mail managers were awarded a 3.5% pay award from 1 September 2023 with a further pay award of 2.0% from 1 September 2024 (an additional 1% being available if UK RPI inflation is at or above 4.0%). A biennial health screening programme was made available to management which has seen high take-up levels and has delivered some positive health interventions to date.
— CWU grade employees were awarded a multi-year pay award equivalent to 10% over three years plus a £500 lump sum. In addition, a lump sum payment was paid to CWU grade employees and Unite represented management at £1,007 (pro-rata for part-timers); funded from a refund of cash held in escrow by the Trustee of the Royal Mail Pension Plan ('RMPP'). As part of the Business Recovery, Transformation and Growth Agreement a 2% pay award was awarded in April 2024.
— The simplified new starter employment contract for frontline employees, which was launched in December 2022, has continued to deliver positive results with the number of new recruits increasing and the changes to the contract, flexible location, increase to weekly working hours and monthly payroll, delivering positive results for the business.
— The Royal Mail wellbeing programme continues to expand and during the year additional help and support was made available for mental health, financial wellbeing, and physical wellbeing.

2024-25 executive remuneration

Remuneration Policy review

During the Group CEO recruitment process we recognised that the existing variable remuneration opportunities for Executive Directors were not consistent with the scale of the new Group CEO role, which includes the turnaround of Royal Mail and the continued growth of GLS. Under Martin's leadership we have seen improved performance at Royal Mail and significant strategic progress at GLS, making both businesses well positioned for the future.

In this context, at the 2024 AGM we intend to seek shareholder approval to increase our maximum normal LTIP award from 150% to 200% of salary. The current intention is that this increased opportunity would only apply to the Group CEO. No other changes are proposed to the Policy, which, as noted above, was approved by c.98% of shareholders last year.

We believe that this change to the LTIP opportunity will provide a more appropriate incentive to successfully lead the Group through the current challenges and deliver on the opportunities available to both GLS and Royal Mail. The proposed increased LTIP award opportunity also reflects the scale of the Group CEO role. Royal Mail is a large business with c.130,000 permanent employees which is transforming and modernising to meet the expectations of customers and deliver returns for shareholders. GLS has grown to a £4.9 billion revenue business and has a proven track record of solid margins and cash generation, and with opportunities to continue to invest for long-term growth. The Group CEO role is a complex role and it is appropriate that the LTIP opportunity, which is subject to delivering performance across the portfolio and returns to shareholders, reflects this.

The proposed increase would move our maximum LTIP opportunity for the Group CEO in line with the median for other companies in the top 50 of the FTSE 250 and would result in a total remuneration opportunity of between median and lower quartile versus this group. Our proposed incentive opportunities of a 150% of salary STIP and a 200% of salary LTIP would also be consistent with median levels for CEOs across FTSE 250 companies as a whole. The proposed Policy change would therefore not result in an excessive remuneration opportunity, especially given the complexities of the role.

Following Martin's appointment we engaged with our largest shareholders to discuss the proposed increase to the LTIP award opportunity for the Group CEO role. No concerns were identified as part of that engagement. I would like to thank shareholders for considering our proposals and look forward to ongoing future engagement on executive remuneration.

Further details on implementation of the policy for 2024-25

Executive Director salary changes

The Committee reviewed the salaries of its Executive Directors in the context of the 2024 increases for the wider workforce.

The Committee decided to apply an increase of 2.0% for Martin Seidenberg, effective 1 April 2024, which is aligned to the 2024 salary uplift for CWU grades and less than the salary uplift for Unite represented management grades. Given his recent appointment, Michael Snape was not eligible for a salary increase for 2024-25.

Pension arrangements

The Executive Directors receive a pension allowance of 13.6% of salary, which is aligned with the benefit that will be provided to all eligible employees under the proposed Royal Mail Collective Pension Plan, which is expected to launch in FY 2024-25. The 13.6% is less than the 15.6% of salary benefit currently received by the majority of Royal Mail colleagues in the UK.

Design of the 2024-25 STIP

Across the Group the key focus for 2024-25 remains profitable growth, improved quality of service at Royal Mail and prudent management of cash flow.

ESG remains a key part of the strategy of IDS and the delivery of a low-carbon letter and parcel delivery service. We will therefore continue to include the environmental metric as an STIP metric. The measures and weightings are set out on page 135.

2024 LTIP awards

The measures and targets that will apply to the 2024 LTIP awards are set out on page 135. These measures, broadly replicate the previous structure that applied prior to 2023 and are designed to ensure that the Executive Directors are incentivised to deliver the key long-term priorities relevant to their role, with 40% of the award based on Group TSR to ensure alignment with overall Group performance.

At market close on Thursday 28 March 2024, the Company's share price was 229.3 pence, which is a minor decrease compared with the 2023 LTIP grant price of 230.4 pence.

Consideration of the wider workforce views

The Committee and the wider Board continue to meet and spend time with employees at all levels across the Group. This invaluable engagement provides vital insights into the culture and workings of the Group and helps inform all aspects of remuneration decisions, including the alignment between executive compensation and the wider workforce. Further information on our workforce engagement is included on pages 22, 34 and 90.

As in previous years, the Committee reviewed the gender pay gap reporting and remuneration practices and governance across the Group. In 2023-24 the Audit and Risk Committee discussed the continuing challenges of recruiting, retaining and engaging key talent, which has framed many of the remuneration decisions made by the Committee.

Summary

2023-24 has seen both businesses in the Group move forward. Our key focus remains the successful delivery of outcomes to our customers, which have improved over the past year. The Committee has continued to ensure that any remuneration outcomes are balanced and fair and that the relative performance of both businesses are reflected in these decisions.

I trust that you find the Remuneration Report clear and informative. We hope that you will support our Remuneration Report and Remuneration Policy at the forthcoming AGM.

Maria da Cunha
Chair of the Remuneration Committee
24 May 2024

2024-25 Executive Directors' remuneration structure

The table below summarises the implementation of the Policy for Executive Directors in 2024-25.

Financial year	2024-25	2025-26	2026-27	2027-28	2028-29	Implementation for 2024–25
Salary						– Martin Seidenberg – £714,000 (2% increase). – Michael Snape – £487,000 (no increase). – Martin's salary increase for 2024-25 aligned with the 2024 increase for CWU grades
Benefits						– No change in how the Remuneration Policy is intended to operate. – Pension contribution and/or allowance of 13.6% in line with the wider workforce. – Other benefits may include healthcare and car allowance (or car).
STIP	Performance period	Deferral period Malus and clawback provisions apply				– Maximum STIP award of 150% of salary – One third of award is deferred into shares for three years. – The target award is 75%. – Performance has 75% financial and 25% ESG measures or other organisational priorities.
LTIP	Performance period Malus provisions apply			Holding period Clawback provisions apply		– Maximum LTIP award of 200% of salary (subject to shareholder approval) for Group CEO. – Maximum LTIP award of 150% of salary for Group CFO. – Shares vest after three years subject to performance, with a further two-year holding period. – Relative TSR 40% and financial measures 60%.

Aligning our remuneration approach to business strategy and stakeholder interests
To generate value for stakeholders, we are focused on building a more balanced and diverse international business. Recognising that Royal Mail and GLS have different market positions, strengths and opportunities, we have developed separate strategies to drive sustainable growth in each business and at all times meet changing customer needs.

Our remuneration approach is aligned to our strategy, thereby incentivising, as appropriate, great customer service and the creation of long-term value for all of our stakeholders.

The following table provides a summary of how our incentive framework in 2024-25 is aligned with our business strategy and the results that it delivers. Many of the incentive measures are key performance indicators (KPIs) (see pages 20 and 21).

Summary of incentive framework

	Financial measure			ESG measure	Other measure	
	RM Operating profit (loss)/ GLS EBITA	RM free cash flow	GLS free cash flow	Environmental	Relative TSR	Individual priorities
Short-Term Incentive Plan	✓	✓	✓	✓		✓
Long-Term Incentive Plan	✓	✓	✓		✓	

The Committee believes that its executive remuneration policies and practices support the respective strategies in Royal Mail and GLS and promote long-term sustainable success, with reward linked to the successful delivery of such long-term strategy. The remuneration, including incentive arrangements for the respective executive teams, is aligned to our purpose and values (see page 1), with a focus on customers and other stakeholders an integral part of our executive remuneration approach.

Executive Directors' variable remuneration in 2023-24
As a result of the Company's 2023-24 performance (against financial, ESG and strategic measures), STIP awards are payable to some of the Executive Directors as shown below. The Committee considered that these outcomes were appropriate in the context of the Group's, GLS' and Royal Mail's overall performance and that of the Executive Directors and former Executive Directors during the year.

The performance period for the 2021 Royal Mail (RM) LTIP concluded at the end of March 2024. The outcome is shown below and more details on the progress against individual measures is shown on page 127.

	M Seidenberg	M Snape	M Jeavons	S Thompson
2023-24 RM STIP (% of salary)	112%	113%	113%	90%
2021 RM LTIP vesting (% of maximum)	0%	n/a	0%	n/a

Executive Directors' total single figure of remuneration	M Seidenberg	M Snape	M Jeavons	S Thompson
2023-24 total remuneration (£'000s)	1,534	227	804	127

Additional information	Percentage/Ratio
Group CEO and CFO shareholding requirement (% of salary)	200%
Median gender pay gap (RMUK)	2.6%
Median gender bonus pay gap (RMUK)	1.6%
CEO pay ratio	42:1

How does our Directors' Remuneration Policy address the key features set out in the UK Corporate Governance Code?
The table below details how the Committee addressed Provision 40 of the Code in respect of Directors' remuneration:

Provision	Approach
Clarity	— The Committee consults annually with shareholders to seek their views on the operation of the Policy in the year. — Information on how remuneration is structured for all employees and how it is aligned to Directors' remuneration is included in the Directors' Remuneration Report.
Simplicity	— The Policy consists of a) fixed remuneration and b) variable remuneration comprising one short-term incentive and one long-term incentive only. Included in the Policy are the objective of each element, as well as how they operate.
Risk	— The combination of reward for short-term business performance, paid partly in cash and partly in deferred shares, and long-term performance, with incentive measures covering shareholder returns, financial and non-financial elements, ensures that the incentives drive the right behaviours for the Group, its shareholders, employees, and customers. — Incentive plans include non-financial risks such as health and safety and environmental protection and are subject to malus and clawback provisions.
Predictability	— Threshold, target and maximum pay scenarios are set out in the Remuneration Report section. — Maximum variable remuneration award levels are capped, with overall vesting levels driven by performance outcomes. — The only source of variation in final payouts is the fact that part of the variable remuneration is awarded in shares and so is linked to the share price.
Proportionality	— There is a clear and direct link between business performance and individual rewards through our incentive plans. — The Committee retains the discretion to adjust formulaic outcomes of incentive plans if they do not reflect the underlying performance of the Group.
Alignment with culture	— The Committee has worked hard to design a Remuneration Policy which directly supports our strategic priorities and aligns our Directors and wider management to these outcomes. — Our incentive plans include both financial measures and ESG measures. These ESG measures focus on our customers, health and safety, and environmental protection. — All Royal Mail managers' individual performance is considered against Royal Mail's values: be positive, be brilliant, be part of it. Therefore, we assess our managers against not only what they have achieved, but also how they do things.

In accordance with Code Provision 41, the Directors' Remuneration Report describes the work of the Committee, including the following matters:

Provision	Approach
Operation of Policy	— The Committee believes that the Remuneration Policy operates as intended in terms of Company performance and the quantum of remuneration delivered.
Shareholder engagement	— We engaged with our shareholders as part of the development of the new Remuneration Policy in 2023, and again this year to discuss the proposed changes to our Policy being presented at the 2024 AGM. We are grateful for the feedback and input they provided, which has shaped our thinking and decision making.
Workforce engagement	— An outline of our approach to workforce engagement in set out on pages 22, 34 and 90. — The Committee will continue to explore in the coming years how such engagement can be further strengthened in relation to the development of executive remuneration policy.

Directors' Remuneration Policy

The Company's existing Directors' Remuneration Policy was approved by 97.88% of shareholders at the AGM on 20 July 2023. Following the appointment of a Group CEO in August 2023, the Remuneration Committee conducted a review of the Remuneration Policy and considered what change was necessary in order to provide an appropriate and competitive incentive opportunity that reflected the scale and complexity of the Group CEO role. As part of this process ahead of the 2024 AGM, the Chair of the Remuneration Committee consulted with the Company's largest shareholders and proxy agencies to discuss the proposed changes to the Remuneration Policy.

As a result of this process, it is proposed that the LTIP opportunity is increased from 150% to 200% of salary. This will provide a more appropriate incentive to successfully lead the Group through the current challenges and deliver on the opportunities available to both GLS and Royal Mail. No other changes are proposed.

Subject to shareholder approval at the AGM to be held on 25 September 2024, this Remuneration Policy will take effect from the date of the 2024 AGM and will apply for up to three years.

Executive Director fixed remuneration

At a glance – maximum opportunity	Operation
Base salary	
Purpose and link to strategy Reflects the scope and responsibility of the role, while taking account of the skills and experience of the individual. Used to attract and retain talented executives to deliver the business strategy.	
Salaries for 2024-25 will be as follows: M Seidenberg (Group CEO) – £714,00 M Snape (Group CFO) – £487,000	Salary levels for the Executive Directors are normally reviewed annually. The Committee considers factors such as the performance of the Company, the performance of the Executive Director, any changes in role and responsibility, assessment against relevant comparator groups, internal relativities and the level of increase being offered to our frontline employees. Increases will normally be in line with the broader employee population. Increases may be made above this level to take account of changing circumstances, such as a change in responsibility, progression in the role, individual performance or a significant increase in the scale or size of the role.
Benefits	
Purpose and link to strategy To support the attraction and retention of talented executives by providing a competitive offering.	
The value of the benefits stated is the maximum cost to the Company of providing them	Benefits currently include the provision of a company car or the cash equivalent and health insurance. Life assurance and health screening are also provided. Additional benefits may be offered such as financial advice and relocation allowances. UK-based Executive Directors are entitled to participate in any Share Incentive Plan (SIP) or Save As You Earn (SAYE) schemes currently available to employees. Where an Executive Director is based outside the UK but is required to travel to the UK to fulfil the responsibilities of their role and to attend Board meetings, they may be subject to tax on their business travel expenses to and from the UK and on the provision of any accommodation in the UK. Although it represents a business expense, the tax treatment requires that their travel and accommodation expenses are then included as benefits. Because of the business context, the tax liabilities will be covered by the Company on a grossed-up basis.
Pension	
Purpose and link to strategy To provide a competitive post-retirement income.	
Executive Directors currently receive a pension of 13.6% of salary, which is aligned with the majority of the workforce. For newly appointed Executive Directors, the pension allowance will be in line with employer contribution for the majority of the workforce.	Company contribution to a defined contribution pension scheme and/or a cash supplement (in lieu of pension).

Executive Director variable remuneration

At a glance – maximum opportunity	Operation	Performance measures
Short-Term Incentive Plan (or annual bonus)		
Purpose and link to strategy Designed to reward achievement of key strategic, financial and operational priorities for the year to deliver strong performance in service of longer-term strategic goals and creation of long-term shareholder value. Part of the total annual incentive opportunity is a deferred share award encouraging a long-term view, providing alignment with shareholders' interests.		
Maximum total annual incentive opportunity of 150% of salary, with a target opportunity of 75% of salary.	Normally at least one third of any bonus earned is deferred into shares in the Company which are normally released after three years. Deferred share awards will be granted to Executive Directors in the form of a conditional share award. The Committee will normally award dividend equivalents on deferred shares to the extent that they vest. Malus and clawback provisions will apply to both elements of the award.	Annual performance measures and weightings will be selected at the start of each financial year to align with the key strategic, financial, and operational priorities of the business. The measures themselves may change on an annual basis as financial and operational priorities of the business change. In addition, the Committee may select an underpin or underpins that must be achieved (which may be at a Group or an appropriate business unit level) before any bonus is payable to an Executive Director. Financial and/or non-financial measures can be used as underpin measures.
The Committee may use its discretion to: — Change the performance measures and targets, and the weighting attached to these partway through a performance year if there is a significant and material event which causes the Committee to believe that the original measures, weightings and targets are no longer appropriate. — Make downward or upward movements to the amount of bonus earned resulting from the application of the performance measures, if the Committee believes that the bonus outcomes are not a fair and accurate reflection of business performance.		
Long-Term Incentive Plan		
Purpose and link to strategy Supports executive recruitment and retention, with an appropriate balance between short-term performance and the creation of long-term, sustainable shareholder value.		
Maximum award level of 200% of salary For 2024 awards: Group CEO: 200% of salary Group CFO: 150% of salary	Awards are granted annually to Executive Directors in the form of a conditional share award. These will vest at the end of a three-year period subject to: — The Executive Director's continued employment at the date of vesting. — The satisfaction of the performance conditions. The Committee will normally award dividend equivalents on shares to the extent that they vest. There is a two-year holding period after vesting when Executive Directors cannot sell the vested shares other than to pay tax. Malus provisions apply over the performance period. Clawback will apply over the holding period.	Performance measures and/or weightings reflect the business strategy at the time and are measured over or at the end of three years. The Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate. The underlying performance of the business will also be considered when determining the vesting.
In exceptional circumstances the Committee retains the discretion to vary or waive the performance conditions applying to LTIP awards, if the Board considers it appropriate and the new performance conditions are deemed reasonable and are not materially more or less difficult to satisfy than the original conditions.		

Application of malus and clawback

At a glance – maximum opportunity	Operation
Malus and clawback may be applied by the Committee in the event of:	i. Discovery of a material misstatement resulting in an adjustment in the Company's accounts. ii. Discovery that the grant or vesting of an award was based on error or inaccurate or misleading information. iii. Conduct by an Executive Director that amounts to fraud or gross misconduct. iv. Conduct by an Executive Director that results, or could result, in serious reputational damage to the Group. v. Conduct by an Executive Director that has caused a material failure of risk management. vi. The Company enters involuntary administration or insolvency process. vii. An Executive Director breaching any restrictive covenants or confidentiality obligations that apply after the termination of their employment. Events iv) to vii) only apply to awards granted after 1 April 2019.
Shareholding guidelines – during employment	
Purpose and link to strategy To ensure alignment between remuneration and long-term shareholder value creation.	
Shareholding guideline of 200% of salary	Executive Directors are expected to retain any shares they already own and any shares released under the LTIP and the Deferred Share Bonus Plan (DSBP) (except for those sold to cover any tax and social security obligations) until this is achieved.
Shareholding guidelines – post cessation	
Purpose and link to strategy To ensure continued alignment of Executive Directors with shareholders as they transition out of the business.	
200% of salary to be held in vested shares for two years after leaving.	On cessation, Executive Directors are required to maintain their shareholding guideline for two years. The number of shares to be held will be based on the shares vested under executive share schemes only (including the shares from any DSBP award that are yet to vest, based on a net calculation) and will be determined by the share price on the date of cessation. If an Executive Director has not yet reached the 200% of salary guideline at the point of departure, they will be required to hold any shares granted under executive share schemes for two years. The post-cessation shareholding requirement will be included in Settlement Agreements for Executive Directors on leaving the business.

Approach to recruitment remuneration

Element	Policy
Salary	Salaries for new Executive Directors appointed to the Board will be set in accordance with the terms of the approved Remuneration Policy in force at the time of appointment. In particular, they will take account of the appointee's skills and experience as well as the scope and market rate for the role.
Benefits	Benefits consistent with those offered to other Executive Directors under the approved Remuneration Policy in force at the time of appointment will be offered, including the discretion to offer additional benefits including but not limited to a) relocation allowance on recruitment and b) covering additional tax incurred by a non UK-based Executive Director when performing their duties outside their home country (such as visiting the UK for Board or other meetings) to ensure that they are not subject to a greater tax burden as a result.
Pension allowance	The pension allowance paid to any newly appointed Executive Director will be aligned to the wider workforce pension arrangements as outlined in the Remuneration Policy.
Incentives	Incentive arrangements will be in accordance with the approved Remuneration Policy in force at the time of appointment to the role. Under the Remuneration Policy: – Maximum total annual incentive opportunity award in any year would be 150% of salary. – Maximum LTIP award would be 200% of salary (with the ability to offer up to 300% of salary for the year of starting the role). For an externally appointed Executive Director, the Company may offer additional cash or share-based payments that it considers necessary to buy out current entitlements from the former employer that will be forfeited on recruitment. Any such arrangements would reflect the type of award (for example, cash or shares), time horizons, and levels of conditionality of the remuneration foregone. In order to facilitate buy-out arrangements, existing incentive schemes will be used to the extent possible, and the Committee will retain discretion on the application of holding periods, performance conditions and performance periods. For an internally appointed Executive Director, any outstanding variable pay element, such as an LTIP awarded in respect of the prior role, will continue on its original terms.
Other	The Committee always seeks to use its judgement to ensure that any remuneration package is set such that the Company is able to attract the right calibre of individual required, whilst maintaining a responsible attitude to executive compensation. The terms and conditions for any new Executive Director contract, as outlined in this Policy, shall always be subject to local laws in any applicable jurisdiction and be amended to ensure compliance with such local laws where necessary.

Policy on payment for loss of office

The Committee reserves the right to make any other payments in connection with an Executive Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of compromise or settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with cessation of office or employment.

The Company may meet ancillary costs, such as outplacement consultancy and/or reasonable legal costs, if the Company terminates the Executive Director's service contract.

Element	Policy
Payment in lieu of notice	The Company may terminate the contract by making a payment in lieu of any unexpired notice period (unless dictated by applicable law). The payment in lieu of notice is limited to a maximum of 12 months' base salary (unless dictated by applicable law). Service contracts for Executive Directors will expressly provide for the use of monthly phased payments (unless dictated by applicable law) in the event of a payment in lieu of notice with a reduction in amounts paid if the executive obtains alternative paid employment.
Other payments	Payment in lieu of accrued holiday, incidental expenses, outplacement services and payments relating to post-termination restrictions may be paid/provided for as appropriate. Any statutory entitlements or sums to settle or compromise claims in connection with a termination (including, at the discretion of the Committee, reimbursement for legal advice) would be paid as the Committee considers necessary.
Post-cessation shareholding	Executive Directors will be required to maintain their shareholding guideline for two years. The number of shares to be held will be based on the shares granted under executive share schemes only and will be determined by the share price on the date of cessation. If an Executive Director has not yet reached the 200% of salary guideline at the point of departure, they will be required to hold any shares, granted under executive shares schemes, for two years.

The following table sets out the position under the incentive plans on cessation of employment:

Element	Good leaver reason[1]	Other reason[2]	Committee discretion
Annual bonus (cash)	Performance conditions will be measured at the bonus measurement date. Bonus will normally be pro-rated.	No bonus payable for year of cessation.	— To determine that an executive is a good leaver. — To determine whether to pro-rate the bonus to time. The normal approach is that bonus will be pro-rated provided that where any discretion is exercised there is an appropriate business case which will be explained to shareholders.
Annual bonus (deferred)	All subsisting deferred share awards will normally vest on the normal vesting date.	Lapse of any unvested deferred share awards.	— To determine that an executive is a good leaver. — To vest deferred shares at the date of cessation of employment. — To determine whether to pro-rate the award to time. The normal approach for existing awards is that they will not be pro-rated provided that where any discretion is exercised there is an appropriate business case which will be explained in full to shareholders. In respect of the year of cessation, discretion may be exercised to provide a pro-rated deferred share award based on achievement of performance conditions as measured at the bonus measurement date.
LTIP	Pro-rated to time and performance in respect of each LTIP award. Awards will vest on the normal vesting date and the holding period will apply, except in the case of death when awards will vest on date of cessation of employment (and no holding period will apply).	Lapse of any unvested LTIP awards.	— To determine that an executive is a good leaver. — To measure performance over the original performance period or at the date of cessation of employment. — To vest the shares on date of cessation of employment. — To determine whether to pro-rate the award to time. The normal approach is that awards will be pro-rated and to disapply the holding period provided that where any discretion is exercised there is an appropriate business case which will be explained in full to shareholders.

1. A good leaver reason is defined as cessation in the following circumstances: death; injury, ill health or disability, as established to the satisfaction of the Committee; redundancy with the agreement of the Committee; retirement with the agreement of the Committee; the company employing the executive ceasing to be a member of the Group; the business or part of the business to which the executive's office or employment relates being transferred to a person who is not a member of the Group; or any other reason where the Committee in its discretion so permits.
2. Cessation of employment in circumstances other than those set out above is cessation for other reasons.

Policy on a takeover or other corporate events

The Committee's policy on the vesting of incentives on a change of control is summarised below.

Element	Take over	Committee discretion
Annual bonus (cash)	Pro-rated to time and performance to the date of the takeover.	The Committee's normal approach is that it will pro-rate the bonus for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case, which will be explained in full to shareholders.
Annual bonus (deferred)	Subsisting deferred share awards may vest on a takeover.	The Committee has discretion regarding whether to pro-rate the award to time. The Committee's normal approach is that it will not pro-rate awards for time. The Committee will make this determination depending on the circumstances of the takeover.
LTIP	Subsisting LTIP awards may vest on a takeover, pro-rated to time and performance.	The Committee will determine the proportion of the LTIP award which vests taking into account, among other factors, the period of time the LTIP award has been held by the participant and the extent to which any applicable performance conditions have been satisfied at that time.

In the event of a demerger, the Committee has wide flexibility as to what should happen to awards, including whether all or part of an award should vest and on what terms, or whether an award should continue on amended terms.

Legacy commitments

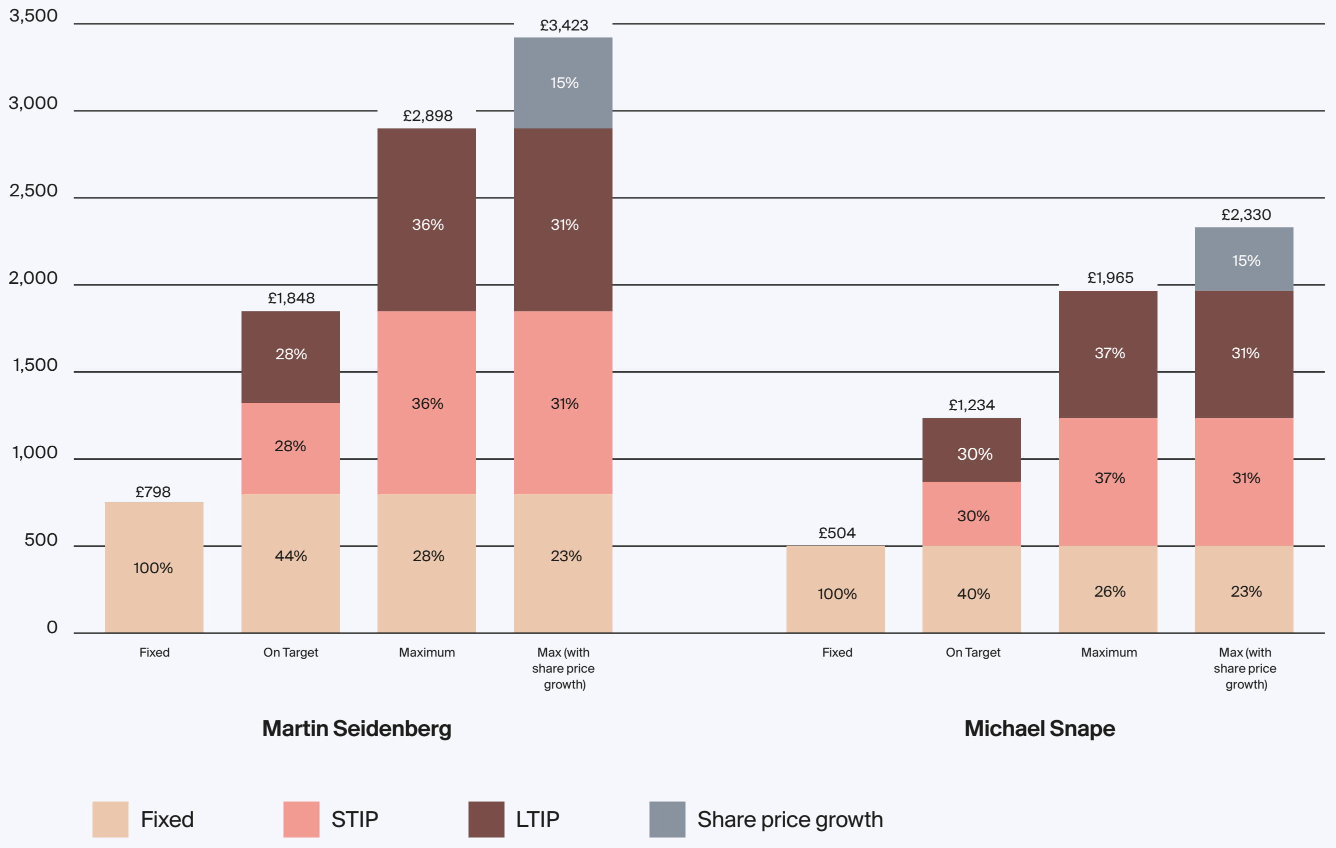
The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out in this report where the terms of the payment were agreed (i) before the 20 July 2023 AGM (the date the previous shareholder-approved Directors' Remuneration Policy came into effect); (ii) before this Policy came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed, or at a time when the relevant individual was not an Executive Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming an Executive Director of the Company. For these purposes, 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

This policy applies equally to any individual who is required to be treated as an Executive Director under the applicable regulations.

Executive Directors' remuneration opportunity under the Policy
The following charts set out the remuneration scenarios under the Policy for the Executive Directors in 2024-25.

It should be noted that there is a change to the maximum LTIP incentive opportunities receivable for the Group CEO, compared with the previous Policy scenarios.

Illustrative remuneration scenarios (£'000s)



Assumptions
Fixed remuneration: Includes current salary, pension allowance at 13.6% and, in the case of the Group CFO, a benefits value of c.£13,160 and, in the case of the Group CEO, a benefits value of c.£17,000 (including company car and grossed-up taxes).

On target: STIP is 75% of salary (including the deferred element) and LTIP is 100% of salary for the Group CEO, and 75% of salary for the Group CFO.

Maximum: STIP is 150% of salary (including the deferred element) and LTIP is 200% of salary for the Group CEO, and 150% of salary for the Group CFO.

Maximum with 50% share price appreciation: The share price embedded in the LTIP calculation for the 'maximum with share price growth' bar chart is assumed to increase by 50% over the performance period.

No dividend equivalents on share-based incentives have been applied in any of the above scenarios.

Remuneration policy for Non-Executive Directors (including the Chair of the Board)

At a glance	Operation
Purpose and link to strategy Provides a level of fees to support recruitment and retention of Non-Executive Directors and a Chair of the Board with the necessary experience to fulfil the leadership role required of them.	
Non-Executive Directors are paid an annual fee and additional fees for being Chair of a Committee or a member of a Committee and, if appropriate, other additional time commitments. The Chair of the Board does not receive any additional fees for membership of Committees.	The Board is responsible for setting the remuneration of the Non-Executive Directors. The Remuneration Committee is responsible for setting the Chair of the Board's fees. The fees for Non-Executive Directors and the Chair of the Board are set at broadly the median of the comparator group. Fees are reviewed annually based on equivalent roles in the comparator group. In general, the level of fee increase for the Non-Executive Directors and the Chair of the Board will be set taking account of any change in responsibility and will consider the general rise in salaries across the UK workforce. The Company will pay reasonable expenses incurred by the Non-Executive Directors and the Chair of the Board and may settle any tax incurred in relation to these. Non-Executive Directors and the Chair of the Board do not participate in any variable remuneration or benefits arrangements.

Service contracts and letters of appointment
The Company's policy is that the Executive Directors are employed under service contracts. The contracts have an indefinite term and are normally terminated by the Executive Director with six months' written notice and by the Company with 12 months' notice. Copies of the Executive Directors' service contracts will be available for inspection at our forthcoming AGM.

Subject to Board approval, it is the Company's policy to allow each Executive Director to accept one Non-Executive Director position on the board of another listed company. The fees for such appointments are retained by the Executive Directors and, as appropriate, are disclosed in the Remuneration Report.

The Non-Executive Directors (including the Non-Executive Chair of the Board) are appointed by rolling letters of appointment. The Non-Executive Directors are appointed for up to three years, subject to annual review and re-appointment. The fees for new Non-Executive Directors appointed will be set in accordance with the terms of the approved Remuneration Policy in force at the time of appointment. One month's notice is required by either party (four months' notice in the case of the Chair of the Board).

Consideration of employment conditions elsewhere in the Group
In developing the 2024 Remuneration Policy, the Committee carefully considered the remuneration arrangements across the Group. The Committee receives information on wider workforce demographics and remuneration on a regular basis, to ensure that the Committee has a good understanding of the structure and application of reward policies throughout the Group.

The Committee has agreed a set of Guiding People Principles for IDS plc, against which it can assess the Company's reward arrangements. Across the Group, we are working towards reward arrangements that:

— Deliver both value for our people and a return on investment for the business.
— Incentivise and recognise high performance.
— Are aligned with the markets in which we operate and compete.
— Drive efficiencies by taking a consistent cross-business approach.
— Are well communicated, holistic and understood by our people.

When making decisions about executive remuneration, the Committee ensures, for example, that pay review budgets for Royal Mail executives are typically set at levels which mirror those being applied for managerial populations, which in turn are set in the context of pay levels agreed with our trade unions for employees whose pay is collectively bargained. In addition, the different incentive and commission plans in operation across Royal Mail support the delivery of the Company-wide priorities which are part of the STIP, through which the Executive Directors are incentivised. The broader workforce did not have direct input into the Policy, but its application is heavily influenced by remuneration arrangements for all employees. Ingrid Ebner is the Designated Non-Executive Director for engagement with the workforce, which allows any key themes from employee engagement activity to be fed into Committee discussions. Further information about our workforce engagement activities is set out on pages 22, 34 and 90.

The Committee is directly responsible for the remuneration of the Executive Directors and the respective Royal Mail and GLS Executive Boards. The Committee is also given regular updates and, as required, takes key decisions on incentive plans that cascade through the organisation. The Committee takes changes in workforce remuneration into account when making decisions on executive remuneration.

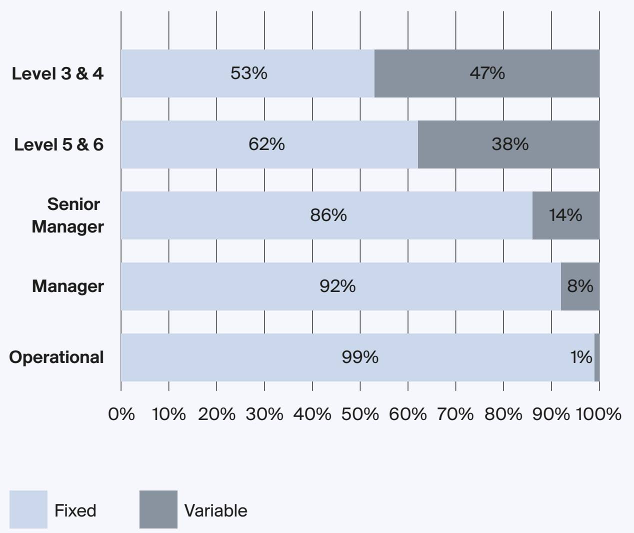
A summary of remuneration across the Royal Mail business is set out below.

	Operational	Managers	Senior managers	Senior leaders
Salary	Based on role, location and service, progression typically based on service. Salary increases negotiated with the CWU and applied to the pay scales. No personal or performance-related element.	Middle and junior managers typically have a similar fixed pay structure to operational colleagues, with pay scales that they progress through based on service.	Pay based on the role and an individual's experience and skills, within broad bands.	Pay based on the role and an individual's experience and skills, and external market positioning.
Allowances and overtime	Eligible for allowances (including functional, shift and legacy allowances), overtime and scheduled attendance (a form of planned overtime).	Some roles at this level are also eligible for shift pay, overtime and allowances.	Not eligible.	Not eligible.
Pension	The majority of employees are members of the Royal Mail Defined Benefit Cash Balance Scheme (DBCBS), with a Royal Mail contribution at 15.6% of salary, into which participants transferred after the closure of the final salary pension plan. New hires are eligible for the Royal Mail Defined Contribution Plan (DCP), with Company contributions up to 10% of salary. However, on the launch of the new Royal Mail Collective Pension Plan, all eligible colleagues will participate in this plan (rather than the current DBCBS and DCP). Company contributions will be up to 13.6% of salary.			Option of cash allowance in lieu of Company contributions.
Benefits	Employee paid-for flexible benefits (e.g. childcare vouchers, cycle to work scheme, car leasing, insurances, season ticket loans) and all employee share plans.		Car allowance and healthcare, in addition to employee paid-for flexible benefits and all employee share plans.	
Short-term incentive (STIP)/bonuses	Eligible for a 'Christmas Supplement' reflecting their huge effort and impact during our busiest period. Not linked to personal performance.	Managers are eligible for a management STIP based on corporate and personal performance.		Eligible for management STIP with a deferred share element for some roles.
LTIP	Not eligible.	Not eligible.	Not eligible.	Eligible.

The chart shows an indicative summary of the relationship between fixed and variable pay across Royal Mail. There is no discretionary performance-related pay for operational roles. Colleagues at this level influence their remuneration through working additional or anti-social hours.

All our managers have an element of performance-related pay – with Executive Directors having the highest proportion of their pay at risk.

Illustration of typical split of fixed and variable remuneration



Transforming company car provision
In July 2021 Royal Mail announced its 2025 roadmap to decarbonise its company car and business mileage allowances policies. This is part of the business' commitment to reduce its environmental impact and achieve Net-Zero by 2040 and should ensure that its company car fleet is all-electric by 2030.

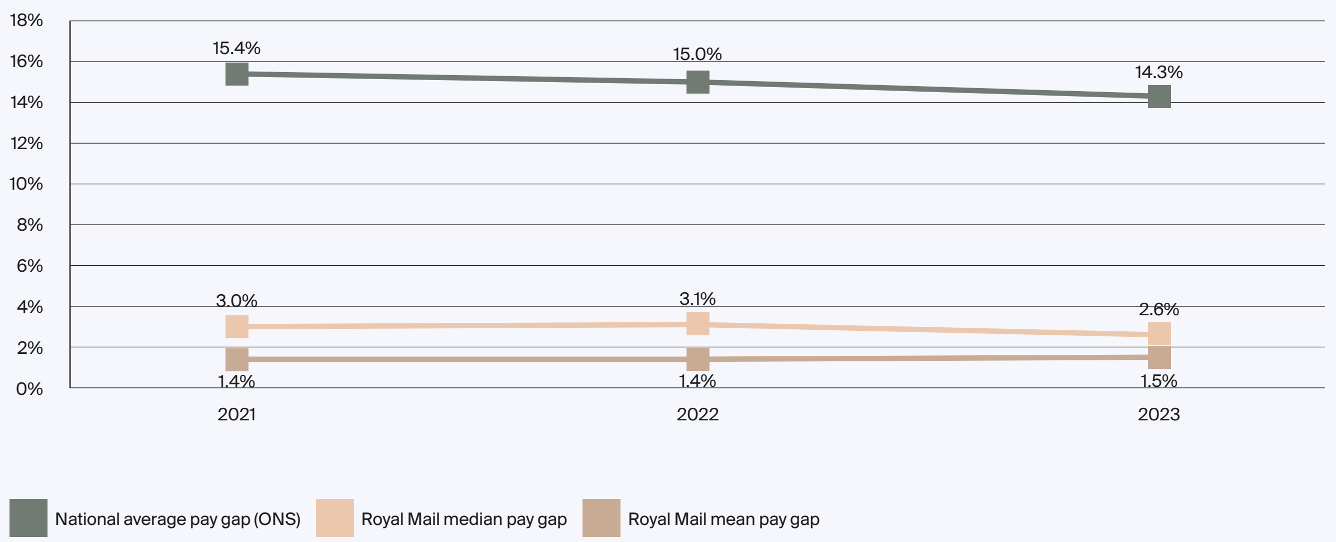
The roadmap consists of three key dates:
- 1 October 2021: from this date, the 1,500 senior managers have only been able to order EVs through MyDrive.
- 1 January 2023: from this date, the 1,500 senior managers have only been reimbursed for business travel (in private company cars) at an EV rate.
- 1 April 2025: from this date, only EVs will be available to order through MyDrive. Business mileage reimbursed for all employees (in a private or company car) will only be available at appropriate EV rates.

Colleagues are able to acquire a company car (leased with our third-party supplier) through our salary sacrifice arrangement. As at March 2024, there were 2,622 company cars in the fleet, of which 1,643, were EV. Of the orders placed between October 2023 and March 2024, 69% were EV.

Gender pay gap reporting
The Royal Mail 2023 Gender Pay Gap Report, published during 2023-24, continues to show that average pay for men and women is broadly the same. On a median basis, our gender pay gap is 2.6% (a decrease of 0.5 percentage points on the prior year). This compares with a national average gender pay gap on a median basis of 14.3% across all industries, calculated by the Office of National Statistics (ONS) in 2023. On a mean basis, the pay gap has increased minimally to 1.5% (an increase of 0.1 percentage points on the prior year). Female representation in the upper pay quartile has regressed by 2 percentage points. The small movements in the pay gap data year on year were due to operational headcount reduction and introduction of new frontline terms and conditions.

Gender pay gap multi-year view

Royal Mail and national average (ONS survey)



In 2023, 98% of men and 97% of women received bonuses (in 2022, this was 97% for men and 96% for women). Those who are not eligible to receive a bonus typically have not reached the minimum service requirement or obtained a minimum personal performance threshold, in the relevant year. In 2023, the median bonus gap was 1.6% (1.9% in favour of women in the prior year) with the mean being in favour of woman at 16.9% (8.96% in the prior year) due to the higher proportion of women in our management population. In 2023 a performance-driven bonus was paid for the first time in four years compared to a general recognition award in 2022. Typically, there is a higher ratio of women in managerial roles who historically have achieved higher performance ratings.

While we are pleased that our gender pay gap continues to compare favourably to the UK average, we remain focused on improving the representation of women across the Group. Our gender strategy focuses on attracting, retaining and developing female talent across the organisation. We have female representation and recruitment targets for operational roles, as well as a wide range of initiatives in place to achieve them.

CEO pay ratio

The CEO pay ratio is set out below, as required under the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (Regulations), with the required explanation, and further contextual information in relation to methodology and assumptions used. The CEO pay ratio for 2020 is based on the remuneration of the former Group CEO. Between 2021 and 2023 it was based on the remuneration of the CEO Royal Mail. The CEO pay ratio for 2024 is again based on the remuneration of the Group CEO.

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2024	Option A	48:1	42:1	36:1
2023	Option A	21:1	19:1	16:1
2022	Option A	26:1	23:1	20:1
2021	Option A	22:1	20:1	17:1
2020	Option A	31:1	28:1	24:1

The table below sets out the salary, full pay and benefits value received by UK employees identified at the 25th, 50th and 75th percentiles, during 2023-24. There are more than 73,150 operational colleagues on the salary of £25,823 on a full-time equivalent basis across the business. The difference in total pay and benefits is due to the different allowances, overtime, shift payments and pension arrangements received by these employees during 2023-24.

2023-24	25th percentile	50th percentile	75th percentile
Salary	£25,823	£25,823	£26,830
Total pay and benefits	£32,165	£36,268	£42,630

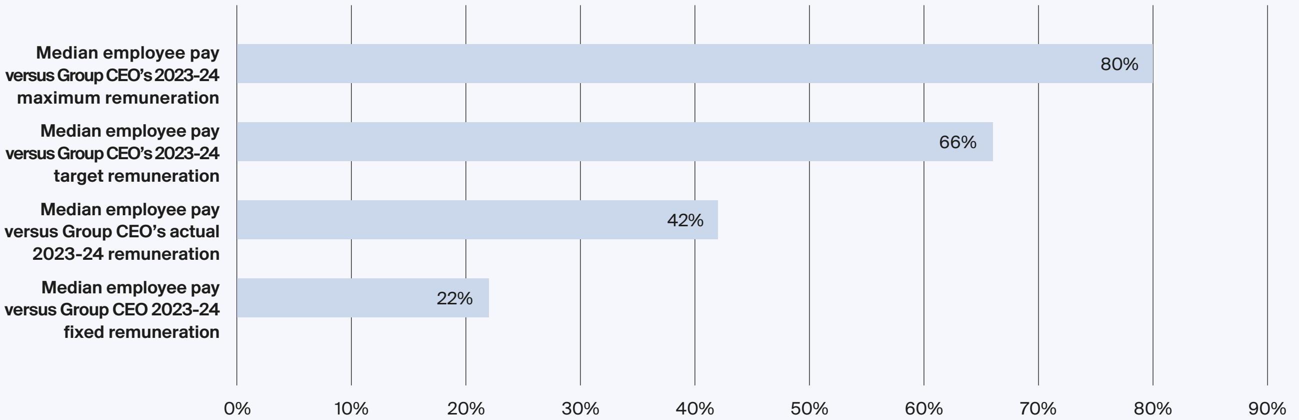
The material increase in the pay ratio between 2023-24 and 2022-23 is due to a number of factors, predominantly that the CEO received an STIP payment in respect of 2023-24.

The Committee is satisfied that the individuals identified within each relevant percentile appropriately reflect the employee pay profiles at those quartiles and that the overall picture presented by the ratios is consistent with our pay, reward and progression policies.

Pay relativities are just one of many factors that we take into consideration in developing a fair remuneration framework in Royal Mail.

We have also detailed the potential ratios based on the Group CEO of IDS's theoretical fixed, target and maximum pay as set out in the Policy. It is important to note that a high proportion of the Group CEO pay is based on performance against the short- and long-term incentive plans, and that payouts can significantly vary year on year, affecting the ratio going forward.

Illustrative pay ratios based on different remuneration outcomes for the Group CEO



How we have calculated our pay ratios
Under the Regulations, companies are required to identify the employees with pay and benefits at the 25th, 50th and 75th percentiles of all UK employees for the relevant financial year and compare these with the total remuneration of the CEO as set out in the single figure of total remuneration table.

The Company has chosen to use Option A to identify the employees at the 25th, 50th and 75th percentiles and their respective pay and benefits, as it is recognised that this is the most accurate approach. All UK employees as at year end have been included in the reporting, with employees ranked based on their 2023-24 remuneration. The data assumptions included in our reporting are set out below:

Element	Description
Base salary	The Regulations require that full-time equivalent salaries are used to identify the 25th, 50th and 75th percentiles in order to ensure comparability across Royal Mail. At Royal Mail, more than 41,000 colleagues work part-time, primarily in operational roles, and may have working hour changes through the year. We have, therefore, used the full-time equivalent salary, as at year end, as the salary figure to rank our employees.
Allowances and overtime	This includes a range of functional, shift, location, role-based allowances, and overtime, included on an actual basis (not pro-rated for part-time colleagues, or annualised for new starters).
Taxable benefits	Taxable benefits included are car allowance and healthcare.
Employer pension contributions	Actual employer pension contributions have been included (not pro-rated for part-time colleagues or annualised for new starters).
Incentives	The Regulations require that incentives relating to the relevant financial year are included. In some cases, the decision on the level of bonuses and LTIP vesting is not made until after the publication of this report.

Annual Report on Directors' Remuneration

This part of the Directors' Remuneration Report sets out how the Policy has been applied for 2023-24. This detailed information, set out below, has been audited by the Company's independent auditor, KPMG LLP.

Single figure table – Executive Directors and former Executive Directors (audited)

	Salary		Benefits[3]		Pension[4]		Total fixed		Short-term incentive[5]		Long-term incentive		Total variable		Total	
£'000	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
Martin Seidenberg[1, 2]	**655**	528	**35**	17	**82**	72	**772**	617	**762**	678	**–**	189	**762**	867	**1,534**	1,484
Michael Snape	**99**	–	**3**	–	**14**	–	**116**	–	110	–	**n/a**	–	**111**	–	**227**	–
Mick Jeavons[6]	**347**	435	**12**	16	**47**	59	**406**	510	**398**	251	**–**	175	**398**	426	**804**	936
Simon Thompson[7]	**63**	544	**–**	16	**7**	74	**70**	634	**57**	–	**–**	–	**57**	–	**127**	634

1. Martin Seidenberg's remuneration for his previous role as CEO GLS was set in Euros. Relevant values have been converted to British Pounds using the following exchange rate £1: €1.1583.
2. As disclosed in last year's report, the Committee reviewed the Executive Directors' salaries for 2023-24 and decided to apply a 6.6% increase to the Group CEO, effective 1 April 2023. This increase was less than the rate applied to the wider workforce or the local Netherlands market rate during the period of April 2023 to July 2023.
3. Benefits in the case of Executive Directors include healthcare provision with notional annual premium of up to £2,309 and a cash allowance of £13,160 which can be used to fund (under a salary sacrifice arrangement) the lease of an electric company car. In Q1 Martin Seidenberg was based in the Netherlands and elected to take a company car, which had a cost of €4,873 for this period only. The benefits figure for Martin Seidenberg also includes immigration fees of £10,073 in relation to his relocation to the UK.
4. For 2023-24, the pension amount shown for Martin Seidenberg was paid as a cash allowance in lieu of pension.
5. For current Executive Directors one third of the STIP is deferred into shares subject to continued employment for three years. For leavers the equivalent value will be paid in cash. No further performance conditions are attached. Details of the 2023-24 STIP outturn are set out on pages 126 to 127.
6. On 18 January 2024 it was announced that Mick Jeavons was stepping down as CFO Royal Mail. The above table shows remuneration in respect of his services as a Director to 18 January 2024. Details of his remuneration arrangements on departure are provided on page 133.
7. On 12 May 2023 it was announced that Simon Thompson was stepping down as CEO Royal Mail. Details of his remuneration arrangements on departure were disclosed in last year's Annual Report. An update on actual values received is provided on page 133.

2023-24 short-term incentive outcome
The Committee followed a four-step process for determining STIP awards.

1. Assess the earnings (financial) gateway: The Committee concluded that a minimum level of financial performance had been attained at GLS and Royal Mail, and that the STIP was affordable.

2. Consider eligibility: The Committee considered whether each Executive Director had exhibited an appropriate level of personal performance and conduct and was deemed to have met the gateway requirement to be eligible for an incentive.

3. Evaluate performance against the relevant business scorecard for the Executive Director: Details of the scorecard outcomes can be seen below. These measures were a continuation of the prior year design, which focuses on a vital few key metrics, profitability, quality of service and a basket of non-financial metrics.

4. Review broader business performance and finalise awards: The Committee can make an upwards or downwards adjustment to the scorecard outcome for broader performance. In line with the provisions of the Code, the Committee carefully considered whether the respective formulaic outcome could be justified in the context of Royal Mail's and GLS' overall performance. In so doing the Committee reviewed the following:

— Business performance during 2023-24, including progress against operational and strategic goals.
— The quality of underlying earnings and whether any significant one-off factors influenced the results.
— The experience of our shareholders and customers over the year.

2023-24 STIP scorecards

Measure	Weighting	Targets	Assessment	Outcome
Group Scorecard – Martin Seidenberg (August 2023 to March 2024) , Michael Snape (January 2024 to March 2024) and Mick Jeavons (April 2023 to March 2024)				
GLS Operating Cash Flow (€m)	12.5%	Threshold – €135 Target – €145 Maximum – €155	€197	100%
Royal Mail Trading Cash Flow (£m)	12.5%	Threshold – -£366 Target – -£333 Maximum – -£300	£-262	100%
GLS EBITA (€m)	25%	Threshold – €338 Target – €363 Maximum – €388	€371	67.8%
Royal Mail Operating Loss (£m)	25%	Threshold – -£394 Target – -£328 Maximum – -£262	£-348	42.4%
Royal Mail Environmental (CO_2 emissions '000 tonnes)	5%	Threshold – 408.4 Target – 398.1 Maximum – 387.9	394.5	67.6%
GLS Environmental Percentage of low-emission and zero emission vehicles for transport fleet.	5%	Threshold - 9.0% Maximum - 11.0%	11.3%	100%
Strategic Priorities[2]	15% (spread across two measures)	1. Stabilise Royal Mail and realign business activities to appropriate priorities. 2. Ensure strong focus on improvement in quality of service.	Met in full Met in full	100% 100%
GLS Scorecard – Martin Seidenberg (April to July 2023)				
GLS Group EBITA (€m)[1]	75%	Threshold – €338 Target – €363 Maximum – €388	€371	78.6%
Health and Safety – Lost time accident frequency rate (LTAFR)	7.5%	Threshold – 2.0% Maximum – 6.0%	4.8%	70%
Sustainability Initiatives – Percentage of low- and zero-emission vehicles for the transport fleet	7.5%	Threshold – 9.0% Maximum – 11.0%	11.3%	100%
Strategic Priorities	10%	Assessment by the Committee of progress against the main pillars of the GLS strategy: — Digitalisation and last-mile offering — Geographic expansion in Europe — Moving into adjacent segments	Met in full	100%

1. Awards were subject to a Health and Safety underpin, with the condition that 90% of level 5 findings in Corporate Health and Safety Audits executed in 2023-24 were closed to time. A level 5 finding is defined as a deviation with a very high risk of an occupational accident resulting in a serious injury or a very high legal risk. The Committee determined that the underpin was met prior to confirming performance outcomes.
2. In assessing performance against the strategic priorities, the Committee considered in detail a number of relevant data points. They were comfortable that significant progress had been made in all areas, and that the level of payout shown in the table above was an appropriate reflection of this.

It was announced on 12 May 2023 that Simon Thompson had stepped down as Chief Executive of Royal Mail. As outlined in the Remuneration Report last year, Simon remained eligible for any bonus under the Short-Term Incentive Plan for 2023-24 based on performance achieved against the Royal Mail STIP scorecard, time pro-rated for active service. The scorecard was based on 37.5% Royal Mail trading cash flow, 37.5% on Royal Mail Operating Loss, 10% on Royal Mail Co2 Emissions, and 15% on Group Strategic Priorities. The Remuneration Committee awarded a bonus based on its assessment of UK performance at the end of the financial year. applying a zero outcome to the Strategic Priorities element.

It was announced on 18 January 2024 that Mick Jeavons had stepped down as Group Chief Financial Officer. As outlined in the stock exchange announcement on the same date, Mick Jeavons remained eligible for any bonus under the Short-Term Incentive Plan for 2023-24, to reflect his continued availability through the year end. His bonus was based on performance against the Group STIP scorecard. In respect of the period as a Director to 18 January 2024 Mick received a bonus of £398,365. His award in respect of his continued employment to 31 March 2024 was £97,208.

Michael Snape was appointed as Group CFO on 18 January 2024 and was eligible for a pro-rated bonus in respect of the period to 31 March 2024 based on the Group STIP scorecard.

Based on performance under the scorecards detailed above, the STIP outcomes for all Executive Directors during the year are set out below.

	M Seidenberg Group CEO	M Seidenberg CEO GLS	M Snape	M Jeavons	S Thompson
Maximum award (% of salary)	150%	150%	150%	150%	150%
Salary on which bonus is based	£466,666	€217,836	£99,462	£435,000	£62,740
Committee assessment on performance under the relevant scorecard	75.9%	81.7%	75.9%	75.9%	60.2%
Discretion applied (+/- % pts)	0.0%	0.0%	0.0%	0.0%	0.0%
Final outcome for 2023-24					
– as a % of maximum	75.9%	81.7%	75.9%	75.9%	60.2%
– as a % of salary	113%	122%	113%	113%	90%
– as an amount	£531,650	€266,959	£110,963	£495,573	£56,655

Royal Mail LTIP
2021 LTIP outcomes
The 2021 LTIP was based on performance against a relative TSR measure, with a performance period from 1 April 2021 to 31 March 2024, and financial performance, as set out below.

Only Martin Seidenberg and Mick Jeavons remained active participants in the 2021 LTIP. Michael Snape joined the Company in 2024 and Simon Thompson's awards lapsed on termination of his employment.

Measure	Weighting (Martin Seidenberg's award)	Weighting (Mick Jeavons's award)	Threshold	Maximum	Achievement
Relative Total Shareholder Return (TSR)	40%	40%	Median	Top Quartile	0%
UK Operating Profit (in 2023-24) (£m)		20%	656.1	801.9	0%
UK Parcels Revenue (in 2023-24) (£m)		10%	5,344.7	5,907.3	0%
GLS EBITA (in 2023-24) (€m)	40%	20%	410.0	449.9	0%
GLS Free Cash Flow (in 2023-24) (€m)	20%	10%	281.2	310.8	0%
Total vesting					0%

The Committee agreed that the level of vesting, 0%, is a reasonable outcome against the associated performance measures, having reviewed Group's wider performance and the share price performance over the three-year period.

Other outstanding LTIP awards

The following grants under the 2022 and 2023 LTIP remain outstanding at 31 March 2024. The performance conditions are set out below.

			Threshold		Maximum	
Measure		Weighting	Performance	Vesting (% of element)	Performance	Vesting (% of element)
2022 RM LTIP						
TSR vs FTSE 51-150 (excluding mining and financials) comparator group	Martin Seidenberg	40%	Median	25%	Top Quartile	100%
	Mick Jeavons	70%				
GLS EBITDA	Martin Seidenberg	40%	€420	25%	€500m	100%
	Mick Jeavons	20%				
GLS cash flow	Martin Seidenberg	20%	€283	25%	€343	100%
	Mick Jeavons	10%				
Total		100%		25%		100%
2023 Group LTIP						
TSR vs FTSE 51-150 (excluding mining and financials) comparator group	Martin Seidenberg	26.7%				
	Mick Jeavons	40%	Median	25%	Top Quartile	75%
	Michael Snape					
Stretch TSR element – TSR vs FTSE 51-150 (excluding mining and financials) comparator group	Martin Seidenberg	33.3%	Top Quartile	0%	Top Decile	100%
UK Operating Profit (in 2025-26) (£m)	Martin Seidenberg	13.3%				
	Mick Jeavons	20%	83	25%	93	100%
	Michael Snape					
UK Trading Cash Flow (in 2025-26) (£m)	Martin Seidenberg	6.7%				
	Mick Jeavons	10%	140	25%	158	100%
	Michael Snape					
GLS EBITA (in 2025-26) (€m)	Martin Seidenberg	13.3%	13.3			
	Mick Jeavons	20%	391	25%	450	100%
	Michael Snape					
GLS Free Cash Flow (in 2025-26) (€m)	Martin Seidenberg	6.7%				
	Mick Jeavons	10%	256	25%	294	100%
	Michael Snape					
Total		100%				

Simon Thompson, upon termination of employment, was not considered an 'eligible leaver' for the purposes of LTIP. This means that any unvested awards lapsed when he stepped down from the Board on 12 May 2023.

Mick Jeavons, upon termination of employment, was determined as an 'eligible leaver' and any awards will be pro-rated according to the number of months of service completed during the applicable performance/award period.

The LTIP awards outstanding for each of the Executive Directors and former Executive Directors is shown in the following table, as at 31 March 2024.

The Committee retains the discretion to review vesting outcomes to ensure that these are reflective of the underlying performance during the period.

Award	Max value of award at grant (% of salary)	Max value of award at grant (£'000)	% vesting at threshold performance (% of salary)	Final year of performance period	Number of shares at grant
Martin Seidenberg					
2021 LTIP[1]	150%	736	37.5%	2023-24	147,098
2022 LTIP[2]	150%	788	37.5%	2024-25	288,888
2023 LTIP[3]	300%	2,100	50%	2025-26	778,440
Michael Snape					
2023 LTIP[4]	150%	547	37.5%	2025-26	199,808
Mick Jeavons					
2021 LTIP[1]	150%	630	37.5%	2023-24	125,831
2022 LTIP[2]	150%	652	37.5%	2024-25	239,361
2023 LTIP[3]	150%	652	37.5%	2025-26	241,872

1. The 2021 LTIP award was granted on 12 August 2021 at a price of £5.0067 (three-day average closing price prior to grant) per share.
2. The 2022 LTIP was granted on 1 September 2022 at a price of £2.726 (three-day average closing price prior to grant) per share.
3. The 2023 LTIP was granted on 31 July 2023 at a share price of £2.69 (three-day average closing price prior to grant) per share.
4. The 2023 LTIP was granted on 9 February 2024 at a share price of £2.74 (three-day average closing price prior to grant) per share. The award granted to Michael Snape was pro rated for time in role during the performance period.

Shareholder dilution

All awards vesting under the Group's share plans are satisfied by the transfer of existing shares or, where appropriate, the issuance of new shares. The Group's share plans contain limits that govern the amount of shares that may be issued to satisfy any subsequent exercise of awards. These limits are in line with those stated in the Investment Association's Principles of Remuneration. The Group operates employee benefit trusts that are administered by independent trustees, and which hold shares to meet various obligations under the Group's share plans. As each Executive Director is within the class of beneficiary of these trusts, they are deemed, for the purposes of the Companies Act 2006, to have an interest in the trusts' shares.

Shareholding levels

Directors' shareholdings

The table below sets out details of the shareholdings of the Directors as at 31 March 2024 (except where noted below). There was no change in the Directors' interests in the Company's ordinary share capital between 31 March 2024 and 24 May 2024 (being the latest practicable date prior to the publication of this Annual Report). Executive Directors are required to retain any share-based awards until they achieve a holding of 200% of salary.

	Number of shares owned on 29/03/2024	Number of shares owned on 26/03/23	Policy shareholding requirement	Current shareholding (as a % of salary)[2]	Share awards not subject to performance	Share awards subject to performance (LTIP 2021, 2022, 2023)[3]
Chair of the Board						
Keith Williams	56,800	56,800	–	–	–	–
Executive Directors						
Martin Seidenberg	71,437	9,800	200%	27%	163,202	1,214,426
Michael Snape	–	n/a	200%	–	–	199,808
Non-Executive Directors						
Maria da Cunha	15,000	15,000	–	–	–	–
Michael Findlay	16,690	16,690	–	–	–	–
Sarah Hogg	12,000	12,000	–	–	–	–
Lynne Peacock	11,309	11,309	–	–	–	–
Shashi Verma	–	–	–	–	–	–
Jourik Hooghe	–	–	–	–	–	–
Ingrid Ebner	–	–	–	–	–	–
Former Executive Directors					–	
Mick Jeavons	195,541	149,605	200%	137%	66,163	607,064
Simon Thompson	20,982	20,982	200%	82%	16,254	–

1. For Directors who have stepped down from the Board, the number of shares owned is shown as at the date they stepped down. The number of shares is based on beneficial shareholdings, excludes any unvested share awards and includes (if appropriate) any shares held by persons closely associated with the Directors.
2. Value of beneficial shareholding based on the average share price during 2023-24 (245.4 pence) and where required converted using an illustrative FX rate of £1:€ 1.1583. Values include any vested LTIP shares subject to a holding period but exclude any unvested DSBP awards. Martin Seidenberg and Michael Snape are expected to build their shareholding over time. As at 31 March 2024, they had not met their shareholding requirement.
3. A two-year holding period will apply after vesting. Shares may be retained in a nominee account after this period if a participant has not yet satisfied their shareholding guideline requirement of 200% of salary for an Executive Director.

Executive Director fees from external positions

The Executive Directors are entitled to receive fees from external appointments.

Martin Seidenberg and Michael Snape did not hold any external appointments at other listed companies in the period they were appointed to the Board during 2023-24.

Executive Director terms of employment

The Executive Directors are employed under service contracts with an indefinite term.

	Date of contract	Notice period from IDS (months)	Notice period from employee (months)
Martin Seidenberg	25 June 2020	12	6
Michael Snape	18 January 2024	12	6

Copies of the Executive Directors' service contracts are available for inspection by appointment at the Company's registered office during normal office hours and will be available for inspection at our forthcoming AGM.

Relative importance of spend on pay

With no dividend payable in 2023-24, the table below shows overall expenditure on people compared with the previous financial year. The Company considers overall expenditure on colleague remuneration in the context of its general finances. Revenue has been included because this measure represents the income the Company received during the year and provides a clear illustration of the ratio of people costs to income.

	2023-24	2022-23	% change
Ordinary dividend per share (DPS) – paid in the year	–	–	–
People costs (£m)	6,793	6,440	5.5%
Group revenue (£m)	12,679	12,044	5.3%

Comparison of change in Directors' remuneration versus employee remuneration

We monitor year-on-year changes between the movement in remuneration for executives between performance years compared with the wider workforce. The relevant disclosure requirement is for this comparison to be made against the employees of the Parent Company. On the basis that International Distribution Services plc (the Parent Company) does not employee any staff, we have voluntarily disclosed the comparisons against a UK managerial population (internal grades level 2 to 9) as the Committee considers this provides a representative comparison (with remuneration that is structured similarly, e.g. all managers are eligible for annual bonuses and are eligible for employee benefits). The table below sets out the year-on-year percentage change in salary, benefits and annual incentives for the Directors of the Board against an average full-time equivalent UK manager.

	Salary/fee % change				Benefits % change				STIP % change			
	23-24 vs 22-23	22-23 vs 21-22	21-22 vs 20-21	20-21 vs 19-20	23-24 vs 22-23	22-23 vs 21-22	21-22 vs 20-21	20-21 vs 19-20	23-24 vs 22-23	22-23 vs 21-22	21-22 vs 20-21	20-21 vs 19-20
Executive Directors												
Martin Seidenberg	24.1	7.1	n/a	–	105.9	8.5	n/a	–	12.4	-3.6	n/a	–
Michael Snape	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Former Executive Directors												
Mick Jeavons	-20.2	3.6	346.8	n/a	-25.0	–	351.0	n/a	57.4	-18.0	n/a	n/a
Simon Thompson	-88.0	3.6	348.7	n/a	-100.0	6.5	359.1	n/a	-59.9	-100.0	n/a	n/a
Chair and Non-Executive Directors												
Keith Williams	0.3	3.7	–	11.9	–	–	–	–	–	–	–	–
Maria da Cunha	15.8	–	16.9	27.5	–	–	–	–	–	–	–	–
Michael Findlay	4.0	–	–	33.9	–	–	–	–	–	–	–	–
Ingrid Ebner	n/a	n/a	n/a	n/a	–	–	–	–	–	–	–	–
Sarah Hogg	3.9	–	6.9	87.1	–	–	–	–	–	–	–	–
Jourik Hooghe	19.2	n/a	–	–	–	–	–	–	–	–	–	–
Lynne Peacock	1.2	10.7	1.3	141.9	–	–	–	–	–	–	–	–
Shashi Verma	0.0	106.7	n/a	n/a	–	–	–	n/a	–	–	–	–
Royal Mail managers	3.8	5.9	4.6	-0.1	-1.0	0.7	-6.2	4.2	200.4	8.8	-22.9	0.2

Executive and Non-Executive Directors

Percentage change figures are calculated using the respective figures in the single total figure of remuneration.

Non-Executive Directors

With effect from 1 January 2024 all Non-Executive Director fees (including fees for the Senior Independent Director, Committee Chair, Committee members and the Designated Non-Executive Director for engagement with the workforce) increased by 2%, this being aligned to the effective increases for the majority of the workforce. This means the base NED fee increased from £51,800 to £52,836 with all other NED and committee fees increasing by the same percentage (2%). A review of NED fees will be undertaken annually with the intention that fees are increased by the level of latest salary increase for the broader workforce (subject to an underlying market rationale).

Royal Mail managers

Employee data is based on full-time equivalent Royal Mail managers as at the relevant March year end, with calculations on a mean basis. As the manager population will change yearly and the mean average (as opposed to median) considers the full range of data, it is expected that this will provide a more consistent year-on-year comparison.

The salary percentage change calculation considers the full-time equivalent mean employee annual salary at March year end plus allowances, such as for temporary promotions, paid during the respective years.

Employee benefits are calculated on a per capita basis covering the car allowance or a cash equivalent and value of the medical cover. Changes in the percentage will primarily be caused by two factors: changes in population and changes in employee benefit choices (including more electric company cars being selected which have a lower taxable benefit value). The increase in the average benefit value in 2023-24 also reflects changes in the operation of benefits including the removal of the cash alternative allowance, a move which was introduced to promote take-up of medical cover.

CEO pay over the last ten years

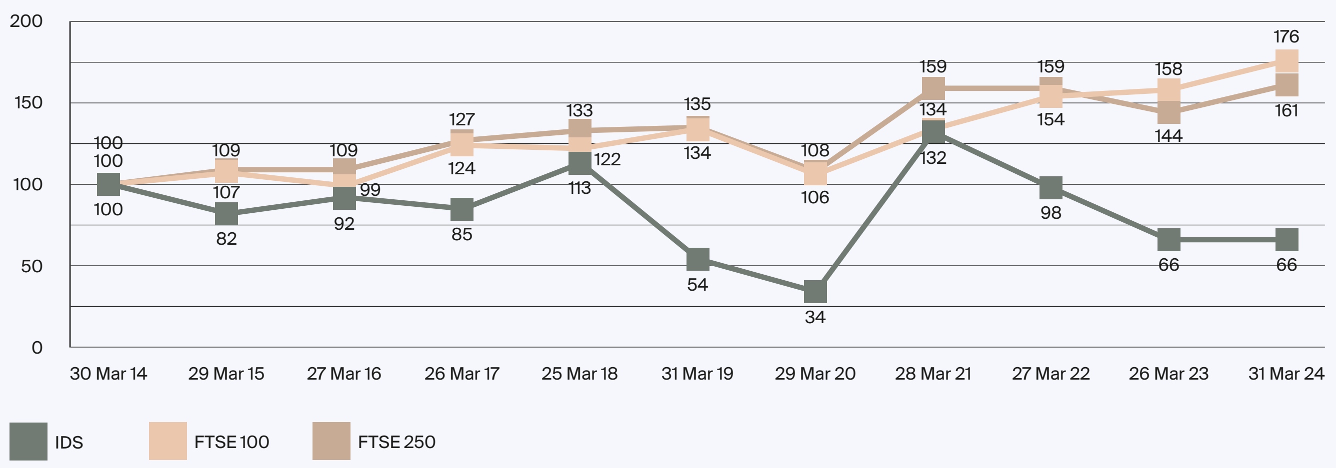
The total remuneration figure for the Group CEO and/or CEO Royal Mail over the last ten years is shown in the table below. The STIP payout and the LTIP vesting level as a percentage of the maximum opportunity are also shown.

Chief Executive Officer	Financial year	Single figure of total remuneration (£'000)	STIP awarded as % of maximum	Royal Mail LTIP vesting as % of maximum
Martin Seidenberg	2023-24	1,534	76%	0%
Simon Thompson	2022-23	634	0%	n/a
	2021-22	753	18%	n/a
Rico Back	2020-21	94	n/a	n/a
Stuart Simpson		462	0%	0%
Simon Thompson		136	n/a	n/a
Rico Back	2019-20	868	0%	n/a
Moya Greene	2018-19	647	n/a	0%
Rico Back		235	0%	0%
Moya Greene	2017-18	1,790	71%	43%
	2016-17	1,901	80%	46%
	2015-16	1,529	82%	59%
	2014-15	1,522	85%	69%

TSR comparison

TSR is the measure of the returns that a company has generated for its shareholders, reflecting both movement in the share price and dividends, which are assumed to be reinvested over a period of time. The graph shows the Company's TSR, since the date of the first day of trading. During the performance period, the Company has been a constituent of both the FTSE 100 Index and the FTSE 250 Index, therefore both indices are shown for comparison.

Total Shareholder Return Comparison



Termination arrangements

It was announced on 18 January 2024 that Mick Jeavons had stepped down as Group Chief Financial Officer. As outlined in the stock exchange announcement on the same date, Mick will remain an employee of the business until 31 May 2024 as part of the agreed transition.

The Committee determined that the following termination arrangements were fair and reasonable, consistent with the Directors' Remuneration Policy and in line with Mick's contractual entitlements:

- Mick will continue to receive his normal salary and benefits until 31 May 2024. Following this, he will receive eight monthly payments, which, in aggregate, equate to the sum which represents a base salary of £435,000 pro-rated over seven months and 18 days' pay in lieu of notice. These payments will be reduced by any pay he may receive from alternative employment.
- He remained eligible for a bonus under the STIP for 2023-24 given his continued availability through the year end. For 2023-24 he received a bonus of £398,365 in respect of the period as a Director to 18 January 2024 and a bonus of £97,208 in respect of his continued employment to 31 March 2024. Further details of the bonus earned are on page 126.
- Mick will be conferred eligible leaver status in relation to two unvested DSBP awards, the first awarded in July 2022 (16,254 shares), relating to performance year 2021-22 and due to vest in July 2025, and the second awarded in July 2023 (31,067 shares) relating to performance year 2022-23 and due to vest in July 2026.
- Mick will be conferred eligible leaver status in relation to unvested LTIP awards, awarded in 2021 (125,831 shares) and which will lapse in full due to performance in August 2024, awarded in 2022 (239,361 shares) and due to vest in September 2025, and awarded in 2023 (241,872 shares) and due to vest in July 2026. All awards will be pro-rated according to the number of months of service completed during the applicable performance period and will remain subject to performance
- Consistent with the Directors' Remuneration Policy, there will be a requirement to hold shares (worth up to two times salary) for two years following termination. The holding requirement will apply to shares that subsequently vest under the DSBP and LTIP awards.
- Mick received a contribution of £10,250 (plus VAT) towards legal fees incurred in connection with his departure and may receive a contribution of up to £50,000 (plus VAT) towards outplacement support.

There are no further payments in connection with Mick's cessation as a director or payments for loss of office.

Simon Thompson's termination payments were disclosed in the 2022-23 Remuneration Report. Where amounts were disclosed in the 2002-23 Report as estimates or limits, the final values paid are set out below:

- Simon received £56,654 under the 2023-24 Short- Term Incentive Plan, based on performance achieved and applying time pro-rating. Simon received a contribution of £12,500 (plus VAT) towards legal fees incurred in connection with his departure and a contribution of £50,000 (plus VAT) towards outplacement support.

Policy implementation in 2024-25

The following table sets out how the Committee proposes to operate the Policy for Executive Directors next year:

Element	Implementation of Policy in 2024-25
Base salary	No change in approach. We will continue to review the salary of each Executive Director annually and will do the same in 2024-25. Salaries effective from 1 April 2024 are as follows: Group CEO (Martin Seidenberg) £714,000, an increase of 2%. Group CFO (Michael Snape) £487,000, no increase. Martin's salary increase for 2024-25 is aligned to the 2024 salary uplift for CWU grades and less than the salary uplift for Unite represented management grades.
Benefits	No change in approach to benefit provision for 2024-25.
Pension allowance	No change in approach and pension allowance remains 13.6% of salary. This is lower than the current employer contribution rate for the majority of the UK workforce (which is 15.6% of salary). However, it is in line with the anticipated contribution rate under the new proposed Collective Pension Plan.
Short-Term Incentive Plan	No change in maximum STIP opportunity of 150% of salary, with a minimum of one third of any award being deferred into shares. Target opportunity remains 75% of salary. A minimum of 75% of the targets shall be financial, based on the performance of the business for which the executive is responsible, with the remainder including robust operational KPIs and strategic objectives. The measures are set out below. Targets for these measures will be disclosed retrospectively in next year's Annual Report.
Long-Term Incentive Plan	At the 2024 AGM we intend to seek shareholder approval to increase our maximum normal LTIP award from 150% to 200% of salary. The current intention is that this increased opportunity would only apply to the Group CEO. We believe that this change to the LTIP opportunity will provide a more appropriate incentive to successfully lead IDS through the current challenges and deliver on the opportunities available to both GLS and Royal Mail. There is no change in the maximum award of 150% of salary for the Group CFO. Awards are granted annually to Executive Directors in the form of a conditional share award. These will vest at the end of a three-year period subject to: — The Executive Director's continued employment at the date of vesting. — The satisfaction of the performance conditions. Threshold performance will equate to no more than 25% of the award vesting. The Committee has reviewed the performance measures for the LTIP award and is comfortable with returning to a balance of relative TSR and long-term financial performance. The measures (and approach to targets) are set out below. The Committee will evaluate the positioning of the share price when it comes to grant the 2024 LTIP awards. In the event that the share price is significantly below the 2023 LTIP grant price, the Committee will consider the appropriate course of action (such as scaling back the 2024 LTIP awards or an adjustment on vesting). As appropriate, details will be included in a stock exchange announcement at the time of grant. As in previous years, the Committee will retain the discretion to review vesting outcomes to ensure that these are reflective of the underlying performance during the period.
Shareholding guideline	200% of salary for Executive Directors. Post-cessation requirement: 200% of salary (or holding at the point of departure) to be held in granted shares for two years after leaving.

Incentive measures 2024-25

Since 2020-21, the Committee has set separate incentive scorecards for each of the Executive Directors, reflecting their areas of responsibility (i.e. Group, Royal Mail or GLS). Details of the measures and targets for the 2024-25 awards (where not considered commercially sensitive) are provided below.

2024-25 Short-Term Incentive Plan: measures and weightings

The 2024-25 scorecard reflects our strategic priorities. The targets are set annually by the Committee considering the relevant business' annual financial plan, strategy and priorities for the next few years, within the context of the economic environment. The Committee considers financial and operational targets to be commercially sensitive and that it would be detrimental to the Group's interests to disclose them before the end of the financial year. Financial measures make up 75% of each Executive Director's scorecard. Non-financial and strategic measures are assessed by the Committee using a combination of quantitative and qualitative assessment.

As in previous years, the Committee will, prior to reviewing scorecard performance, assess whether an earnings gateway has been met and whether the payment of STIP awards is affordable.

All STIP awards will be subject to a health and safety (H&S) underpin, whereby the Committee will assess whether or not there has been demonstrable progress on the overall H&S agenda.

Measure	Weighting	Measure type	Targets
Group CEO – Martin Seidenberg			
GLS Operating Cash Flow	12.5%	Financial	Disclosed retrospectively.
RM Trading Cash Flow	12.5%	Financial	Disclosed retrospectively.
GLS EBITA	25.0%	Financial	Disclosed retrospectively.
RM Operating Profit / Loss	25.0%	Financial	Disclosed retrospectively.
RM & GLS Environmental	10.0%	ESG	Committee assessment of demonstrable year-on-year progress of the environmental agenda.
Strategic Priorities	15.0%	Strategic priority	Committee assessment of: – Deployment of the RMUK Network Plan – Deployment of the out-of-home strategy
Group CFO – Michael Snape			
GLS Operating Cash Flow	12.5%	Financial	Disclosed retrospectively.
RM Trading Cash Flow	12.5%	Financial	Disclosed retrospectively.
GLS EBITA	25.0%	Financial	Disclosed retrospectively.
RM Operating Profit / Loss	25.0%	Financial	Disclosed retrospectively.
RM & GLS Environmental	10.0%	ESG	Committee assessment of demonstrable year-on-year progress of the environmental agenda.
Strategic Priorities	15.0%	Strategic priority	Committee assessment of: – Deployment of the RMUK Property strategy – Deployment of strategy in respect of the RMUK Pension

2024 Long-Term Incentive Plan (unaudited)
The measures that will apply to the Executive Directors' 2024 LTIP awards are set out below.

		Threshold		Maximum	
2024 LTIP measure	Weighting	Performance	Vesting (% of award)	Performance	Vesting (% of award)
TSR vs FTSE 51-150 (excluding mining and financials) comparator group[1]	40%	Median	10%	Upper quartile	40%
Adjusted Royal Mail UK Operating Profit	20%	£184m	5%	£216m	20%
UK Cash Flow	10%	£288m	2.5%	£338m	10%
Adjusted GLS EBITA	20%	£324m	5%	£373m	20%
GLS Cash Flow	10%	£187m	2.5%	£215m	10%
Total	100%				

1. TSR will be measured using a three-month averaging (at the start and end) over a three-year measurement period.

Single figure table – Non-Executive Directors (audited)

	Fees		Other		Total	
£'000	**2024**	2023	**2024**	2023	**2024**	2023
Keith Williams	**312**	311	**0**	0	**312**	311
Maria da Cunha	**88**	85	**0**	0	**88**	85
Michael Findlay	**78**	78	**0**	0	**78**	78
Sarah Hogg	**79**	79	**0**	0	**79**	79
Jourik Hooghe	**62**	52	**0**	0	**62**	52
Lynne Peacock	**84**	84	**0**	0	**84**	84
Shashi Verma	**62**	62	**0**	0	**62**	62
Ingrid Ebner[1]	**43**	n/a	**0**	n/a	**43**	n/a

1. Ingrid Ebner was appointed a Non-Executive Director from 28 June 2023 and the figure in the table above for 2024 reflects fees paid from that date.

Non-Executive Director fee levels (unaudited)

Non-Executive Directors are paid an annual fee and additional fees for being Chair or a member of Board Committees and, if appropriate, other additional time commitments. During 2023-24, the Chair of the Board did not receive any additional fees for membership of Board Committees. With effect from 1 January 2024 all Non-Executive Director fees (including fees for the Senior Independent Director, Committee Chair, Committee members and the Designated Non-Executive Director for engagement with the workforce) increased by 2%, this being aligned to the effective increases for the majority of the workforce. Fees were last increased with effect from 1 April 2022. The fees are set out below and will remain at this level from 1 April 2024.

Non-Executive Director fees	Effective 1 January 2024	Effective since 1 April 2022
Chair of the Board	£317,016	£310,800
Base fee	£52,836	£51,800
Senior Independent Director	£10,567	£10,360
Designated Non-Executive Director for engagement with the workforce	£10,567	£10,360

Committee fees			
Audit and Risk Committee	Chair	£15,851	£15,540
	Membership	£6,340	£6,216
Remuneration Committee	Chair	£15,851	£15,540
	Membership	£6,340	£6,216
Nomination Committee	Chair	£0	£0
	Membership	£4,227	£4,144
Environmental, Social and Governance Committee	Chair	£15,851	£15,540
	Membership	£6,340	£6,216

Non-Executive Chair of the Board and Non-Executive Director terms of appointment

The Non-Executive Directors are appointed by rolling letters of appointment. The Non-Executive Directors are appointed for up to three years, subject to annual review and re-appointment. The fees for new Non-Executive Directors appointed will be set in accordance with the terms of the approved Remuneration Policy in force at the time of appointment.

Copies of the Non-Executive Directors' letters of appointment are available for inspection by appointment at the Company's registered office during normal office hours and will be available for inspection at our forthcoming AGM.

One month's notice to terminate the appointment is required by either party, with the exception of the Non-Executive Chair for whom the notice period is four months. The dates of the Non-Executive Chair of the Board's and Non-Executive Directors' letters of appointment are set out in the adjacent table.

	Date of contract	Unexpired term at 29 March 2024 (months)
Keith Williams	18 November 2022	18
Maria da Cunha	23 November 2022	18
Michael Findlay	23 November 2022	18
Sarah Hogg	4 July 2023	30
Jourik Hooghe	18 May 2022	18
Lynne Peacock	4 July 2023	30
Shashi Verma	13 October 2021	6[1]
Ingrid Ebner	17 May 2023	30

1. Shashi Verma was due to be re-appointed at the AGM in July 2024, but as the AGMs are now in September of each year, his re-appointment will now be renewed at the AGM in September 2024 (he was appointed in September 2021).

Remuneration Committee members and meetings
The members of the Committee and their attendance at meetings during 2023-24 is shown on page 106.

Role and focus of the Remuneration Committee
The Committee is responsible for recommending to the Board the Remuneration Policy for Executive Directors and senior management, and for setting the remuneration packages for Executive Directors and members of the respective GLS and Royal Mail Executive Boards.

Committee activities in the year	May	July	Oct	Jan	Mar
Directors' remuneration					
Review of the Directors' Remuneration Policy and implementation			✓	✓	
Review of fixed and variable remuneration	✓				✓
Senior management remuneration					
Contractual terms, recruitment and termination		✓			
Review of fixed and variable remuneration	✓	✓	✓		✓
All employee remuneration					
Group-wide discretionary incentives				✓	✓
Annual salary review approach	✓				✓
Incentive performance measures, targets and outcomes	✓	✓	✓		✓
Frontline reward (including recognition) in Royal Mail		✓			✓
Deep dives: European remuneration, Share Incentive Plan, manager remuneration	✓	✓			
Reward policies and rules review			✓	✓	✓
Reward governance					
Review regulatory, investor and market developments		✓	✓		
Remuneration disclosures (such as DRR and gender pay gap)	✓				
Review shareholder feedback			✓		
Terms of Reference, Committee evaluation, advisers			✓		

Advice to the Remuneration Committee
The Committee takes information and advice from inside and outside the Group. Internal support was provided by the Chief People Officer, the Director of Reward and Performance, the Group General Counsel and Company Secretary, and other senior leaders as appropriate. No individual was present when matters relating to their own remuneration were discussed.

The Committee seeks advice from independent external advisers as appropriate. Deloitte provided information to the Committee regarding external market trends and other Committee matters during 2023-24. The total fees paid to Deloitte in respect of this advice were £58,200 (2022-23: £53,125). Deloitte also provided tax, technology, internal audit, strategy and business consulting services to the Group during the financial year.

Deloitte is a signatory to the Remuneration Consultants Group Code of Conduct, was appointed by the Committee and reports directly to the Committee Chair. The Committee Chair can meet with advisers without management present. The Committee is satisfied that the advice it receives is objective and independent. There are no connections between Deloitte and individual Directors to be disclosed.

Committee evaluation
The Committee's annual evaluation of its performance was undertaken as part of the Board effectiveness evaluation (see page 91).

Shareholder voting and consideration of shareholder views
We remain committed to ongoing dialogue with our shareholders and have engaged with shareholders during 2023-24 to gather their views on the proposed changes to the Policy and our intended implementation of remuneration in 2024-25. In the meantime, the Committee Chair and Chair of the Board will continue to maintain contact as required with the Company's key shareholders about relevant remuneration issues.

At the 2023 AGM on Thursday 20 July 2023, shareholders approved the Directors' Remuneration Policy and the Directors' Remuneration Report published in the 2022-23 Annual Report and Financial Statements.

Recent votes on the Directors' Remuneration Report

	For	Against
2023 AGM (see below)	99.18%	0.82%

Directors' Remuneration Report (2023 AGM)

	Number of votes	% of votes
Votes for	686,045,756	99.18%
Votes against	5,676,750	0.82%
Votes withheld	172,294	

Recent votes on the Directors' Remuneration Policy

	For	Against
2023 AGM (see below)	97.88%	2.12%

Directors' Remuneration Policy (2023 AGM)

	Number of votes	% of votes
Votes for	677,021,037	97.88%
Votes against	14,688,205	2.12%
Votes withheld	182,588	

Maria da Cunha
Chair of the Remuneration Committee
24 May 2024

Directors' Report

The Directors present their Report, together with audited Financial Statements, for the year ended 31 March 2024.

This Directors' Report, together with the Strategic Report on pages 1 to 78, form the Management Report for the purpose of Disclosure Guidance and Transparency Rule (DTR) 4.1.5R and DTR 4.1.8R.

Information incorporated by reference
The following information is incorporated in the Directors' Report by reference and can be found on the pages of this Annual Report as indicated in the table below:

The location of information required to be disclosed in this Annual Report under Listing Rule 9.8.4R is as follows:

Listing Rule 9.8.4R disclosures

Mark Amsden
Group General Counsel and Company Secretary

Dividend waivers
The Trustee of the Royal Mail Share Incentive Plan (Plan) will not receive any dividends on Free Shares which it has not been possible to award to, or which have been forfeited by, participants in the Plan.

Capital
Purchase of own shares by the Company
At the 2023 AGM, the Company was authorised by its shareholders to purchase up to a maximum of 10% of its ordinary shares. This authority was valid at the end of the Company's financial year and will remain in place until the 2024 AGM, when the Directors will seek a similar authority. During 2023-24 the Company did not utilise this authority to purchase any of its own shares.

Share capital
As at 31 March 2024, the Company's issued share capital comprised 958,293,475 ordinary shares of one penny each as set out in Note 26 to the Financial Statements on page 227.

Ordinary shareholders have the right to receive notice of, attend, vote and speak at general meetings (whether in person or by proxy). A holder of ordinary shares is entitled to one vote per ordinary share held when a vote is taken on a poll. Shareholders also have the right to receive a dividend, if recommended and declared. Shareholders may transfer all or any of their certificated or uncertificated shares in the Company. All such rights are subject to certain exceptions and restrictions provided in the Company's Articles of Association (the Articles) and in any applicable legislation. These include where rights are suspended for non-disclosure of an interest in shares, where share transfers do not comply with specific requirements, and where any amounts on shares owing by a shareholder to the Company are overdue.

The rights and obligations of members, and restrictions on transfer, are set out in full in the Articles, which can be found on the Company's website. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

Employees allocated Free Shares under the Free Shares Offer, or who participate in the Partnership and Matching Plan, whose shares are held in trust by the Trustee of the Royal Mail Share Incentive Plan, are entitled to exercise any voting rights in respect of such shares by instructing the Trustee how to vote on their behalf.

Authority of the Directors to allot shares

At the 2023 AGM, the Company obtained shareholder consent to allot ordinary shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company up to a maximum nominal amount of £6,374,623 (representing approximately two thirds of the Company's issued share capital at that time), of which one half may be allotted or made the subject of rights in any circumstances and the other half may be allotted or made the subject of rights pursuant to a fully pre-emptive offer. As at the date of this Directors' Report, no shares have been allotted during the year save in respect of 2,100,000 shares allotted in pursuance of employee share schemes (see page 227). The Directors will be seeking powers to allot shares at the 2024 AGM, although the Company has no current plans to allot any new shares except in connection with employee share schemes.

At the 2023 AGM, the Directors were also empowered to allot shares for cash (and/or to sell any treasury shares) on a non-pre-emptive basis in connection with pre-emptive offers and, otherwise than in connection with such offers, up to a maximum aggregate nominal amount of £956,193 (representing approximately 10% of the Company's issued share capital at that time). The Directors were further empowered to allot shares for cash (and/or to sell any treasury shares) on a non-pre-emptive basis representing approximately 2% of issued ordinary share capital, to be used only for the purposes of a follow-on offer as prescribed by the most recent version of the Pre-Emption Group's Statement of Principles.

As permitted by those Principles, the Directors were also empowered to allot shares for cash (and/or to sell any treasury shares) on a non-pre-emptive basis up to the same amounts for use only in connection with an acquisition or specified capital investment.

The Directors will be seeking similar powers to allot shares for cash (and/or to sell any treasury shares) on a non-pre-emptive basis at the 2024 AGM.

Directors

Details of the current Directors are included on pages 82 and 83 and information about changes to the membership of the Board during the year is included on page 80.

During the year Simon Thompson served as a Director until 12 May 2023, and Mick Jeavons served as a Director until 18 January 2024.

Appointment and replacement of Directors

The Articles provide that the Company may by ordinary resolution at a general meeting elect any person to act as a Director, provided that, if he or she has not been recommended by the Board, written notice of the proposed appointment is given to the Company in accordance with the Articles and that the Company receives written confirmation of that person's willingness to act as a Director. The Articles also provide that the Board may at any time appoint as a Director any person who is willing to act as such. Unless the Company decides otherwise, the maximum number of Directors permitted is 15.

At every AGM, each person who is a Director on the date of the notice of that AGM shall retire from office and may offer himself or herself for re-appointment by the members.

In addition to any power of removal conferred by the Companies Act 2006, the Company may by special resolution remove any Director before the expiration of his or her period of office and may (subject to the Articles) by ordinary resolution appoint another person who is willing to act as a Director in his or her place. The Articles also set out the circumstances in which a Director shall vacate office.

Directors' powers

The business of the Company is managed by the Board, which may exercise all the powers of the Company, subject to the provisions of the Articles, the Companies Act 2006 and any resolution of the Company.

Directors' interests

Details of the Directors' share interests and, where applicable, their connected persons are set out in the Directors' Remuneration Report on page 130.

Directors' and officers' insurance and indemnity provisions

The Company maintains directors' and officers' liability insurance which provides appropriate cover for legal action brought against its Directors. This is reviewed annually. Qualifying pension scheme indemnity provisions were in force during the course of the financial year ended 31 March 2024 for the benefit of the Trustees of Royal Mail UK's pension schemes, and such indemnity provisions are in force at the date of approval of this report.

Substantial shareholding

As at 31 March 2024, the Company had been notified, in accordance with DTR 5, of the following interests in the Company's issued share capital. The information provided below was correct at the date of notification; however, the notification may not have been received during 2023-24. It should also be noted that some shareholdings are likely to have changed since the date of notification but the Company will not be notified of a change until the next notifiable threshold is crossed.

Shareholder	Number of voting rights	% voting rights disclosed at time of notification	% of voting rights as at 31 March 2024[1]
Vesa Equity Investment	263,675,507	27.58	n/a
RWC Partners	50,190,714	5.01	5.24
Columbia Threadneedle Investments	48,164,355	5.04	n/a
BlackRock Inc.	47,826,774	5.0[2]	n/a
Schroder Investment Management	50,982,408	5.1	5.32
Aberdeen Asset Investments	42,965,756	4.3	4.48
Nortrust Noms	38,953,213	3.9[3]	4.06

1. As a result of the 2021-22 share buy-back programme and the resulting reduction in the Company's share capital, as well as the increase in the Company's share capital in 2023-24, the percentage figures for some shareholders have been recalculated to provide a more accurate picture. This only applies to shareholders for whom we have not received any notification in accordance with DTR 5 since completion of the share buy-back programme.
2 Disclosed on 3 March 2023. A further disclosure was received on 16 March 2023 notifying the Company that BlackRock's holding had decreased below the 5% notifiable threshold, which did not state the new position.
3. Disclosed on 23 October 2020. A further disclosure was received on 30 November 2020 notifying the Company that Nortrust Noms' holding had decreased below the 3% notifiable threshold, which did not state the new position.

No further notifications have been received in accordance with DTR 5 as at the date of this report.

Special rights

There are no persons holding securities that carry special rights with regard to the control of the Group.

Employee Benefit Trust (EBT)

As at 31 March 2024, a total of 1,206,638 shares (2022-23: 263,566 shares) were held by the EBT on behalf of the Company. The EBT will not receive any dividends payable on shares which it holds at the relevant time.

Change of control

The following material agreements contain provisions permitting exercise of termination or other rights in the event of a change of control of the Company:

— The Mails Distribution Agreement with Post Office Limited provides for the supply of certain services to the Group and allows for a request for renegotiation of terms in the event of a change of control of either party where such change of control is likely to have a material adverse effect on the party not undergoing the change of control.
— The bank syndicate loan facility with various financial institutions provides the Group with a revolving credit facility for general corporate and working capital purposes. The agreement contains provision on a change of control of the Group for negotiation of the continuation of the agreement or cancellation by a lender.
— The €500 million bond issued by the Company in July 2014 contains provisions such that, on a change of control that is combined with a credit rating downgrade in certain circumstances, the noteholders may require the Company to redeem or, at the Company's option, purchase the notes for their principal amount, together with interest accrued to (but excluding) the date of redemption or repurchase.
— The €550 million bond issued by the Company in October 2019 contains provisions such that, on a change of control that is combined with a credit rating downgrade in certain circumstances, the noteholders may require the Company to redeem or, at the Company's option, purchase the notes for their principal amount, together with interest accrued to (but excluding) the date of redemption or repurchase.
— The €500 million bond issued by the Company in September 2023 contains provisions such that, on a change of control that is combined with a credit rating downgrade in certain circumstances, the noteholders may require the Company to redeem or, at the Company's option, purchase the notes for their principal amount, together with interest accrued to (but excluding) the date of redemption or repurchase.
— The £250 million bond issued by the Company in September 2023 contains provisions such that, on a change of control that is combined with a credit rating downgrade in certain circumstances, the noteholders may require the Company to redeem or, at the Company's option, purchase the notes for their principal amount, together with interest accrued to (but excluding) the date of redemption or repurchase.

The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company's share schemes and plans may cause options and awards granted to employees under such schemes and plans to vest on a takeover.

Stakeholders

Engagement with UK employees, suppliers and customers

Disclosure on how the Company communicates with its employees, encourages their involvement and achieves a common awareness on the part of all employees of the financial and economic factors affecting the performance of the Company is included on pages 22, 34 and 90.

Information on how the Company engages with its employees, customers and suppliers, how the Directors have regard to their interests, and the effect of that regard is set out on pages 22 to 26 and page 90.

Payment practices

Royal Mail's Sustainable Procurement Code of Conduct sets out how Royal Mail works with its suppliers and is available at www.internationaldistributionservices.com/sustainability/governance/policies. GLS' Supplier Code of Conduct sets out the standards GLS expects of its suppliers and is available at www.gls-group.com/GROUP/en/about-us/compliance. We publish key statistics and other information on our payment practices in line with the Duty to Report on Payment Practices and Performance on the Government's website. Information is published on a six-monthly basis.

ESG

Greenhouse gas emissions and energy reporting

Information regarding the Group's greenhouse gas emissions, energy consumption and energy efficiency action required to be disclosed in this Directors' Report can be found on pages 28 to 31.

TCFD disclosures

The Group's TCFD Statement and associated disclosures are set out on pages 41 to 48.

Other disclosures

Company's Articles

Any amendments to the Articles may be made in accordance with the Companies Act 2006 by way of a special resolution. Our current Articles are available at www.internationaldistributionservices.com/about-us/governance.

Branches

As a global group, our interests and activities are held or operated through subsidiaries, branches, joint arrangements or associates and are subject to the laws and regulations of the relevant jurisdictions in which they operate. Further information is included in Note 31 to the Financial Statements on pages 229 to 232.

Political donations and expenditure

In so far as the Company is aware, no form of political donation, or expenditure, was made during the year. The Company intends to continue this policy for the foreseeable future.

Financial instruments

The Group's financial risk management objectives and policies in relation to its financial instruments are summarised in Note 24 to the Financial Statements on pages 215 to 225.

Post balance sheet events

Post balance sheet events are summarised in Note 30 on page 228.

Audit information

The Directors confirm that, so far as they are aware, there is no relevant audit information (as defined in section 418 of the Companies Act 2006) of which the auditor is unaware and that each Director has taken all reasonable steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

By Order of the Board

Mark Amsden
Group General Counsel and Company Secretary
24 May 2024

Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the Parent Company Financial Statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, and reliable and, in respect of the Parent Company Financial Statements only, prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the Parent Company Financial Statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company Financial Statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule (DTR) 4.1.16R, the Financial Statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor's report on these Financial Statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The responsibility statement was approved by the Board of Directors on 24 May 2024 and signed on its behalf by:

Martin Seidenberg
Group Chief Executive Officer

Michael Snape
Group Chief Financial Officer

Financial Statements

Independent auditor's report

KPMG LLP's Independent Auditor's Report
To the members of International Distribution Services plc (formerly International Distributions Services plc)

1. OUR OPINION IS UNMODIFIED
In our opinion:

— the financial statements of International Distribution Services plc (formerly International Distributions Services plc) give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2024, and of the Group's loss for the 53 week period then ended;
— the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
— the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
— the Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

WHAT OUR OPINION COVERS
We have audited the Group and Parent Company financial statements of International Distribution Services plc ("the Company") for the 53 week period ended 31 March 2024 (FY2023-24) included in the Annual Report, which comprise:

Group (International Distribution Services plc and its subsidiaries)	Parent Company (International Distribution Services plc)
The Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes 1 to 31 to the Group's financial statements, including the accounting policies in note 1.	Statement of changes in equity, balance sheet and notes 1 to 10 to the Parent Company's financial statements, including the accounting policies in note 1.

BASIS FOR OPINION
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Audit and Risk Committee.

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

2. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1 to the financial statements which indicates that there are uncertainties arising from the non-binding proposal received from EP Group to acquire the Group and the impact that a change in control could have on the Group's borrowings given the nature of those contractual arrangements and lack of visibility over post acquisition funding. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

The risk	Our response
Disclosure quality The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of 12 months from the date of approval of the financial statements (the going concern period). Following improvements in the UK business as a consequence of ongoing transformation initiatives, resolution of industrial action noted in the prior period and refinancing obtained in the period, the level of risk relating to ongoing operations in the going concern period is not considered to be high, and did not involve significant director judgment as to the existence of a material uncertainty. However, on 14 May 2024 the Group received a non-binding proposal from EP Group to acquire the entire issued share capital of the company. The directors are currently minded to recommend the offer to shareholders. The Group and Company's bond agreements contain provisions that could result in required repayment or repurchase of the bond following a change in control, in certain circumstances. The directors have identified uncertainties as to whether repayment would be required, and , if so, whether funds to enable repayment would be available. The risk for our audit is whether or not those risks related to a possible change in control are such that they amounted to a material uncertainty that may cast significant doubt about the ability to continue as a going concern. If so, that fact is required to be disclosed (as has been done) and, along with a description of the circumstances, is a key financial statement disclosure.	Our procedures to address the risk in relation to the uncertainties relating to change in control included: **Funding assessment:** — Inspecting the finance agreements to assess the relevant clauses that would be triggered in the event of a potential change in control. **Evaluating directors' control and intent:** — Evaluating the ability of the Directors to influence the impact that a potential change of control could have on the Group's financing and other contractual arrangements, which included assessing the statements of intention issued by the bidding party, enquiry with management on the expected operation of change of control clauses and enquiries with the Directors as to the discussions held to date with EP Group. **Assessing transparency:** — Considering whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks, dependencies, and related sensitivities. Other procedures that evaluate management's going concern assessment included: **Funding assessment:** — Inspecting the confirmation from the lender of the level of committed financing and the associated covenants requirements. **Historical comparisons:** — Comparing past budgets to actual results to assess the Directors' historical accuracy of budgeting **Key dependency assessment:** — Critically assessing assumptions in the Directors' base case and severe but plausible downside scenarios relevant to liquidity and covenant metrics, considering the forecasted operating levels and how these relate to historic performance **Sensitivity analysis:** — Considering sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of plausible (but not unrealistic) adverse effects that could arise from these risks individually and collectively. — Performed stress testing over the going concern forecast, modelling significant decline over the expected returns from Royal Mail's transformation initiatives and significantly declining market conditions across Europe. **Benchmarking assumptions:** — Using our own economic specialists, we evaluated the revenue and volume growth assumptions in the Royal Mail business, against externally derived publicly available data.

Communications with the International Distribution Services Plc's Audit Committee
Our discussions with and reporting to the Audit Committee included:

— Our considerations of the implications of the receipt of a non-binding offer from EP Group to acquire the Group
— Our assessment of the appropriateness of management's base case and downside scenarios

Areas of particular auditor judgement
We identified the following as the areas of particular auditor judgement:

— Whether the risks arising from the potential change in control following the receipt of a non-binding offer from EP Group to acquire the Group are such that they amount to a material uncertainty

Our results
We found the going concern disclosure in note 1 with a material uncertainty to be acceptable (2023 result: going concern disclosure without a material uncertainty: acceptable).

3. OVERVIEW OF OUR AUDIT

FACTORS DRIVING OUR VIEW OF RISKS

Our audit plan for FY2023-24 has been predominantly driven by the performance seen in the UK business within the current and prior periods, including the resolution of the disputes with the Communication Workers Union (CWU) earlier in the financial period. This has resulted in a reduction to the level of losses in the UK operations. Consequently, we have maintained the recoverability of the carrying amount of the Royal Mail (excluding Parcelforce worldwide) CGU as a Key Audit Matter. Following the impairment in the prior period, there is a need to consider both further impairment and impairment reversal, as a consequence the risk has increased.

The risk of going concern arising from the core trading of the UK business no longer features as a KAM following the resolution of industrial action and the associated ongoing transformation initiatives, along with refinancing obtained in the period. However, there is a material uncertainty arising from the non-binding proposal from EP Group to acquire the Group.

Key Audit Matters	Vs FY2022-23	Item
Going concern	New Risk	2
Recoverability of the carrying amount of the Royal Mail (excluding Parcelforce worldwide) CGU	↑	5.1
Deferred revenue associated with advance customer payments arising from stamps sold	↔	5.2
Valuation of pension scheme obligations	↔	5.3
Valuation of certain unquoted pensions assets	↔	5.4
Recoverability of the Parent Company's investment in subsidiaries	↔	5.5

AUDIT COMMITTEE INTERACTION

During the period, the Audit and Risk Committee met 7 times. KPMG are invited to attend all scheduled Audit and Risk Committee meetings and are provided with an opportunity to meet with the Audit and Risk Committee in private sessions without the Executive Directors being present. For each Key Audit Matter, we have set out communications with the Audit and Risk Committee in section 4, including matters that required particular judgement for each.

The matters included in the Audit and Risk Committee's report on page 96 are materially consistent with our observations of those meetings.

OUR INDEPENDENCE

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

We have not performed any non-audit services during FY2023-24 or subsequently which are prohibited by the FRC Ethical Standard.

We were first appointed as auditor by the shareholders for the 52 week period ended 27 March 2016. The period of total uninterrupted engagement is for the nine financial periods ended 31 March 2024.

The Group Engagement Partner is required to rotate every five years. As these are the second set of the Group’s financial statements signed by Andrew Bradshaw, he will be required to rotate off after the FY2026-27 audit.

The average tenure of partners responsible for component audits as set out in section 7 below is two years, with the shortest being two and the longest being two.

Total audit fee	£3.88m
Audit related fees (including interim review)	£0.65m
Other services	£0.15m
Non-audit fee as a % of total audit and audit related fee %	21%
Date first appointed	52 week period ended 27 March 2016
Uninterrupted audit tenure	9 years
Next financial period which requires a tender	2026
Tenure of Group Engagement Partner	2 years
Average tenure of component signing partners	2 years

MATERIALITY (ITEM 6 BELOW)

The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

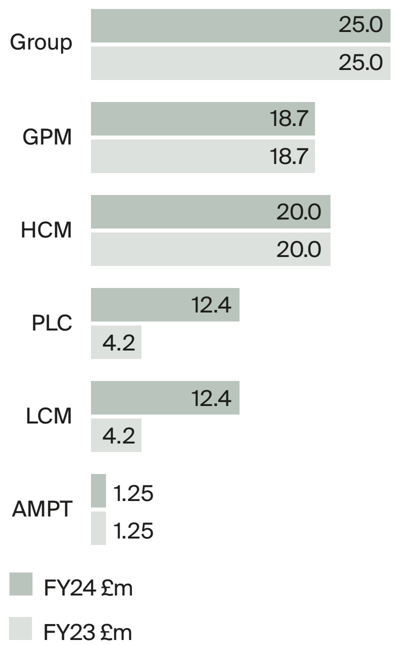
We have determined overall materiality for the Group’s financial statements as a whole at £25m (FY23: £25m) and for the Parent Company financial statements as a whole at £12.6m (FY23: £4.2m).

A key judgement in determining materiality was the most relevant metric to select as the benchmark, by considering which metrics have the greatest bearing on shareholder decisions.

Consistent with FY23, we determined that total revenue remains the most appropriate benchmark for the Group as it remains relatively consistent period on period and does not suffer from the volatility seen at a profit before tax level. As such, we based our group materiality on total revenue, of which it represents 0.2% (FY23: 0.2%).

Materiality for the Parent Company’s financial statements was determined with reference to a benchmark of Parent Company net assets, of which it represents 0.49% (FY23: 0.21%).

Materiality levels used in our audit



Group	Group Materiality
GPM	Group Performance Materiality
HCM	Highest Component Materiality
PLC	Parent Company Materiality
LCM	Lowest Component Materiality
AMPT	Audit Misstatement Posting Threshold

GROUP SCOPE
(ITEM 7 BELOW)

We have performed risk assessment and planning procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group's financial statements, the type of procedures to be performed at these components and the extent of involvement required from our component auditors around the world.

Of the Group's 21 (FY23: 21) reporting components, we subjected three (FY23: 3) to full scope audits for group purposes. We have not performed additional procedures over the remaining components as we have obtained sufficient coverage from the three full scope audits performed.

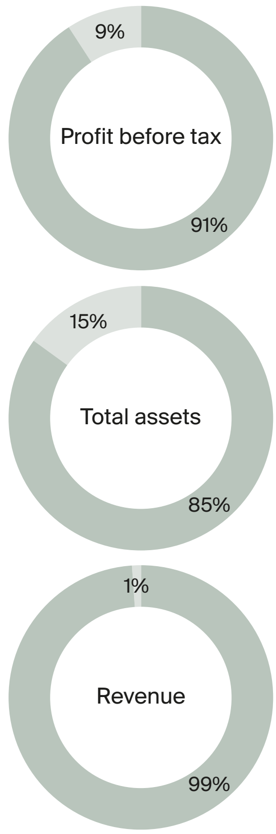
The components within the scope of our work accounted for the percentages illustrated opposite.

In addition, we have performed group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

We consider the scope of our audit, as communicated to the Audit Committee, to be an appropriate basis for our audit opinion.

- Full scope audits
- Remaining components

Coverage of Group financial statements



THE IMPACT OF CLIMATE CHANGE ON OUR AUDIT

In planning our audit, we have considered the potential impact of climate change on the Group's business and its Financial Statements. The Group has set out to reduce its emissions to zero by 2045. The majority of the Group's carbon emissions are in the domestic and international transport network, and the Group continues to develop its assessment of climate change. Climate change initiatives impact the Group in a variety of ways including opportunities and risks relating to operational and supply chain decarbonisation and the emerging regulatory requirements such as carbon taxes.

During the period, the Group has prepared quantitative scenario analysis of these emerging carbon taxes on road transport and the impact this would have on future fuel spend. Further information is provided on pages 41 to 48.

The Group considered the impact of climate change and the Group's targets in the preparation of the Financial Statements, in particular on the forecast cash flow assumptions as part of the impairment test of the recoverability of the Royal Mail (excluding Parcelforce Worldwide) CGU. The Group has concluded that the impact of climate change, and the Group's internal climate related targets, did not have a material effect on the consolidated Financial Statements.

As part of our audit, we have performed a risk assessment to determine if the potential impacts of climate change may materially affect the financial statements and our audit. We did this by making enquiries of management in order to independently assess the climate-related risks and their potential impact. We held discussions with our own climate change professionals to challenge our risk assessment.

The most likely potential impact of climate risk on these financial statements would be on the useful economic lives of property, plant and equipment and on forward looking assessments of cash flows including fuel. Taking into account the expected remaining useful lives of property, plant and equipment and the extent of potential fuel costs variations in the context of overall forward looking cash flow related to the Royal Mail (excluding Parcelforce Worldwide) CGU, we assessed that there is not a significant impact on our audit for this financial period. There was no significant impact of climate on our key audit matters.

We have also read the Group's disclosure of climate related information in the front half of the annual report as set out on pages 41 to 48 and considered consistency with the Financial Statements and our audit knowledge.

4. GOING CONCERN BASIS OF PREPARATION, VIABILITY AND PRINCIPAL RISKS AND UNCERTAINTIES

GOING CONCERN

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic for at least a year from the date of approval of the financial statements ("the going concern period"). As stated in section 2 of our report, they have also concluded that there is a material uncertainty related to going concern.

An explanation of how we evaluated management's assessment of going concern is set out in section 2 of our report.

Our conclusions based on this work:

— We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
— We have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting, and their identification therein of a material uncertainty over the Group and Company's ability to continue to use that basis for the going concern period; and
— The related statement under the Listing Rules set out on page 61 is materially consistent with the financial statements and our audit knowledge.

DISCLOSURES OF EMERGING AND PRINCIPAL RISKS AND LONGER-TERM VIABILITY

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, other than the material uncertainty related to going concern referred to above we have nothing further material to add or draw attention to in relation to:

— the Directors' confirmation within the viability statement that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
— the 'Our Principal Risks and Uncertainties' disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
— the Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement set out on pages 59 to 61 under the Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

5. KEY AUDIT MATTERS

WHAT WE MEAN

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:

— the overall audit strategy;
— the allocation of resources in the audit; and
— directing the efforts of the engagement team.

Going concern is a key audit matter and is described in section 2 of our report.

We include below the other Key Audit Matters in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

5.1 RECOVERABILITY OF THE CARRYING AMOUNT OF THE ROYAL MAIL (EXCLUDING PARCELFORCE WORLDWIDE) CGU (GROUP)

Financial Statement Elements	FY24	FY23	Our assessment of risk vs FY23	Our results
Carrying amount of the Royal Mail Excluding Parcelforce worldwide CGU (Group)	**£1,925m**	£900m	↑ Our assessment is that the level of risk has increased from FY2022-23. Following the impairment in the prior period, there is a need to consider both further impairment and impairment reversal, as a consequence the risk has increased.	**FY2023-24: Acceptable** FY2022-23: Acceptable
Impairment charge/(reversal)	**£48m**	£539m		

Description of the Key Audit Matter

Forecast-based assessment
The carrying amount of the CGU is significant with respect to the total assets of the Group and its sensitivity to key assumptions, particularly as the CGU was impaired in the prior period, meaning that there was no headroom at the start of the period, and that the CGU could be subject to further impairment or reversal of impairment
The estimated recoverable amount is subjective due to the inherent uncertainty of forecasting fair value less costs of disposal from a market participant perspective.

The key assumptions underlying the recoverable amount of the CGU included the following:

- revenue and volume growth assumptions;
- operating costs assumptions;
- property disposals assumptions; and
- the discount rate

The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of the CGU has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount.

We also identified a fraud risk related to the estimation of the recoverable amount of the CGU in response to possible pressures on the Group to demonstrate an increase in carrying value.

Our response to the risk

Our procedures to address the risk included:

- **Valuation expertise:** Using our own valuation specialists, we challenged the appropriateness of the discount rate. We also benchmarked the recoverable amount of the CGU using implied earnings multiples to comparative companies and historic transactions within the industry, as well as considering the latest market conditions.
- **Benchmarking assumptions:** Using our own economic specialists we evaluated the revenue and volume growth assumptions, against externally derived publicly available data.
- **Benchmarking assumptions:** We used external data to evaluate the assumptions used in respect of property disposals.
- **Test of detail:** We tested the principles and integrity of the Group's discounted cash flow model. We compared the cash flows used in the impairment model to the output of the Group's budgeting process and against the understanding we obtained about the business through our audit and assessed if these cash flows were reasonable
- **Historical Comparisons:** We performed a retrospective review, comparing historical budgets and volumes to actual performance to assess historical forecasting accuracy.
- **Sensitivity analysis:** We considered the sensitivity of the carrying value to reasonably possible changes in assumptions and focused our attention to those assumptions which we considered the most critical to the valuation.
- **Assessing transparency:** We assessed whether the Group's disclosures in note 1 of the sensitivity of the outcome of the recoverable amount assessment to changes in key assumptions reflected the risks inherent in the fair value less costs of disposal of the CGU. We also assessed whether the disclosure of key assumptions was complete and consistent with the assumptions used.

We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Communications with the International Distribution Services plc's Audit and Risk Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of the recoverable amount of the CGU, including details of our planned substantive procedures, use of our own specialists and the extent of our controls reliance.
- For the recoverable amount of the CGU, where the Group's estimate lay versus our acceptable range.
- The adequacy of the disclosures, particularly as they relate to the sensitivity of the recoverable amount of the CGU to key assumptions.

Areas of particular auditor judgement
We identified an area of particular auditor judgement to be the assessment of whether the Directors' overall estimate of the recoverable amount of the CGU, considering key assumptions including revenue and volume growth, operating costs assumptions, property disposal assumptions and the discount rate fell within our acceptable range.

Our results
We found the carrying value of the CGU and the related impairment charge to be acceptable (FY23: acceptable).

Further information in the Annual Report and Accounts: See the Audit and Risk Committee Report on page 96 for details on how the Audit and Risk Committee considered the Recoverability of the carrying amount of the Royal Mail (excluding Parcelforce) CGU as an area of significant attention, page 175 for the accounting policy on Recoverability of the carrying amount of the Royal Mail (excluding Parcelforce) CGU and note 1 for the financial disclosures.

5.2 DEFERRED REVENUE ASSOCIATED WITH ADVANCE CUSTOMER PAYMENTS ARISING FROM STAMPS SOLD (GROUP)

Financial Statement Elements	FY24	FY23	Our assessment of risk vs FY23	Our results
Stamps in the hands of the public (SITHOP) – Deferred revenue	**£138m**	£147m	↔ The level of risk relating to deferred revenue associated with advance customer payments has remained flat period on period. This is as a consequence of an increase in risk due to the revised model being offset by a reduction in risk due to increased data inputs being utilised in the process.	**FY2023-24: Acceptable** FY2022-23: Acceptable

Description of the Key Audit Matter

Subjective estimate
Revenue is recognised on delivery of letters, not at the point stamps are sold to customers, as the performance obligation with the customer is only settled upon delivery of the letter. There can be a considerable delay because stamps held by customers remain valid indefinitely. Therefore, the Group estimates the value of advance customer payments and defers revenue to reflect the value of services still to be performed.

Following the introduction of barcoded stamps in FY22, the Group is now able to track stamp usage at a more granular level. Following collation of a substantial dataset the Group have developed a new methodology to estimate the deferred revenue, which is being applied for the first time in the current period. The calculation is derived from sales data and scan data, rather than the previous use of historic ratios.

There are still limitations in the process due to:

- barcodes not being scanned at the point of sale. The Group has addressed this by applying a bucketing approach in the methodology to estimate the month of sale for batches of stamps;
- not all stamps are scanned in the delivery phase. Therefore, a non-scan assumption has been applied by management to incorporate the stamps which are sorted manually or unable to be scanned by sorting machines.

Assumptions are applied to the data to create usage curves. The usage curves determine which stamps sold have been used and therefore calculates deferred revenue.

As a part of our risk assessment, we determined that the stamps in the hands of the public balance has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole due to the assumptions made by management. As a result, we have also identified a fraud risk related to estimation uncertainty noted on the deferred revenue associated with advance customer payments arising from stamps sold.

Our response to the risk

Our procedures to address the risk included:

- **Methodology choice:** We challenged the Group on the appropriateness of the methodology in place for performing the calculation, including benchmarking the approach against that taken by other global postal service providers. An alternative method considered, was the previous methodology used in FY23, which was based on a historical statistical method.
- **Methodology implementation:** We assessed whether the methodology had been correctly applied and we challenged the need for any adjustments through consideration of possible alternatives, such as the inclusion of a buy forward adjustment on the estimated deferral.
- **Test of details:** We tested the integrity of the model by testing the individual data points and assumptions input to the model used in the Group's calculation to check the accuracy of the balance. Further, we independently circulated a sample of letters and large letters through the network ahead of period end and traced these through to the scan database.
- **Data and Analytics expertise** – We engaged our Data & Analytics specialists to assess whether the design of the usage curve calculator was consistent with the methodology as described, by assessing the underlying code written and implemented for the calculation of the usage curves.
- **Challenge of the outcome:** We challenged the Group's estimate by considering a range of plausible outcomes using alternative assumptions, and alternative methods of calculating the estimate.
- **Sensitivity analysis:** We considered the sensitivity of the deferred revenue balance to reasonably possible changes in assumptions and focused our attention to those assumptions which we considered the most critical to the estimate.
- **Assessing transparency:** We considered the adequacy of the Group's disclosures in respect of deferred revenue associated with advance customer payments arising from stamps sold, particularly in relation to the degree of estimation uncertainty.

We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Communications with the International Distribution Services plc's Audit and Risk Committee
Our discussions with and reporting to the Audit and Risk Committee included:

- Our approach to the audit of the stamps in the hands of the public estimate, including our planned audit response and substantive procedures and the extent of our control reliance;
- Our conclusions on the appropriateness of the methodology and key assumptions used; and
- The adequacy of the disclosures, particularly as they relate to the sensitivity of the key assumptions.

Areas of particular auditor judgement
We identified the following as the areas of particular auditor judgement:

- the appropriateness of the methodology; and
- the key assumptions used to calculate the deferral.

Our results
We found the estimate of deferred revenue to be acceptable (FY23: acceptable)

Further information in the Annual Report and Accounts: See the Audit and Risk Committee Report on page 99 for details on how the Audit Committee considered Deferred revenue associated with advance customer payments arising from stamps sold as an area of significant attention, page 174 for the accounting policy on Deferred revenue associated with advance customer payments arising from stamps sold, and note 1 for the financial disclosures.

5.3 VALUATION OF PENSION SCHEME OBLIGATIONS (GROUP)

Financial Statement Elements			Our assessment of risk vs FY23	Our results
	FY24	FY23	↔ We have not identified any significant changes to our assessment of the level of risk relating to the valuation of pension scheme obligations.	**FY2023-24: Acceptable** FY2022-23: Acceptable
Royal Mail Pension Plan Defined Benefit Obligation	**£4,521m**	£4,601m		
Cash Balance Scheme Defined Benefit Obligation	**£1,963m**	£1,797m		

Description of the Key Audit Matter	Our response to the risk
Subjective valuation: Significant estimates are made in valuing the Group's post-retirement defined benefit plan obligations including in particular, the discount rate, the inflation rate, pre-retirement pension increases and mortality assumptions. Small changes in the assumptions and estimates used to value the Group's pension obligations would have a significant effect on the financial position of the Group. As part of our risk assessment, we determined that the valuation of the Group's pension scheme obligations include a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (Note 11) disclose the sensitivity of the liabilities to key assumptions estimated by the Group.	Our procedures to address the risk included: — **Benchmarking assumptions:** We challenged the key assumptions applied in the calculation of the obligation, including the discount rate, inflation rate, pre-retirement pension increases and mortality with the support of our own actuarial specialists to compare key assumptions against market data. — **Actuary's credentials:** We assessed the competence, independence and integrity of the Group's actuarial expert. — **Assessing transparency:** We considered the adequacy of the Group's disclosures in respect of the sensitivity of the obligation to key assumptions. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Communications with the International Distribution Services plc's Audit and Risk Committee
Our discussions with and reporting to the Audit and Risk Committee included:

- Our approach to the audit of the defined benefit obligations, including the use of specialist actuaries.
- Our assessment of the competency of the Group's actuaries and management's oversight of their calculation.
- Our conclusions on the valuation of the defined benefit obligations and the adequacy of the disclosures.

Areas of particular auditor judgement
We identified the following as the areas of particular auditor judgement:

- The actuarial assumptions included with management's IAS 19 model, specifically the discount rate, inflationary adjustments, pre-retirement pension increases, and mortality rate used.

Our results
We found the valuation of defined benefit obligations to be acceptable (FY23: acceptable)

Further information in the Annual Report and Accounts: See the Audit and Risk Committee Report on page 96 for details on how the Audit Committee considered the Valuation of Pension Scheme Obligations as an area of significant attention, page 173 for the accounting policy on the Valuation of Pension Scheme Obligations and note 11 for the financial disclosures.

5.4 VALUATION OF CERTAIN UNQUOTED PENSION SCHEME ASSETS (GROUP)

Financial Statement Elements	FY24	FY23	Our assessment of risk vs FY23	Our results
Unquoted pension assets*	**£1,778m**	£1,975m	↔ We have not identified any significant changes to our assessment of the level of risk relating to value the unquoted pension scheme assets.	**FY2023-24: Acceptable** FY2022-23: Acceptable

Description of the Key Audit Matter	Our response to the risk
Subjective valuation: Significant estimates are made in valuing certain unquoted pension schemes assets (which comprise properties, equity funds, mutual funds and private fixed income bonds), which are hard to value and make up a significant portion of unquoted pension scheme assets. Small changes in the estimates used to value these assets would have a significant effect on the financial position of the Group. As part of our risk assessment, we determined that the valuation of certain unquoted pension scheme assets include a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. * As reported on page 199. Included within the unquoted pension assets balance (FY2023-24: £1,778m FY2022-23: £1,975m) are a portion that are considered as hard to value for purposes of testing.	Our procedures to address the risk included: — **Tests of details:** We obtained third party valuation confirmations directly from fund managers. We compared those confirmations with unaudited net asset value statements and tested the ability of fund managers to prepare accurate valuations by performing a retrospective review comparing a sample of the net asset value statements to historical audited financial statements. — **Our property valuation expertise:** We obtained third party valuations and used our internal valuation specialists to assess the valuation methodology and challenge key assumptions. — **Assessing transparency:** We considered the adequacy of the Group's unquoted plan assets disclosures in respect of valuation techniques and accuracy of the asset split by category. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Communications with the International Distribution Services plc's Audit and Risk Committee
Our discussions with and reporting to the Audit and Risk Committee included:

- Our approach to the audit of the unquoted assets, including the use of valuation specialists.
- Our conclusions on the valuation of the assets and the adequacy of the disclosures.

Areas of particular auditor judgement
We identified the following as the area of particular auditor judgement:

- The appropriateness of methodology used for calculating fair value of plan assets;

Our results
We found the valuation of the unquoted pensions scheme assets to be acceptable (FY23: acceptable)

Further information in the Annual Report and Accounts: See the Audit and Risk Committee Report on page 100 for details on how the Audit Committee considered Valuation of certain unquoted pension scheme assets as an area of significant attention, page 173 for the accounting policy on Valuation of certain unquoted pension scheme assets and note 11 for the financial disclosures.

5.5 RECOVERABILITY OF PARENT COMPANY'S INVESTMENT IN SUBSIDIARY (PARENT COMPANY)

Financial Statement Elements			Our assessment of risk vs FY23		Our results
	FY24	FY23	↔	We have not identified any significant changes to our assessment of the level of risk relating to the recoverability of the Parent Company's investment in the subsidiary, RMGLS Holdco Limited. However, our assessment of the risk of recoverability of debt due from group entities has reduced resulting in this item being removed from the key audit matter.	**FY2023-24: Acceptable** FY2022-23: Acceptable
Investments	**£2,919m**	£2,914m			

Description of the Key Audit Matter	Our response to the risk
Low risk, high value: The carrying amount of the Parent Company's investments in subsidiaries represent 72% (FY23: 83%) of the Company's total assets, with the remainder being intergroup receivables. The recoverability of the investment in subsidiary is not at a high risk of significant misstatement. However, due to its materiality in the context of the Parent Company's financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures to address the risk included: — **Comparing valuations:** For the investments where the carrying amount exceed the net asset value, comparing the carrying amount of the investment with the expected value of business, based on the recoverable amounts determined by management for the Royal Mail (excluding Parcelforce Worldwide) CGU and GLS CGUs. — **Recoverable amount assessment:** We noted that the relevant subsidiary's balance sheet position was only marginally above the underlying investment held by the entity. We performed an assessment of the recoverable amounts determined by management on the underlying investment as described in 5.1. — **Comparing valuations:** We compared the carrying amount of the Parent Company's investments to the Group's market capitalisation. We performed the tests above rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Communications with the International Distribution Services plc's Audit and Risk Committee

Our discussions with and reporting to the Audit and Risk Committee included:

- Our approach to the audit of the investment in subsidiary; and
- Our conclusions on valuation of investment in subsidiaries and the adequacy of the disclosures, given the cumulative impairment of the Royal Mail (excluding Parcelforce worldwide) CGU.

Our results

We found the recoverability of the Parent Company's investment in subsidiary to be acceptable (FY23: acceptable)

Further information in the Annual Report and Accounts: See the Audit and Risk Committee Report on page 101 for details on how the Audit Committee considered the Recoverability of Parent Company's investment in Subsidiaries as an area of significant attention, page 234 for the accounting policy on the Recoverability of Parent Company's investment in Subsidiaries and note 6 for the financial disclosures.

6. OUR ABILITY TO DETECT IRREGULARITIES, AND OUR RESPONSE

FRAUD – IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT DUE TO FRAUD

FRAUD RISK ASSESSMENT	To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included: — Enquiring of Directors, the Audit and Risk Committee, Internal Audit and Risk Management, and inspection of policy documentation as to the Group’s policies and procedures to prevent and detect fraud, including the Group’s ‘whistleblowing’ hotline, as well as whether they have knowledge of any actual, suspected or alleged fraud. — Reading Board, Audit and Risk Committee, Nomination Committee, Remuneration Committee and ESG Committee minutes. — Considering remuneration incentive schemes and performance targets for management and directors. — Using analytical procedures to identify any unusual or unexpected accounting relationships.
RISK COMMUNICATIONS	We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group audit team to full scope component audit teams of relevant fraud risks identified at the group level and request to full scope component audit teams to report to the group audit team any instances of fraud that could give rise to a material misstatement at the group level.
FRAUD RISKS	As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue transactions are all low value, high volume and have a high cash conversion rate. We determined that these risks would most likely manifest themselves in two key areas being: — Deferred revenue in relation to advance customer payments; and — Management bias in the recoverability of the carrying value of the Royal Mail excluding Parcelforce Worldwide CGU arising from possible external pressures to realise value.
LINK TO KAMS	Further detail in respect of the above fraud risks is set out in the key audit matter disclosures in section 4 of this report. These are KAM 4.1 – Recoverability of the carrying amount of the Royal Mail (excluding Parcelforce Worldwide) CGU and KAM 4.2. – Deferred revenue associated with advance customer payments arising from stamps sold
PROCEDURES TO ADDRESS FRAUD RISKS	We performed procedures including: — Identifying journal entries and other adjustments to test for all full scope components, based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to seldom used accounts, round sum journals posted in period 12, post close journals and unusual journals posted to revenue, cash and borrowing accounts. — Evaluated the business purpose of significant unusual transactions. — Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

LAWS AND REGULATIONS – IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT RELATING TO COMPLIANCE WITH LAWS AND REGULATIONS

LAWS AND REGULATIONS RISK ASSESSMENT	We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Financial Statements from our general commercial and sector experience. We held discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements and inquiry of the UK business' regulator, Ofcom.
RISK COMMUNICATIONS	We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group audit team to full-scope component audit teams of relevant laws and regulations identified at the group level, and a request for full scope component auditors to report to the group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the group level.
DIRECT LAWS CONTEXT AND LINK TO AUDIT	The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation, taxation legislation, and pensions legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
MOST SIGNIFICANT INDIRECT LAW/ REGULATION AREAS	Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines, litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: GDPR compliance, health and safety, anti-bribery and corruption, employment law, PCI compliance, money laundering, foreign corrupt practices, environmental protection, export control, consumer rights act, misrepresentation act, contract law, distance selling regulations, competition legislation and price fixing, and the Postal Services Act as enforced by Ofcom, in recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.
KNOWN ACTUAL OR SUSPECTED MATTERS	For the Whistl Damages Claim, the Quality of Service Fine for FY23 and the potential fine for FY24 and tax-related disputes in GLS Italy discussed in note 25, we compared disclosures against our understanding from legal correspondence.
CONTEXT	
CONTEXT OF THE ABILITY OF THE AUDIT TO DETECT FRAUD OR BREACHES OF LAW OR REGULATION	Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7. OUR DETERMINATION OF MATERIALITY

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

£25M **MATERIALITY FOR THE GROUP FINANCIAL STATEMENTS AS A WHOLE** **(FY23: £25M)**	**What we mean** A quantitative reference for the purpose of planning and performing our audit.
	Basis for determining materiality and judgements applied Materiality for the Group financial statements as a whole was set at £25m (FY23: £25m). This was determined with reference to a benchmark of group total revenues. Consistent with FY23, we determined that group revenue remains the main benchmark for the Group as it provides a more stable measure period on period than group profit before tax. This is because of the significant fluctuations noted in profit levels in the current and prior periods, with a return to profits in the current period and a loss seen in the FY23. Our Group materiality of £25m was determined by applying a percentage to the group revenue. When using a benchmark of total revenue to determine overall materiality, KPMG's approach for listed entities considers a guideline range 0.5% – 1% of the measure. In setting overall group materiality, we applied a percentage of 0.2% (FY-23: 0.2%) to the benchmark. This percentage is below the bottom end of the guideline percentage range. This reflects the importance of the profit before tax metric. KPMG have maintained this percentage of total revenue to ensure that materiality is reflective of the Group's normal profit levels noted in more stable prior periods. Materiality for the Parent Company's financial statements as a whole was set at £12.6m (FY23: £4.2m), which is the component materiality for the parent company determined by the group audit engagement team. This is lower than the materiality we would otherwise have determined with reference to the Parent Company's total assets, of which it represents 0.36% (2023: 0.14%). Materiality for the Parent Company has increased due to a larger allocation of group materiality being allocated to the Parent Company component. We have increased the materiality allocated to the Parent Company to better align with KPMG's assessment of the risk present at the Parent Company.

PERFORMANCE MATERIALITY £18.7M (FY2022-23: £18.7M)	**What we mean** Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.
	Basis for determining performance materiality and judgements applied We have considered performance materiality at a level of 75% (FY23: 75%) of materiality for the Group’s financial statements as a whole to be appropriate. The Parent Company’s performance materiality was set at £9.45m (FY23: £3.20m), which equates to 75% (FY2022-23: 75%) of materiality for the Parent Company’s financial statements as a whole. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

AUDIT MISSTATEMENT POSTING THRESHOLD £1.25M (FY2022-23: £1.25M)	**What we mean** This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud. This is also the amount above which all misstatements identified are communicated to International Distribution Services plc’s Audit and Risk Committee.
	Basis for determining the audit misstatement posting threshold and judgements applied We set our audit misstatement posting threshold at 5% (FY23: 5%) of our materiality for the group financial statements. We also report to the Audit and Risk Committee any other identified misstatements that warrant reporting on qualitative grounds.

The overall materiality for the group financial statements of £25m (FY23: £25m) compares as follows to the main financial statement caption amounts:

	Revenue		Profit before tax		Total Assets	
	FY2023-24	FY2022-23	**FY2023-24**	FY2022-23	**FY2023-24**	FY2022-23
Financial statement Caption	**£12,679m**	£12,044m	**£114m**	£-676m	**£8,991m**	£8,816m
Group Materiality as a percentage of caption	**0.20%**	0.21%	**21.93%**	3.70%	**0.28%**	0.28%

8. THE SCOPE OF OUR AUDIT

GROUP SCOPE

What we mean
How the group audit team determined the procedures to be performed across the Group.

The Group has 21 (FY23: 21) reporting components. In order to determine the work performed at the reporting component level, we identified those components which we considered to be of individual financial significance, those which were significant due to risk and those remaining components on which we required procedures to be performed to provide us with the evidence we required in order to conclude on the Group's financial statements as a whole.

We determined individually financially significant components as those contributing at least 10% (FY23: 10%) of revenue or total assets. We selected revenue or total assets because these are the most representative of the relative size of the components. We identified 3 (FY23: 3) components as individually financially significant components and performed full scope audits on these components

The components within the scope of our work accounted for the following percentages of the Group's results, with the prior period comparatives indicated in brackets:

Scope	Number of components	Range of materiality applied	Percentage of the Revenue	Percentage of the profits and losses that made up PBT	Percentage of the total assets
Full scope audit	3 (3)	£12.6m – £20m (£4.2m – £20m)	99.7% (98.7%)	91.2% (80.7%)	95.4% (98.7%)

In addition, we have performed group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

The scope of the audit work performed was fully substantive as we did not rely upon the Group's internal control over financial reporting

The work on 1 of the 3 components (FY23: 1 of the 3 components) was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the group audit team. The group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

GROUP AUDIT TEAM OVERSIGHT

What we mean
The extent of the group audit team's involvement in component audits.

The group audit team visited 2 (FY2022-23: 2) component locations in Hungary and Italy relating to the 1 component audit team to assess the audit risk and strategy. Video and telephone conference meetings were also held with the component auditors and certain others that were not physically visited. At these visits and meetings, the findings reported to the group audit team were discussed in more detail, and any further work required by the group audit team was then performed by the component auditor.

9. OTHER INFORMATION IN THE ANNUAL REPORT

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

ALL OTHER INFORMATION

Our responsibility	Our reporting
Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.	Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

STRATEGIC REPORT AND DIRECTORS' REPORT

Our responsibility and reporting

Based solely on our work on the other information described above we report to you as follows:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

DIRECTORS' REMUNERATION REPORT

Our responsibility	Our reporting
We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.	In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

CORPORATE GOVERNANCE DISCLOSURES

Our responsibility	Our reporting
We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and: — the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; — the section of the annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and — the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.	Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.
We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code 2018 specified by the Listing Rules for our review.	We have nothing to report in this respect.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Our responsibility	Our reporting
Under the Companies Act 2006, we are required to report to you if, in our opinion: — adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or — the Parent Company's financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or — certain disclosures of Directors' remuneration specified by law are not made; or — we have not received all the information and explanations we require for our audit.	We have nothing to report in these respects.

10. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 139, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

11. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Bradshaw (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

24 May 2024

Consolidated Income Statement

For the 53 weeks ended 31 March 2024 and 52 weeks ended 26 March 2023

	Notes	**Reported 53 weeks 2024 £m**	Reported 52 weeks 2023 £m
Continuing operations			
Revenue	3	**12,679**	12,044
Operating costs[1,2]	4/5	**(12,545)**	(12,248)
People costs		**(6,752)**	(6,573)
Distribution and conveyance costs		**(3,890)**	(3,721)
Infrastructure costs		**(1,087)**	(1,178)
Other operating costs		**(816)**	(776)
Profit on disposal of property, plant and equipment[2,3]	6	**15**	6
Operating profit/(loss) before specific items[2]	2	**149**	(198)
Operating specific items[2]	6	**(123)**	(544)
Operating profit/(loss)	2	**26**	(742)
Finance costs	7	**(98)**	(60)
Finance income	7	**51**	21
Net pension interest (non-operating specific item)[2]	6/11	**135**	105
Profit/(loss) before tax		**114**	(676)
Tax charge	8	**(60)**	(197)
Profit/(loss) for the year		**54**	(873)
Earnings per share (pence)			
Basic	9	**5.6**	(91.3)
Diluted	9	**5.6**	(91.3)

1. Operating costs are stated before operating specific items.
2. For further details on APMs used, see pages 238 to 243.
3. Profit on disposal of property, plant and equipment has been re-presented in the prior year within operating profit/(loss) before specific items, previously presented as a specific item after operating profit/(loss) (see Note 1 - changes in accounting policy and disclosures).

Consolidated Statement of Comprehensive Income

For the 53 weeks ended 31 March 2024 and 52 weeks ended 26 March 2023

	Notes	**Reported 53 weeks 2024 £m**	Reported 52 weeks 2023 £m
Profit/(loss) for the year		**54**	(873)
Other comprehensive expense for the year from continuing operations:			
Items that will not be subsequently reclassified to profit or loss:			
Amounts relating to retirement benefit plans		**(280)**	(488)
Decrease in withholding tax payable on distribution of RMPP and RMSEPP surplus	11	**436**	413
Remeasurement losses of the defined benefit surplus in RMPP and RMSEPP	11(c)	**(657)**	(1,285)
Remeasurement (losses)/gains of the defined benefit deficit in DBCBS	11(d)	**(59)**	378
Deferred tax associated with DBCBS	8	**–**	6
Items that may be subsequently reclassified to profit or loss:			
Foreign exchange translation differences		**(29)**	25
Exchange differences on translation of foreign operations (GLS)		**(41)**	50
Net gain/(loss) on hedge of a net investment (€500 million bond)		**12**	(24)
Net loss on hedge of a net investment (Euro-denominated lease payables)		**–**	(1)
Designated cash flow hedges		**(7)**	(70)
Gains/(losses) on cash flow hedges deferred into equity		**2**	(2)
Gains on cash flow hedges released from equity to income		**(15)**	(85)
Losses released from equity to the carrying value of non-financial assets		**1**	2
(Loss)/gain on cross-currency swap cash flow hedge deferred into equity		**(7)**	22
Loss/(gain) on cross-currency swap cash flow hedge released from equity to income – interest payable		**13**	(26)
Gain on cost of hedging deferred into equity		**–**	2
Gain on cost of hedging released from equity to income – interest payable		**(1)**	(1)
Tax on above items	8	**–**	18
Total other comprehensive expense for the year		**(316)**	(533)
Total comprehensive expense for the year		**(262)**	(1,406)

Consolidated Balance Sheet

At 31 March 2024 and 26 March 2023

	Notes	Reported at 31 March 2024 £m	Reported at 26 March 2023 £m
Non-current assets			
Property, plant and equipment	13	**3,307**	3,298
Goodwill	15	**458**	445
Intangible assets	16	**304**	304
Investments in associates	17	**1**	1
Financial assets			
Pension escrow investments	24	**102**	208
Derivatives	24	**2**	3
RMPP/RMSEPP retirement benefit surplus – net of withholding tax payable	11	**1,851**	1,957
Other receivables		**15**	13
Deferred tax assets	8	**7**	10
		6,047	6,239
Current assets			
Inventories		**32**	42
Trade and other receivables	20	**1,595**	1,590
Income tax receivable		**23**	20
Financial assets			
Investments	24	**216**	–
Derivatives	24	**6**	23
Cash and cash equivalents	21/24	**1,030**	898
Assets held for sale	19	**42**	4
		2,944	2,577
Total assets		**8,991**	8,816
Current liabilities			
Trade and other payables	22	**(2,106)**	(2,144)
Financial liabilities			
Interest-bearing loans and borrowings	23/24	**(315)**	(3)
Lease liabilities	14/24	**(241)**	(220)
Derivatives	24	**(16)**	(13)
Income tax payable		**(3)**	(5)
Provisions	25	**(95)**	(129)
Bank overdrafts	21/24	**(56)**	(89)
Liabilities held for sale	19	**(24)**	–
		(2,856)	(2,603)

At 31 March 2024 and 26 March 2023

	Notes	Reported at 31 March 2024 £m	Reported at 26 March 2023 £m
Non-current liabilities			
Financial liabilities			
Interest-bearing loans and borrowings	23/24	**(1,168)**	(944)
Lease liabilities	14/24	**(1,182)**	(1,142)
Derivatives	24	**(24)**	(22)
DBCBS retirement benefit deficit	11	**(60)**	(145)
Provisions	25	**(89)**	(79)
Other payables		**(16)**	(24)
Deferred tax liabilities	8	**(51)**	(55)
		(2,590)	(2,411)
Total liabilities		**(5,446)**	(5,014)
Net assets		**3,545**	3,802
Equity			
Share capital	26	**10**	10
Retained earnings		**3,540**	3,761
Other reserves		**(5)**	31
Total equity		**3,545**	3,802

The Financial Statements were approved and authorised for issue by the Board of Directors on 24 May 2024 and were signed on its behalf by:

Martin Seidenberg
Group Chief Executive Officer

Michael Snape
Group Chief Financial Officer

Consolidated Statement of Changes in Equity

For the 53 weeks ended 31 March 2024 and 52 weeks ended 26 March 2023

	Share capital £m	Retained earnings £m	Foreign currency translation reserve £m	Hedging reserve £m	Total equity £m
Reported at 27 March 2022	10	5,248	7	69	5,334
Loss for the year	–	(873)	–	–	(873)
Other comprehensive (expense)/income for the year	–	(488)	25	(70)	(533)
Total comprehensive (expense)/income for the year		(1,361)	25	(70)	(1,406)
Transactions with owners of the Company, recognised directly in equity					
Dividend paid to equity holders of the Parent Company	–	(127)	–	–	(127)
Share-based payments (see Note 18)					
Employee Free Shares issue	–	1	–	–	1
Long Term Incentive Plan (LTIP)	–	1	–	–	1
Tax charge on share-based payments	–	(1)	–	–	(1)
Reported at 26 March 2023	**10**	**3,761**	**32**	**(1)**	**3,802**
Profit for the year	**–**	**54**	**–**	**–**	**54**
Other comprehensive expense for the year	**–**	**(280)**	**(29)**	**(7)**	**(316)**
Total comprehensive expense for the year	**–**	**(226)**	**(29)**	**(7)**	**(262)**
Transactions with owners of the Company, recognised directly in equity					
Share-based payments (see Note 18)					
Employee Free Shares issue	**–**	**1**	**–**	**–**	**1**
Long Term Incentive Plan (LTIP)	**–**	**3**	**–**	**–**	**3**
Deferred Share Bonus Plan (DSBP)	**–**	**1**	**–**	**–**	**1**
Reported at 31 March 2024	**10**	**3,540**	**3**	**(8)**	**3,545**

A description of the reserves in the above table is included in Note 26.

Consolidated Statement of Cash Flows

For the 53 weeks ended 31 March 2024 and 52 weeks ended 26 March 2023

	Notes	Reported 53 weeks 2024 £m	Reported 52 weeks 2023 £m
Cash flow from operating activities			
Profit/(loss) before tax		**114**	(676)
Adjustment for:			
Net pension interest (non-operating specific item)	6	**(135)**	(105)
Net finance costs	7	**47**	39
Profit on disposal of property, plant and equipment	6	**(15)**	(6)
Specific items (operating)	6	**123**	544
Operating profit/(loss) before profit on disposal of property, plant and equipment and specific items[1]		**134**	(204)
Adjustment for:			
Depreciation and amortisation		**481**	602
EBITDA before specific items and profit on disposal of property, plant and equipment[1]		**615**	398
Working capital movements		**(155)**	(54)
Decrease/(increase) in inventories		**11**	(8)
(Increase)/decrease in receivables		**(62)**	180
Decrease in payables		**(36)**	(237)
Net decrease in derivative assets		**3**	7
(Decrease)/increase in provisions (non-specific items)		**(71)**	4
Pension charge adjustment[2]	6/11	**(171)**	133
Share-based awards (LTIP and DSBP) charge		**4**	2
Cash cost of operating specific items	6	**(11)**	(53)
Cash inflow from operations		**282**	426
Income tax paid		**(67)**	(53)
Net cash inflow from operating activities		**215**	373
Cash flow from investing activities			
Finance income received		**47**	20
Proceeds from disposal of property (excluding London Development Portfolio), plant and equipment		**10**	11
Cash received on sale and leasebacks – rights of assets transferred		**8**	–
London Development Portfolio net proceeds/(costs)		**87**	(6)
Purchase of property, plant and equipment[3]		**(272)**	(328)
Acquisition of business interests, net of cash acquired		**(35)**	(7)
Purchase of intangible assets (software)[3]		**(113)**	(93)
Sale of pension escrow investments		**130**	21
Purchase of pension escrow investments		**(16)**	(13)
(Purchase)/sale of financial asset investments (current)		**(216)**	70
Net cash outflow from investing activities		**(370)**	(325)
Net cash (outflow)/inflow before financing activities		**(155)**	48

For the 53 weeks ended 31 March 2024 and 52 weeks ended 26 March 2023

	Notes	**Reported 53 weeks 2024 £m**	Reported 52 weeks 2023 £m
Cash flow from financing activities			
Finance costs paid	24	**(79)**	(61)
Payment of capital element of obligations under lease contracts	24	**(216)**	(202)
Cash received on sale and leasebacks – rights to assets retained	24	**71**	–
Proceeds from loans and borrowings	24	**674**	–
Repayment of loans and borrowings	24	**(122)**	–
Payment of capital element of asset finance		**–**	(2)
Dividends paid to equity holders of the Parent Company	10	**–**	(127)
Net cash inflow/(outflow) from financing activities		**328**	(392)
Net increase/(decrease) in cash and cash equivalents		**173**	(344)
Effect of foreign currency exchange rates on cash and cash equivalents		**(8)**	16
Cash and cash equivalents at the beginning of the year		**809**	1,137
Cash and cash equivalents at the end of the year	21	**974**	809

1. For further details on APMs used, see pages 238 to 243.
2. Excludes £130 million (2022-23: £nil) adjustment in relation to the release of pension escrow (see Note 4 for further details).
3. Items comprise total gross capital expenditure within 'in-year trading cash flow' measure (see Financial Review).

Notes to the Consolidated Financial Statements

1. Basis of preparation and accounting policies

General information

International Distribution Services plc (the Company) is incorporated in the United Kingdom (UK). The Consolidated Financial Statements have been produced in accordance with UK-adopted international accounting standards (UK-adopted International Financial Reporting Standards (IFRS)).

The Consolidated Financial Statements of the Company for the 53 weeks ended 31 March 2024 (2022-23: 52 weeks ended 26 March 2023) comprise the Company and its subsidiaries (together referred to as 'the Group') and the Group's interest in its associate undertakings.

The Consolidated Financial Statements for the 53 weeks ended 31 March 2024 were authorised for issue by the Board on 24 May 2024.

Basis of preparation and accounting

The Consolidated Financial Statements are presented in Sterling (£) as that is the currency of the primary economic environment in which the Group operates. All values are rounded to the nearest whole £million except where otherwise indicated. The Consolidated Financial Statements have been prepared on an historic cost basis, except for pension assets, derivative financial instruments and the assets and liabilities relating to the acquisition of businesses, which are measured at fair value. The assets within the partially impaired Royal Mail excluding Parcelforce Worldwide CGU are measured at fair value less costs of disposal.

The Group's financial reporting year ends on the last Sunday in March and, accordingly, these Financial Statements are prepared for the 53 weeks ended 31 March 2024 (2022-23: 52 weeks ended 26 March 2023). GLS' reporting period is the 52 weeks ending 31 March each year. There were no significant transactions in GLS between this reporting period and the remainder of the Group's 53 week reporting period.

Presentation of results and accounting policies

As stated above, the Consolidated Financial Statements have been produced in accordance with UK-adopted IFRS, i.e. on a 'reported' basis. In some instances, APMs are used by the Group to provide 'adjusted' results. This is because management is of the view that these APMs provide a useful basis on which to analyse underlying business performance and is consistent with the way that financial performance is measured by management and reported to the Board. Details of the APMs used by the Group are explained on pages 238 to 243.

Going concern

In assessing the going concern status of the Group, the Directors are required to look forward a minimum of 12 months from the date of approval of these Financial Statements to consider whether it is appropriate to prepare the financial statements on a going concern basis. The Directors have reviewed business activities, together with factors likely to affect the Group's future development and performance, as well as the Group's principal risks and uncertainties.

The Board has concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts, with specific consideration of the trading position of the Group in the context of the current global economic environment for the reasons as set out below.

At 31 March 2024 the Group had net current assets of £88 million and net assets of £1.6 billion (excluding defined benefit scheme balances and pension escrow investments). Liquidity available as at the reporting date was £2.1 billion (excluding GLS client cash), made up of cash and cash equivalents of £927 million, current asset investments of £216 million and a committed and undrawn bank syndicate loan facility of £925 million – available until September 2026. The bank syndicate loan facility contains financial covenants, which were amended on 24 March 2023. The amendment, which is relevant for the measurement periods from March 2023 to March 2024, means that the covenants will be calculated by reference to the EBITDA of General Logistics Systems (GLS) B.V. and its subsidiaries rather than the Consolidated EBITDA of the Group.

In their assessment of going concern over the period to 24 May 2025 (the 'going concern assessment period'), the Group has modelled two scenarios referred to below as the Base Case and the Downside Case.

The key inputs and assumptions underlying the Base Case include the economic impact driven by the ongoing macro-economic headwinds in both Royal Mail and GLS. In Royal Mail, following agreement with the CWU of the Business Recovery, Transformation and Growth Agreement in July 2023, it does not assume any further industrial action taking place, and it also assumes that the benefits associated with activity to restore quality of service and transformation of the business are realised resulting in a more efficient operation that meets customers' changing needs. The Base Case assumes Royal Mail has low double digit volume growth in parcels in 2024-25, supported by continued improvement in quality and strategic growth initiatives including expanded channel mix (e.g. lockers). It will benefit from a general election in 2024-25 in letters but structural decline in letters will continue to be offset by pricing actions. Productivity improvements enabled by the pay deal will more than offset operational headwinds including the 2% pay increase, the impact of higher workload and increasing fuel and fleet maintenance costs, and continued focus on cost control. GLS assumes low to mid single digit revenue growth in 2024-25 and some margin dilution linked to ongoing inflationary cost pressure. The Base Case assumes a dividend will be restored over the going concern period funded by GLS.

In September 2023, the Group issued two further bonds and used part of the proceeds to repurchase €135.5 million of the existing €500 million bond. The Group now has four bonds outstanding, of which the remaining €364.5 million outstanding on the 2024 €500 million bond matures in July 2024, which is within the going concern assessment period. The Group holds bank deposits to cover this repayment. The maturity of the €550 million bond in October 2026 is outside of the going concern assessment period.

On 9 May 2023, the Group secured a backstop facility of €500 million from a syndicate of banks to provide additional flexibility on the timing for refinancing the €500 million bond maturing in July 2024. The backstop was cancelled undrawn when the new bonds were issued in September 2023.

The Base Case does not anticipate any regulatory support from Ofcom or the Government, for example change to the scope of the USO. Management believes modernisation of the USO is critical for margins to be materially improved and for the sustainability of the USO. Ofcom have defined a commercial rate of return for the regulated business in the range of 5-10% EBIT margin. Regulatory reform could materially improve the prospects of the Royal Mail business.

1. Basis of preparation and accounting policies continued

In the Base Case it is projected that the Group will have sufficient cash and liquidity. The £925 million bank syndicate loan facility would remain available as covenants would not be breached.

The Downside Case applies further stress to the Base Case to model further deteriorating economic and market conditions impacting both Royal Mail and GLS.

Further details of the scenarios modelled are as follows:

Scenario:	Deteriorating economic and market conditions.
Assumptions:	Revenue growth in the Business Plan is not achieved.
Scenario:	Increased competition in the UK parcels sector including changes in consumer expectations and/or market disruption.
Assumptions:	Lower parcel revenues and failure to deliver new product offerings.
Scenario:	Costs to avoid industrial action in Royal Mail.
Assumptions:	Lower operating profit as a result of incurring costs to avoid industrial action.
Scenario:	Delays in relation to the Royal Mail transformation plan.
Assumptions:	Delays in budgeted cost efficiencies being realised.
Scenario:	Cyber attack triggering material service and/or operational interruption.
Assumptions:	Cyber breach impacting revenue/costs to rectify.

The Directors believe that the downside is a severe but plausible scenario, recognising that the Base Case already anticipates the negative impacts from the weak economy and flow through impact from industrial action that has already taken place in Royal Mail. The gross liquidity impact of the Downside Case to 24 May 2025 is approximately £0.7 billion.

Royal Mail has embarked on its transformation journey but the Board remains concerned about the financial situation in Royal Mail following the difficult trading circumstances as a result of industrial action last year and the continuing uncertainty and prospects of USO reform. The operational changes and improvements required in Royal Mail, including USO reform, are fundamental to its turnaround and to restore profitability in that business.

Royal Mail's parent company IDS plc has been clear in their expectation that Royal Mail will take reasonable steps to finance its transformation and ongoing business requirements from its own resources, which include a substantial freehold property portfolio. To the extent that there are short-term working capital needs outside of these arrangements the IDS plc Board would arrange and/or provide access to funds if satisfied these can be repaid.

If the severe but plausible scenario were to materialise, the Directors would be required to take mitigating actions to preserve cash and maintain liquidity by building covenant headroom. The Directors have identified a number of mitigations, all within management's control, to reduce costs and optimise the Group's cash flow, liquidity and covenant headroom.

The mitigating actions include:

- Reducing capital and investment expenditure through postponing or pausing projects, change activity and reduction in leasing.
- Deferring or cancelling discretionary spend (including management bonus).
- Cost reductions through procurement and other cost saving programmes.
- Reviewing dividend.

The Directors have assessed the Group's financial commitments and consider that in the Downside Case, after taking into account mitigations and cash generated from operations and existing facilities, the Group is forecast to have sufficient cash and liquidity. The Group is not projected to breach the financial covenants under its committed credit facilities under the Downside Case, with the lowest EBITDA headroom during the financial year 2024-25 being above £0.2 billion, increasing to approximately £0.3 billion by September 2025. The lowest total availability liquidity modelled under the Downside Case was c.£1.5 billion in August 2024 including the £925 million undrawn syndicate loan facility. As such, the Group has sufficient liquidity to continue to operate and to discharge its liabilities as they fall due over the going concern assessment period.

Having reviewed the Base Case, and Downside Case, the Directors have a reasonable expectation that the Group has sufficient liquidity to continue in operational existence over the going concern assessment period and hence continue to adopt the going concern basis in preparing the Financial Statements.

Consideration of non-binding proposal by EP Group to acquire IDS plc

On 14 May 2024, the Board received a revised non-binding proposal of 370 pence per IDS plc share from EP Corporate Group a.s. (EP Group) for the entire issued share capital of IDS plc not already owned by EP Group and its affiliates, namely VESA Equity Investment S.à r.l. (Vesa Equity) (the Proposal). The Proposal follows significant negotiation including a number of earlier proposals from EP Group (the first of which was made on 9 April 2024 at a price of 320 pence per share in cash). The Board is minded to recommend the revised offer of 370 pence to IDS plc shareholders, should an offer be made at that level, subject to satisfactory resolution of the final terms and arrangements.

The Group has a number of financial liabilities in the form of unsecured senior fixed rate notes in place with a carrying value of £1,454 million at 31 March 2024 and a bank syndicate loan facility of £925 million undrawn at 24 May 2024 (see Note 23 for further details) as well as other contractual arrangements which contain provisions in relation to change of control of IDS plc.

Upon a change of control, the bank syndicate loan facility would be subject to renegotiation which could result in withdrawal. In addition, the fixed rate notes contain provisions that in the event of a change of control of IDS plc together with an adverse credit rating change (downgrade to a non-investment grade rating), or credit rating withdrawal, the loan notes can be redeemed at the option of the noteholders.

Whilst the Board have been seeking assurances in relation to EP Group financing arrangements through due diligence and negotiation of contractual commitments, the financing arrangements of EP Group are outside of the control of the Board.

The Directors have concluded that the extent of the uncertainty related to whether existing finance will be recalled following a change in control, together with a lack of visibility or control over the availability of funding following a change in control, are conditions that constitute a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and that it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding this uncertainty, having assessed the Company's and the Group's risks, existing facilities and performance, the Directors have concluded that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements.

Basis of consolidation
The Consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiary undertakings. The Financial Statements of the major subsidiaries are for the periods as explained in the 'Basis of preparation and accounting' section above, using consistent accounting policies.

All intragroup balances and transactions, including unrealised profits arising from intragroup transactions, have been eliminated in full. Transfer prices between business segments are set at arm's length/ fair value on the basis of charges reached through negotiation with the respective businesses.

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is no longer held by the Group. Where the Group ceases to hold control of a subsidiary, the Consolidated Financial Statements include the results for the part of the reporting year during which the Group held control.

Changes in accounting policy and disclosures
The accounting policies applied in the preparation of these Consolidated Financial Statements are consistent with those in the Annual Report and Financial Statements for the 52 weeks ended 26 March 2023, along with the adoption of new and amended accounting standards with effect from 27 March 2023 as detailed below:

New and amended accounting standards adopted in 2023-24
None of the following new and amended standards have a material impact on the financial performance or position of the Group.

IFRS 17 'Insurance Contracts'
This new standard aims to increase transparency and reduce diversity in the accounting for insurance contracts and allow users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
These amendments require disclosure of material accounting policies instead of significant accounting policies. This is intended to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements and distinguish changes in accounting estimates from changes in accounting policies.

Definition of Accounting Estimates – Amendments to IAS 8
This amendment aims to differentiate between changes in accounting policies and changes in accounting estimates and reduce diversity in this regard in companies' financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
These amendments clarify whether the initial recognition exception applies to certain transactions that often result in both an asset and a liability being recognised simultaneously.

International Tax Reform Pillar Two Model Rules - Amendments to IAS 12
These amendments introduce a mandatory exemption from recognising deferred tax assets and liabilities related to Pillar Two income taxes.

Accounting standards issued but not yet applied
The following new and amended accounting standards are relevant to the Group and are in issue but were not effective at the balance sheet date:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 Disclosures
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7
- Lack of exchangeability – Amendments to IAS 21
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28
- IFRS 18 Presentation and Disclosure in Financial Statements

The Directors do not expect that the adoption of the amendments and new standard listed above (which the Group does not expect to early adopt) will have a material impact on the financial performance or position of the Group in future periods.

Profit/(loss) on disposal of property plant and equipment - income statement re-presentation
Profit/(loss) on disposal of property plant and equipment has been re-presented in the income statement within operating profit/(loss), previously presented as an operating specific item, after operating profit/(loss).

Sources of estimation uncertainty
The preparation of Consolidated Financial Statements necessarily requires management to make certain estimates and judgements that can have a significant impact on the Financial Statements. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or areas where there is thought to be a significant risk of a material adjustment to the Consolidated Financial Statements within the next financial year as a result of the estimation uncertainty are disclosed below.

Significant accounting estimates
Pensions – defined benefit obligation
The value of defined benefit pension plan liabilities and assessment of pension plan costs are determined by long-term actuarial assumptions. These assumptions include discount rates (which are based on the long-term yield of high-quality corporate bonds), inflation rates and mortality rates. Differences arising from actual experience or changes in assumptions will be reflected in the Group's consolidated statement of comprehensive income.

1. Basis of preparation and accounting policies continued

The Group exercises its judgement in determining the assumptions to be adopted, after discussion with a qualified actuary. Details of the key actuarial assumptions used and of the sensitivity of these assumptions for the RMPP and DBCBS pension plans are included within Note 8.

Defined benefit pension plan assets are measured at fair value. Where these assets cannot be valued directly from quoted market prices, the Group applies judgement in selecting an appropriate valuation method, after discussion with an expert fund manager. For the main classes of assets:

- Equities listed on recognised stock exchanges are valued at the closing bid price, or the last traded price, depending on the convention of the stock exchange on which they are quoted.
- Bonds are measured using a combination of broker quotes and pricing models with assumptions made for credit risk, market risk and market yield curves.
- Pooled investment vehicles are valued using published prices or the latest information from investment managers, which includes any necessary fair value adjustments
- Properties are valued on the basis of open market value as at the year-end date, in accordance with Royal Institute of Chartered Surveyors (RICS) Valuations Standards (under 'Red Book' guidelines) adjusted for any capital expenditure and impairments since that valuation.
- For exchange-traded derivatives that are assets, fair value is based on bid prices. For exchange-traded derivatives that are liabilities, fair value is based on offer prices.

Non-exchange traded derivatives are valued as follows:

- Open forward foreign currency contracts at the balance sheet date are over-the-counter contracts and are valued using forward currency rates at that point. The unrealised appreciation or depreciation of open foreign currency contracts is calculated by the difference between the contracted rate and the rate to close out the contract.
- Interest rate swaps are over-the-counter contracts and fair value is the current value of the future expected net cash flows, taking into account the time value of money and market data at the year end.

The assumptions used in valuing unquoted investments are affected by current market conditions and trends, which could result in changes to the fair value after the measurement date. Details of the carrying value of the unquoted pension plan asset classes can be found in Note 8.

Pensions – DBCBS constructive obligation

The Defined Benefit Cash Balance Section (DBCBS) was introduced in the Group's reporting year 2018-19. In addition to recognising its legal obligations under the DBCBS rules, the Group also recognises any constructive obligation arising from the entity's informal practices. Although there is no legal obligation on the Group or DBCBS Trustees to award increases to the DBCBS lump sum benefits to members in future years, since its inception, the Group has included an accounting constructive obligation in relation to annual increases.

When the DBCBS commenced in 2018-19, the Directors agreed that an appropriate IAS 19 accounting treatment was to recognise a 'specific' constructive obligation of CPI plus 2% in respect of annual increases over the lifetime of the scheme, with any differences compared with actual increases awarded being recognised as an experience gain/loss through other comprehensive income (OCI).

As a result of past experience, the Directors have agreed that the constructive obligation should change, commencing in 2024-25, to a non-specific constructive obligation, calculated based on the average of the previous five years of increases, but reserving the right to adjust the percentage addition to CPI if future increase expectations are significantly different to the calculated figure. The assumed future increases at 31 March 2024 are CPI plus 1.2% for accounting purposes.

The Group's appointed actuary has determined that a change to a constructive obligation to CPI plus 1.2% has resulted in a £172 million reduction in the DBCBS liability at 31 March 2024, which has been recognised as a 'past service credit' in the income statement as per IAS 19. Any future changes will be recognised through OCI to the extent that the methodology for calculating the assumption remains the same.

The Group's 'adjusted operating (loss)/profit' APM includes an adjustment to offset the impact of this £172 million credit in reported operating profit/loss in line with the APM definition on page 240.

Deferred revenue

The Group recognises advance customer payments on its balance sheet, predominantly relating to stamps and meter credits purchased by customers but not used at the balance sheet date.

The majority of this balance is made up of stamps sold to the general public, referred to as Stamps in the hands of the Public SITHOP ('SITHOP'). Management must assess the value of deferred revenue in relation to SITHOP, and this requires a degree of estimation. These estimates require assumptions over various factors as set out below and were there to be significant changes in these estimates, the amount recognised in respect of SITHOP could materially impact the carrying value of the liability. Management utilises a number of different data sources to calculate the estimated SITHOP liability, given that stamps can be held and used for varying time periods. Royal Mail introduced barcoded stamps in February 2022 to replace non barcoded stamps. A Stamp Swap Out scheme (where customers could swap out their existing unbarcoded stamps for barcoded stamps) was launched on 31 March 2022. Unbarcoded stamps became invalid for postage in August 2023.

Since the official introduction of barcoded stamps, Royal Mail has been developing a new methodology to calculate the SITHOP balance by using the barcode scan data. The new methodology uses barcode scan data to build a profile of how long stamps are held by customers before being used for postage, this profile is referred to as 'usage curve'. In building this profile it is necessary to estimate the month in which stamps are sold as there is no unique scan of individual stamps at the time of sale. This is estimated through 'bucketing' which makes the assumption that small groups of sequential barcodes ('buckets') are sold at a similar time and that the first stamp scanned in the bucket indicates the month of sale for all stamps in that bucket. The new methodology is reliant on having sufficient scan data history to develop the usage curves over a sufficient length of time and is therefore being used to calculate the SITHOP balance for the first time in 2023-24, now that sufficient scan data is available. The new methodology is based on actual scan data which seeks to estimate when the performance obligation in relation to stamp sales has been fulfilled and as such, is more data driven and less reliant on historic trends and judgements to reflect posting patterns of customers, as was necessary in the previous methodology. Given the impact of this change in methodology on future periods is dependent on sales made in future period, it is impractical to quantify this impact and has therefore not been disclosed.

At 31 March 2024, the Group recognised £138 million (2022-23: £147 million) SITHOP liability in respect of stamps sold to the general public but not used at the balance sheet date. This is materially consistent with the number that would have been recognised under the previous methodology and therefore the future impact of the change on the income statement is also not material.

The usage curves in conjunction with a number of assumptions are applied to historic sales to derive the deferred revenue liability.

Management must exercise a degree of estimation in deriving the SITHOP balance in relation to the following:

— Products removed from both scan data and sales data (to reflect that certain stamps are not typically purchased to be used e.g. collector stamps).
— Non-scan percentage (which refers to the estimate of stamps that are not scanned as they are manually sorted and therefore need to be reflected in the usage curve).
— Bucket size – referring to the number of stamps grouped together as part of estimating the month of sale.
— Method of extrapolating the usage curve beyond the 24 months for which actual scan data is not currently available, the usage curve is extrapolated out to 36 months.
— Level of breakage (which refers to the value of stamps sold that management estimate will not be used, and therefore the likelihood of a performance obligation being required is remote).
— Breakage period – the number of months after which Management considers it a remote possibility that any remaining stamps will be utilised. This is estimated to be after 36 months.
— Buy forward of stamps (refers to an adjustment required to reflect the change in customer behaviour in relation to purchasing stamps in advance of price increases).
— Retail stamp stock days – stamps sold direct to retailers for onwards sale to the public are included in the model but assumes a stock holding period by retailers before being included in the usage curve.

The Group has performed sensitivity analysis of reasonably possible changes in significant assumptions as follows:

— Increasing the bucket size for non-Christmas stamps from three sheets or books to four increases SITHOP by £6 million, whilst decreasing it from three sheets or books to two would reduce the estimate by £13 million.
— A ±5% change in non-scan percentage changes the SITHOP estimate by ±£5 million.
— Increasing or decreasing the gradient when extrapolating the usage curves (changing the speed at which the usage flattens by ±20%) changes SITHOP by c.£5-10 million.
— Increasing the breakage period from 36 to 48 months increases the SITHOP estimate by £14 million, whilst reducing the breakage period to 24 months reduces the SITHOP estimate by £21 million.

Although the impact of the assumptions are individually not material, in combination they could have a significant impact on the SITHOP balance.

Royal Mail excluding Parcelforce Worldwide CGU impairment test
In accordance with IAS 36, Management has performed an impairment assessment of the Royal Mail CGU whenever events or circumstances have indicated that the value of the balance sheet may not be recoverable or a reversal of impairment may be required. In 2023-24, this has resulted in an impairment charge of £48 million (2022-23: £539 million charge).

In the prior year the impairment review was carried out on a pre-IFRS 16 basis. This method included IFRS 16 lease liabilities in the carrying value of the CGU, excluded lease liabilities from the discount rate calculations and included the cash flows associated with lease repayments in the future cash flows. In the current year, the impairment calculation has been performed on a post-IFRS 16 basis with consequential changes to the carrying value, discount rate and future cash flows applied. The CGU carrying value of £1,925 million is therefore higher by c.£900 million to reflect this change when compared with the pre-IFRS 16 basis. There was no material difference in the impairment assessment as a result of the change in methodology.

In assessing whether the Royal Mail CGU remains impaired, the carrying value of the Royal Mail CGU of £1,925 million on a post-IFRS 16 basis (2022-23: £1,439 million on a pre-IFRS 16 basis) was compared to its recoverable amount. The recoverable amount is the higher of its Value in use (‘VIU’) and its Fair value less cost to dispose (‘FVLCD’).

Royal Mail’s strategy to transform the business into a more efficient operation that meets customers’ changing needs and the future cash flows in the 2024 five-year Business Plan reflects both the costs and benefits associated with this transformation.

Royal Mail has a robust process for tracking and managing environmental policy and legislation in the UK and is aiming to meet changing customer expectations for lower carbon alternatives. As such, management have considered the implications for the forecast cash flows in the five-year period, and the assumptions in the Business Plan reflect management’s current climate strategy.

As required by IAS 36, under the VIU calculation, estimates of future cash flows shall not include cash inflows or outflows that are expected to arise from a future restructuring or improving or enhancing the assets to which an entity is not yet committed, at the balance sheet date. The VIU approach, after adjusting for the restructuring and transformational cash flows, resulted in a significant further impairment.

Management therefore assessed the recoverability of the Royal Mail CGU using the alternative FVLCD methodology. The FVLCD considers the valuation from a ‘market participant’ perspective. Management have calculated a valuation using a discounted cash flow model from the perspective of a market participant i.e. a buyer transacting in the principal market for an asset of this type.

The Board have used the approved 2024 five-year Business Plan as the base of the discounted cash flows in the FVLCD model (Level 3 fair value inputs). They then considered their assumptions in the context of information that would be available to a market participant. Cash flow adjustments have been made to reflect the risk in the plan.

1. Basis of preparation and accounting policies continued

Key assumptions in the impairment assessment

Expected revenue and operating margin performance: Forecast cash flows are based on the five-year Board Business Plan approved in April 2024.

The key inputs and assumptions underlying the Business Plan include the economic impact driven by ongoing macro-economic headwinds. Following agreement with the CWU of the Business Recovery, Transformation and Growth agreement in July 2023, it does not assume any further industrial action taking place. The plan assumes a return to market growth, driven by win back of revenue lost as a result of industrial action, pricing adjustments and other commercial initiatives designed to grow revenue. The plan assumes growth in parcel volumes but a reduction in letter volume.

Revenue growth initiatives are reliant on quality-of-service improvement. Operating margin reflects the current pay deal agreed and benefits realisation from productivity improvements, including through lower absence, new T&Cs for new joiners and delivery gap closure. The plan does not anticipate any regulatory support from Ofcom or Government, for example a change in the scope of the USO.

To reflect a market participants view, a risk adjustment has been applied to the plan cash flows to reflect macro-economic risks to the Business Plan assumptions.

Discount rates: The discount rate is based on the UK-specific post tax discount rate of 10.5% (2022-23: 11.3%), which reflects a risk premium a market participant would apply in order to reflect uncertainty in terms of ability to deliver revenue growth and improve operating margin. In deriving the risk premium a market participant would consider past performance in terms of delivering transformational change, and the significant change and efficiency programme to be delivered.

Property proceeds: Adjustments have been made to the real estate proceeds assumed in the Business Plan to reflect current market conditions and to better represent a market participant's view of realisable sales proceeds.

Recoverable amount

In accordance with the financial reporting standards, the recoverable amount is the higher of the VIU and FVLCD. The FVLCD approach resulted in a recoverable amount that was below the carrying value at the year-end, and therefore a further impairment charge of £48 million (2022-23: impairment charge of £539 million). The additional impairment charge in the year is mainly as a result of the deterioration in the property market since the previous year end resulting in lower property disposal proceeds included in the cash flows.

Sensitivity to changes in assumptions

The valuation of the Royal Mail CGU is dependent upon a number of estimates used in arriving at revenue growth, operating margin, terminal growth rates and the discount rate. An evaluation of sensitivities to the FVLCD calculation illustrates that there are both risks and opportunities. The operational changes and improvements required in Royal Mail are fundamental to its turnaround to restore profitability. Given past performance of delivering transformational change, and the significant change and efficiency programme to be delivered, there is execution risk in delivering the plan which could lead to further impairment. However, there is also significant opportunity and, subject to progress being made in transforming the business and evolution of the letters and parcels markets, there is a reasonable possibility in the future for the business to be restored to its full carrying value.

The following represent key areas of sensitivity in the model:

— *Regulation:* The plan does not anticipate any regulatory support from Ofcom or Government, for example a change in the scope of the USO. Management believes modernisation of the USO is critical for margins to be materially improved and for the sustainability of the USO. Ofcom have defined a commercial rate of return for the regulated business in the range of 5-10% EBIT margin. Regulatory reform could materially improve the prospects and valuation of the business.
— *Market:* if parcel growth rates are 1% per annum more positive this would result in a valuation of £3.1 billion but if parcel growth reduced by 1% it would result in a valuation of £570 million. If letter growth rates are 1% per annum less than has been assumed, this would result in a valuation of £1.0 billion.
— *Discount rate:* Whilst we have risk-adjusted the plans for the purposes of the impairment model, further delivery risk remains that the planned change programmes are unable to progress at the rate targeted in the FVLCD model. An increase in the discount rate by a further 100 bps reflecting increased uncertainty would result in a valuation of £1,736 million and an implied further impairment of c.£140 million (2022-23: valuation of £787 million and further impairment of £113 million (pre-IFRS 16 basis)). A decrease in the discount rate of 100 bps would result in a valuation of £2,039 million and an implied impairment reversal of c.£160 million (2022-23: valuation of £1,038 million and implied reversal of £138 million (pre-IFRS 16 basis)).
— *Property proceeds:* Current property proceeds are included at Alternative Use Value (AUV) in the cash flow workings. Using the current 'red book' valuations would result in a valuation of £1,845 million and an implied further impairment of c.£30 million.
— *Combined sensitivities:* An 11% discount rate and 1% terminal growth rate would result in a valuation of £1,861 million. In order for there to be a full reversal of the impairment the discount rate would need to reduce by 240 bps, or the terminal growth rate would need to increase to 3.4% (2022-23: discount rate reduction of 175 bps and terminal growth rate increase to 2.0%).

Other estimates

Provisions – industrial diseases

The Group has a potential liability for industrial diseases claims relating to individuals who were employed in the General Post Office Telecommunications division and whose employment ceased prior to October 1981.

There is considerable uncertainty associated with estimating the future reporting of latent disease claims, over future decades. Consistent with the approach last year, our external actuarial consultant has leveraged the updated scenarios provided by the Institute and Faculty of Actuaries (UK Asbestos Working Party (AWP)). The AWP's model was released in late 2021.

The provision requires estimates to be made of the likely volume and cost of future claims, as well as the discount rate to be applied to these, and is based on the best information available at the year-end date.

In view of the above, management has applied a consistent approach to that of previous years and recognised a provision at 31 March 2024 between the medium and high estimates provided by the actuarial consultant. There has been no release of the provision in 2023-24 (2022-23: £10 million – recognised in the income statement as an operating specific item). Movement in the provision has been mainly driven by the settlement of claims, resulting in a closing balance at 31 March 2024 of £39 million (2022-23: £44 million) (see Notes 6 and 25).

A 50 bps decrease to the 4.39% discount rate used at 31 March 2024 would result in a £2 million increase in the overall provision. Any income statement movements arising from a change in accounting estimate are recognised as an operating specific item, subject to the Group's materiality threshold for such items.

Other accounting policies

Climate change

When preparing the Financial Statements, the Directors consider the impact of climate change, particularly in the context of risks identified in the TCFD disclosure on pages 41 to 48. No material impact on the financial reporting judgements and estimates has been identified. The Directors consider the impact of climate change with regards to:

— Going concern and viability of the Group over the next three years.
— Cash flow forecasts used in the impairment assessments of non-current assets including goodwill and infrastructure investment assets.
— Carrying value and useful economic lives of property, plant and equipment.
— The valuation of assets held with the Group's pension scheme.

The Directors are aware of the ever-changing risks attached to climate change and will regularly assess these risks against judgements and estimates made in preparation of the Group's Financial Statements.

Revenue

Revenue relates principally to the delivery of letters and parcels for a wide range of public and private customers. In the majority of cases contracts contain a single service performance obligation, which is satisfied at the point of delivery. Transaction prices for services rendered are typically fixed and agreed in advance, with the price being allocated in full to the single delivery performance obligation.

Parcels and letters revenue relating to public, retail and business stamp and meter sales is recognised when the sale is made, adjusted to reflect a value of stamp and meter credits held but not used by the customer. Further details on this deferred revenue adjustment are provided in the 'Key sources of estimation uncertainty' section above.

In some cases, payment for services may be received in advance for a service that is due to be performed over a longer period of time, for example a 12-month redirection service. In these cases, the payment is initially recognised on the balance sheet as a contract liability (deferred revenue), with revenue recognised on a straight-line basis over the life of the contract, in line with the performance of the service.

Where products are sold through third-party agents, such as the Post Office, but the responsibility to fulfil the service lies with the Group, the revenue receivable is recognised gross, with any commission payments being charged to operating costs. Where sales are known to have occurred through a third-party vendor at the balance sheet date, and the proceeds are yet to be received, revenue for the sale is recognised, with the amount still to be received recognised as a contract asset (accrued revenue).

Further details of the major revenue streams in each operating segment are provided below:

Royal Mail

Revenue from direct sales of products or services is recognised when services are rendered, goods are delivered and the amount of revenue that will flow to the Group can be measured reliably. Where payments are received for a service to be provided over a specified length of time, payments received are recognised as deferred revenue and released to the income statement over the period that the service is performed.

Account revenue is derived from specific contracts and recognised when the delivery of an item is complete. Contracted services that have been paid for, but not yet rendered at the balance sheet date, are designated as deferred revenue. Revenue derived from Network Access agreements is recognised when the delivery of the related items is complete.

GLS

Revenue is derived from specific parcel contracts and is recognised when the delivery of an item is complete.

Costs

The following costs are recognised in the Financial Statements on an accruals basis of accounting.

People costs

These are costs incurred in respect of the Group's employees and comprise wages and salaries, pensions and social security costs. These costs are disclosed separately on the face of the income statement.

Distribution and conveyance costs

Distribution and conveyance costs relate to non-people costs incurred in transporting and delivering mail. These include conveyance by rail, road, sea and air, together with costs incurred by international mail carriers, Parcelforce Worldwide delivery operators and GLS subcontractor costs. These costs are disclosed separately on the face of the income statement.

Infrastructure costs

These are costs primarily relating to the day-to-day operation of the delivery network and include depreciation/amortisation, IT and property facilities management costs. These costs are disclosed separately on the face of the income statement.

Other operating costs

These are any operating costs which do not fall into the categories of people costs, distribution and conveyance costs or infrastructure costs, including for example, Post Office Limited agency costs and consumables. Non-people costs relating to projects are also included. Other operating costs exclude operating specific items and are disclosed separately on the face of the income statement.

The following are explanations of other cost measures:

Pension charge adjustment

This adjustment represents the difference between the IAS 19 income statement pension charge and the funding cost of accrual as specified in the DBCBS Schedule of Contributions, plus any payments into, or out of, RMPP pension escrow investments and any scheme deficit payments. Management reviews the performance of the business based on the cash cost of the pension plans in the adjusted operating profit/loss of the Group (see Note 6 and 'Glossary of Alternative Performance Measures').

1. Basis of preparation and accounting policies continued

Depreciation/amortisation adjustment for impaired assets

This adjustment represents the reinstatement of the amounts for depreciation and amortisation that would have been charged in accordance with applicable accounting standards to the income statement, had the partial impairment of the Royal Mail (excluding Parcelforce Worldwide) CGU impairment in the prior year not taken place.

Profit/loss on disposal of property, plant and equipment (PP&E)

Management separately identifies recurring profit/loss on disposal of PP&E as these disposals are not part of the Group's trading activity and are driven primarily by the business' operations strategy.

Operating specific items

These are recurring or non-recurring items of income or expense of a particular size and/or nature relating to the operations of the business that, in management's opinion, require separate identification. Management does not consider them to be reflective of year-on-year operating performance. These include items that have resulted from events that are non-recurring in nature, even though related income/expense can be recognised in subsequent periods.

Regulatory and legal charges

Regulatory fines imposed by Ofcom, along with legal costs to defend the Group's position in certain circumstances are considered by management to be non-recurring in nature.

GLS amortisation of intangible assets in acquisitions

These charges, which arise as a direct consequence of the application of IFRS 3 'Business Combinations', are separately identified as management does not consider these costs to be representative of the trading performance of the Group.

Legacy/other items

Legacy items are unavoidable ongoing costs or credits arising from historical events, e.g. industrial diseases provision movements.

Non-operating specific items

These are recurring or non-recurring items of income or expense of a particular size and/or nature which do not form part of the Group's trading activity and, in management's opinion, require separate identification.

Net pension interest

Management separately identifies pension interest income as this is not part of the Group's trading activity and is driven by actuarial calculations and assumptions, which fluctuate each year.

Share-based payments

The Group operates a number of equity-settled, share-based compensation schemes under which the Group receives services from employees as consideration for equity instruments (shares) of the Company. These include the HMRC-approved (Employee Free Shares) Share Incentive Plan. The scheme is based on non-market conditions and does not vest until the employee completes a specific period of service.

Share-based payments awarded as part of Long-Term Incentive Plans vest based on a combination of non-market and market conditions. The fair value of the employee services received in exchange for the award is recognised as an expense in the income statement, with a corresponding credit entry in equity, as per the requirements of IFRS 2 'Share-based Payment'.

Share-based payments awarded as part of the Deferred Share Bonus Plan are a deferred share award, granted to Executive Directors at the end of the annual performance period, the grant being of equal value to the annual bonus, and subject to continued employment over a three-year vesting period. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense in the income statement, with a corresponding credit entry in equity, as per the requirements of IFRS 2 'Share-based Payment'. The total amount expensed is determined by reference to the fair value of the equity instruments at the date on which they are granted. The fair value of each award is measured with reference to the share price upon issue and using the Monte-Carlo simulation model where appropriate.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. No expense is recognised for awards that do not ultimately vest. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of service conditions and of the number of equity instruments that will ultimately vest.

The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity. The social security contributions payable in connection with the grant of shares is considered an integral part of the grant itself, and the charge is treated as a cash-settled transaction.

Income tax and deferred tax

The charge for current income tax is based on the results for the reporting year as adjusted for items that are non-assessable or disallowed. It is calculated using rates that have been substantively enacted at the balance sheet date.

Deferred income tax assets and liabilities are recognised for all taxable and deductible temporary differences and unused tax assets and losses except the following:

- Initial recognition of goodwill.
- Initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss and, at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- Taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.
- Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which they can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date, against internal forecasts of future profits against which those assets may be utilised and increased or reduced, to the extent that it is probable that sufficient taxable profit will be available to allow them to be utilised.

The Group has applied the exception to the requirements of IAS 12 and has not recognised nor has it disclosed any information about deferred tax assets and liabilities related to the OECD Pillar Two income taxes.

Where tax returns remain subject to audit with the relevant tax authorities in the various jurisdictions in which the Group operates, a provision is made for uncertain tax items where the agreed amount could differ materially from management's estimates. Any such provisions are included within the relevant current and deferred tax carrying amount.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the tax asset is realised or the liability is settled, based on tax rates (and tax laws) that have been substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Current and deferred tax is charged or credited directly to equity if it relates to items that are charged or credited directly to equity, otherwise it is recognised in the income statement.

Where tax credits are claimed against eligible research and development costs, these amounts are credited against the relevant expense or capitalised asset to match the accounting treatment applied to the original expenditure.

Earnings per share
Basic EPS from continuing operations is calculated by dividing the profit/loss from continuing operations by the weighted average number of ordinary shares in issue.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares arising from share-based payment schemes. These potential shares are treated as dilutive only when their conversion to ordinary shares would decrease EPS from continuing operations.

Cash Generating Units (CGUs) of the Group
The Group consists of a number of CGUs, each possessing largely independent cash inflows. The UK network, through which millions of letters and parcels pass each day, is considered by management to comprise two separate CGUs due to their distinct, individually identifiable cash flows. These CGUs for impairment testing purposes are Royal Mail excluding Parcelforce Worldwide and Parcelforce Worldwide. Certain other non-core entities are considered to be separate CGUs, albeit these are not material at a Group level.

In GLS, management considers each country's operations to represent a separate CGU. In relation to the testing of goodwill for impairment, however, the operating and financial synergies arising on new business combinations within GLS are felt by management to primarily benefit contiguous parts of the GLS network. For this reason, goodwill arising on new business acquisitions has typically been allocated to one of the major networks designated as CGUs, i.e. mainland Europe; US Freight (previously known as Mountain Valley Express); US excluding US Freight; and, in Canada, Dicom Canada and Rosenau Transport Canada (Rosenau). At the balance sheet date, the Rosenau business, acquired in 2021-22, was not considered to be sufficiently integrated with the existing GLS Canada (Dicom) business. The two businesses are still operating independently, with general coordination performed by the management of GLS Canada. Rosenau's operations and performance are still being reviewed separately by GLS Group management and contracts with existing and new clients in Canada are still managed at a separate business level.

Impairment test for goodwill and CGUs
In assessing whether there has been an impairment of goodwill, a CGU or in some instances a specific asset, management determines whether the carrying value is higher than the recoverable amount. The recoverable amount is the higher of a CGU or asset's fair value less costs of disposal (realisable value) and value in use. The value in use of the CGU/asset is calculated based on its discounted cash flows.

GLS CGUs
Details of the impairment review of the GLS CGUs are included in Note 15.

Royal Mail excluding Parcelforce Worldwide CGU
An impairment review of Royal Mail excluding Parcelforce Worldwide CGU was undertaken in the current reporting year. Further details can be found in the 'Other estimates' section within the 'Key sources of estimation uncertainty' above.

Parcelforce Worldwide CGU
As a result of delays in the transformation of the Parcelforce Worldwide business, an impairment review of the Parcelforce Worldwide CGU was undertaken in the 2019-20 reporting year. This review identified that the carrying value of the CGU was in excess of its recoverable amount, which resulted in all non-monetary assets being written off and a £91 million impairment charge being reported as a specific item in the income statement within the Royal Mail segment. For this reporting year, management considers that it is not appropriate to reverse the impairment charge, as the business has still to establish a sustainable financial performance.

Segment information
The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing an operating unit that offers different products and serves largely different markets.

The Board monitors the operating results of its main operating units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the 'operating profit/(loss) before specific items' measure.

The reportable operating segments are made up of business units based in the UK (the Royal Mail segment), and business units based in other parts of Continental Europe, the US and Canada, which are the constituent parts of the GLS segment. There is no aggregation of operating segments.

Segment revenues have been attributed to the respective countries based on the primary location of the service performed. Transfer prices between segments are set at arm's length/fair value on the basis of charges reached through negotiation between the relevant business units that form part of the segments.

There are no differences in the measurement of the respective segments' reported profit/loss and the Consolidated Financial Statements prepared under IFRS.

Property, plant and equipment
Property, plant and equipment is recognised at cost, including directly attributable costs in bringing the asset into working condition for its intended use. Depreciation of property, plant and equipment is provided on a straight-line basis by reference to cost, the useful economic lives of assets and their estimated residual values. The useful lives and residual values are reviewed annually and adjustments, where applicable, are made on a prospective basis.

1. Basis of preparation and accounting policies continued

The lives assigned to major categories of property, plant and equipment are:

Land and buildings:	
Freehold land	Not depreciated
Freehold buildings	Up to 50 years
Leasehold buildings	The shorter of the period of the lease, or the estimated remaining useful life
Plant and machinery	3 to 15 years
Motor vehicles	2 to 12 years
Fixtures and equipment	2 to 15 years

All subsequent expenditure on property, plant and equipment is capitalised if it meets the recognition criteria, and the carrying amount of those parts replaced is de-recognised. All other expenditure, including repairs and maintenance is expensed in the income statement as incurred.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising at de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the income statement in the year that the asset is de-recognised.

Gains or losses from the disposal of assets are recognised in the income statement at the point that all significant risks and rewards of ownership are transferred.

Business combinations and goodwill

Business combinations are accounted for under IFRS 3 'Business Combinations' using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition is recognised in the balance sheet as goodwill and is not amortised.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill arising from business combinations is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of such impairment reviews, goodwill is allocated to the relevant CGUs, or groups of CGUs, which are expected to benefit from synergies of the combination.

A goodwill impairment loss is recognised in the income statement for the amount by which the carrying value of the related CGU, or group of CGUs, exceeds the recoverable amount, which is the higher of a CGUs fair value less costs of disposal and its value in use. Goodwill arising on the acquisition of equity-accounted entities is included in the cost of those entities and therefore not reported on the balance sheet as goodwill.

Intangible assets

Intangible assets acquired as part of a business combination are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets acquired separately or development costs that meet the criteria to be capitalised are initially recognised at cost and are assessed to have a finite useful life, with key strategic assets generally having the longest lives. Those assets with a finite life are amortised over their useful life but are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. An impairment loss is recognised in the income statement for the amount by which the carrying value of the intangible asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs of disposal and its value in use. Development costs capitalised and included as an asset within the Financial Statements have not been treated as a realised loss for the purpose of determining distributable reserves.

Amortisation of intangible assets with finite lives is charged annually to the income statement on a straight-line basis as follows:

Customer listings	3 to 10 years
Software	3 to 10 years
Brands	1 to 10 years

Investments in associates

The Group's investments in its associate companies are accounted for under the equity method of accounting. Under the equity method, an investment is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in value. The income statement reflects the Group's share of annual post-tax profits from the associates (currently netted off other operating costs as the values are not material enough for separate disclosure).

Any goodwill arising on acquisition of an associate, representing the excess of the cost of the investment compared with the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities acquired, is included in the carrying amount and not amortised.

Borrowing costs

Interest on borrowings related to the construction or development of qualifying assets is capitalised, until such time as the assets are substantially ready for their intended use. Borrowing costs capitalised are deducted in determining taxable profit in the reporting year in which they are incurred.

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction, rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Following their classification as held for sale, the assets (including those in a disposal group) cease to be depreciated.

Leases

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under IFRS 16, the Group recognises a right of use asset and a lease liability at the lease commencement date for the majority of leases.

The right of use asset is measured initially at cost and is subsequently adjusted for any accumulated depreciation, impairment losses or certain remeasurements of the lease liability.

The lease liability is measured initially at the commencement date at the present value of future lease payments discounted at the rate inherent in the lease (for leases previously classed as finance leases) or, where this is not readily determinable, an appropriate incremental borrowing rate (IBR). In practice, the majority of the lease calculations are performed using an IBR. The lease liability is subsequently increased by the interest cost and decreased by payments made. Lease interest is shown within finance costs in the statement of cash flows. The lease liability is remeasured as a result of market rent reviews and for changes in the assessment of future extensions or terminations which result in a significant change of circumstances in respect of the lease and is within the Group's control.

The Group has elected to apply the exemption from recognising leases for low value assets in line with existing Group policy, or short-term leases (with a lease term of under 12 months) on the balance sheet. The Group continues to recognise lease expenses for these assets on a straight-line basis in the income statement over the lease term.

Where possible, the Group allocates the consideration in each contract between any lease and non-lease components; however, where this is not possible, the Group has elected to apply the practical expedient of including all of the contract costs in the calculation of the lease asset and liability recognised as a single lease component.

The Group has lease break options in place for a majority of its property lease agreements. These options provide the Group with greater flexibility in managing the UK estate. These break options have in the main, historically, not been exercised due to ongoing operational requirements. Management has therefore made the decision that the reasonably certain length of the lease is the full lease term, assuming the break option will not be exercised. In only exceptional cases, when it is reasonably certain that the break will be enacted, are leases recognised to the break date. The unrecognised non-discounted cash flows in relation to these leases are £17 million (2022-23: £10 million).

The Group adopts a practice of not including extension options in its leases. Where such clauses exist, they are not material.

IFRS 16 – incremental borrowing rates

The rate inherent in the lease is not readily determinable for the majority of leases previously classed as operating leases under IAS 17 and so an IBR is used. These leases primarily relate to property and motor vehicles.

The IBR is the rate of interest that a lessee would have to pay to borrow, over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

In considering the appropriate IBR to apply, the Group has adopted a three-step approach. This approach begins with an appropriate risk-free base rate; adjusts this rate to reflect the cost of company-specific unsecured borrowing; and, finally, considers the need to adjust the rate determined to reflect the underlying leased asset acting as collateral.

From the evidence obtained, management has concluded that, for the Royal Mail business, lenders do not make adjustments to the borrowing rates offered on lending, based upon the underlying asset to be obtained. The key factors in the borrowing rates available to Royal Mail are judged to be the current credit rating of the Group (BBB) and the length of the borrowing term required.

On the basis of the work performed, Royal Mail has treated assets being held for a similar length of time as having a similarly calculated IBR, with assets being grouped according to lease length, both at transition and in the future. By grouping assets in this way, a rate card has been produced, to be updated periodically, which can be applied to all future leases requiring an IBR. Royal Mail has based IBR rates on UK BBB corporate bond yields, adjusted to reflect the different payment profile between a bond and a lease.

The GLS business has followed a similar methodology and grouping by lease length to that used in Royal Mail. However, instead of basing the yields on corporate bond yield curves, which are not readily obtainable for all GLS currencies, a sovereign bond yield curve for the relevant country has been used as the starting point and an appropriate margin applied to this based upon consideration of consolidated GLS quantitative and qualitative information.

Sale and leaseback transactions

A sale and leaseback transaction is where the Group sells an asset and immediately reacquires the use of the asset by entering into a lease with the buyer. A sale occurs when control of the underlying asset passes to the buyer. A lease liability is recognised, the associated property, plant and equipment asset is derecognised, and a right of use asset is recognised at the proportion of the carrying value relating to the rights retained. Any gain or loss arising relates to the rights transferred to the buyer. In the Group cash flow statement, sale and leaseback proceeds received are classified as financing cash flows to the extent that rights to the assets are retained. Where the proceeds relate to rights transferred these are classified as investing cash flows.

Trade receivables

Trade receivables are recognised and carried at the original invoice amount less an allowance for any non-collectable amounts. This loss allowance is calculated by first creating an allowance for identified trade receivables where collection of the full amount is no longer probable, and then applying lifetime expected credit loss (ECL) rates to the remaining unprovided balance. ECL rates have been set by ageing category based on historical loss rates, with adjustments made to reflect forward-looking information where material. In the current year and prior year, consideration of the prevailing macro-economic conditions have resulted in an increase to expected credit losses above our standard provisioning rate. The rates below have been applied to the Royal Mail debt. In GLS, rates are country specific to reflect the economic conditions of individual countries.

	2023-24 %	2022-23 %
Not yet overdue	**0.22**	0.18
Past due not more than one month	**1.43**	1.73
Past due more than one month and not more than two months	**8.22**	10.56
Past due more than two months	**40.13**	52.71

Movements in the loss allowance are recognised in the income statement within other operating costs. At the point that a debt is considered unrecoverable, it is written off against the allowance for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating costs in the income statement.

1. Basis of preparation and accounting policies continued

Inventories

Inventories are valued on a weighted average cost basis and carried at the lower of cost and net realisable value. Cost includes all direct expenditure and other costs attributable in bringing inventories to their present location and condition.

Trade payables

Trade payables are recorded initially at fair value and subsequently measured at amortised cost. Generally, this results in their recognition at their nominal value.

The Group operates a supply chain finance arrangement for small and medium suppliers. This form of reverse financing allows suppliers to obtain early access to funding. Suppliers may choose to access payment as soon as their invoices are processed rather than the standard payment terms by paying a financing fee to the scheme provider. The Group pays the provider of the scheme on the due date of the invoices. This scheme does not therefore assist the Group in the management of working capital.

As the scheme has not led to a substantial modification in the terms of the financial liability, the Group continues to treat the amounts owed within trade payables. All cash flows associated with the programme are included within operating cash flows as they continue to be part of the normal operating cycle of the Group. There is no impact on net debt, as amounts owed continue to be reported within trade payables.

The balance owed on the facility at 31 March 2024 was £45 million (26 March 2023: £37 million).

Capital management

The Group has established five key objectives for capital management. Details of these objectives are included in the Financial Review.

Financial instruments

Financial assets within the scope of IFRS 9 'Financial Instruments' are classified as financial assets at: fair value through the profit and loss (FVTPL) if they are not part of an effective hedge designation (held for trading); or amortised cost: or fair value through other comprehensive income (FVOCI) as appropriate. Financial liabilities within the scope of IFRS 9 are classified as either financial liabilities at FVTPL or financial liabilities measured at amortised cost.

The Group determines the classification of its financial instruments at initial recognition and re-evaluates this designation at each reporting date. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial instruments not at FVTPL, any directly attributable transactional costs. The Group only has financial assets and liabilities measured at amortised cost or measured at FVTPL along with derivative assets and liabilities measured at FVTPL, if they are not part of an effective hedge designation. The subsequent measurement of financial instruments depends on their classification as follows:

Financial assets measured at amortised cost

These are non-derivative financial assets which are held for the purpose of collecting contractual cash flows (held to collect), including interest. These assets are carried at amortised cost, with finance income recognised in the income statement using the effective interest rate method. Any gains or losses are recognised in the income statement when the assets are de-recognised or impaired.

Financial liabilities measured at amortised cost

All non-derivative financial liabilities are classified as financial liabilities measured at amortised cost. These liabilities are measured at amortised cost with finance costs recognised in the income statement using the effective interest method. Any gains or losses are recognised in the income statement when the liabilities are derecognised or impaired.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits (cash equivalents) with an original maturity date of three months or less. In addition, the Group invests surplus cash in money market funds which hold baskets of cash, cash equivalent and high-credit-rating debt-based securities with short-term maturity. These funds are highly liquid and investments can be redeemed either the same day or within a week, so are categorised as cash equivalents on the basis they are a readily available source of cash. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdrafts. Money market funds are designated as FVTPL, and all other cash equivalents are classified as financial assets at amortised cost.

Bank overdrafts (in a cash pool)

Bank overdrafts represent the gross overdrawn balances within the Group that generally form part of a net £nil cash pool. These form an integral part of the Group's cash management. They are included within cash and cash equivalents in the statement of cash flows along with the offsetting equivalent balances of cash at bank in the cash pool that are in credit and that are included within cash and cash equivalents.

Financial assets – pension escrow investments

Pension escrow investments comprise a Royal Mail Collective Pension Plan money market fund investment and a Royal Mail Pension Plan money market fund investment. See Note 11 to the Financial Statements for further details.

Financial assets – other investments

Other investments comprise short-term deposits (other investments) with banks with an original maturity of more than three months. Short-term deposits are classified as financial assets at amortised cost.

Financial liabilities – interest-bearing loans and borrowings

All loans and borrowings are classified as financial liabilities measured at amortised cost. The Euro-denominated bonds are measured at amortised cost in Euros and converted to Sterling at the closing spot Sterling/Euro exchange rate.

Derivative financial instruments and hedging programmes

The Group uses derivative instruments such as foreign currency contracts in order to manage the risk profile of any underlying risk exposure of the Group, in line with the Group's treasury management policies. Such derivative financial instruments are initially stated at fair value. For the purpose of hedge accounting, hedges are classified as cash flow hedges where they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability, or to a highly probable forecast transaction.

In relation to cash flow hedges to hedge the interest rate, foreign exchange or commodity price risk of firm commitments that meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to relate to an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of a non-financial asset or non-financial liability, then at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same reporting year in which the hedged firm commitment affects the net profit/loss, for example when the hedged transaction actually occurs.

Derivatives that do not qualify for hedge accounting are classified as FVTPL and any gains or losses arising from changes in fair value are taken directly to the income statement in the year. Derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date). Hence derivative assets and liabilities are within Level 2 of the fair value hierarchy as defined within IFRS 13 'Fair Value Measurement' (see details of the fair value hierarchy below).

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement in the reporting year.

Fair value measurement of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date.

For the Group's bonds, the disclosed fair values are calculated as the closing market bond prices converted to Sterling (for the Euro denominated bonds) using the closing spot Sterling/Euro exchange rate.

Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and pricing models.

The Group determines whether any transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting year. For the purposes of disclosing the Level 2 fair value of investments held at amortised cost in the balance sheet, in the absence of quoted market prices, fair values are calculated by discounting the future cash flows of the financial instrument using quoted equivalent interest rates as at close of business on the balance sheet date. For the Euro-denominated bonds, the disclosed fair values are calculated as the closing market bond prices converted to Sterling using the closing spot Sterling/Euro exchange rate.

For the purposes of comparing carrying amounts with fair value, fair values have been calculated using current market prices (bond price, interest rates, forward exchange rates and commodity prices) and discounted using appropriate discount rates.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at an appropriate pre-tax rate. Key accounting estimates used in calculating the provisions are explained further in the 'Other estimates' section of this Note.

Contingent liabilities

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the Financial Statements but are disclosed unless an outflow of resources is considered to be remote.

Contingent assets

Contingent assets are possible assets whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events that are not wholly within the control of the entity. Contingent assets are not recognised, but they are disclosed when it is more likely than not that an inflow of benefits will occur. However, when the inflow of benefits is virtually certain, an asset is recognised on the balance sheet, because the asset is no longer considered to be contingent.

Dividends

Distributions to owners of the Company are not recognised in the income statement under IFRS, but are disclosed as a component of the movement in shareholders' equity. A liability is recorded for a dividend when the dividend is approved by the Company's shareholders but not paid at the year end. Interim dividends are recognised as a distribution when paid.

1. Basis of preparation and accounting policies continued

Pensions and other post-retirement benefits

Defined benefit pension plan assets are measured at fair value. Listed securities are valued at bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted. Unquoted securities and other pooled investment vehicles are valued using published prices, the latest information from investment managers, or at cost less any necessary provisions for impairment. Direct property held is valued on the basis of open market value at the year-end date, in accordance with RICS valuation standards. Further details on the measurement of pension assets are included within the 'Key sources of estimation uncertainty' section above. Liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term. The resulting defined benefit asset or liability is presented separately on the face of the balance sheet. The amount of any pension surplus that can be recognised is limited to the economic benefits unconditionally available in the form of refunds or reductions in future contributions.

Where the economic benefit to be obtained is in the form of a refund, this is recognised less tax expense, in line with IFRIC 14. The Group considers this tax to be a tax other than income tax, i.e. 'withholding tax', and the pension surplus is presented net of this tax on the balance sheet.

Full actuarial/cash funding valuations are carried out at intervals not normally exceeding three years as determined by the Trustee and, with appropriate updates and accounting adjustments at each balance sheet date, form the basis of the surplus disclosed.

For defined benefit plans, the amounts charged to operating profit are the current service costs and any gains and losses arising from settlements, curtailments and past service costs. The amount resulting from applying the plan's discount rate (for liabilities) to the pension surplus at the beginning of the reporting year is recognised as net pension interest in the income statement. Remeasurement gains and losses are recognised immediately in the statement of comprehensive income. Any deferred tax movement associated with the remeasurement gains and losses is recognised immediately in the statement of comprehensive income. The Group recognises a constructive obligation to provide future increases to benefits under the lump sum DBCBS. This is charged to current service costs in the income statement. Further details on the constructive obligation are included within Note 11 to the Financial Statements.

For defined contribution plans, the Group's contributions are charged to operating profit (within people costs) in the year to which the contributions relate. Overseas subsidiaries make separate arrangements for the provision of pensions and other post-retirement benefits.

Foreign currencies

The functional and presentational currency of International Distribution Services plc is Sterling (£). The functional currency of the overseas subsidiaries in Europe is mainly the Euro (€), in the US it is the Dollar (US$) and in Canada it is the Canadian Dollar (CAD).

The assets and liabilities of foreign operations are translated at the rate of exchange ruling at the balance sheet date. The trading results of foreign operations are translated at the average rates of exchange for the reporting year, being a reasonable approximation to the actual transaction rate. The exchange rate differences arising on the translation, since the date of transition to IFRS, are taken directly to the foreign currency translation reserve in equity.

Foreign currency exchange differences arising from translation of the €500 million 2028 bond and the Euro-denominated leases (designated as hedges of the net investment in GLS) to closing Sterling/Euro exchange rates are deferred to the foreign currency translation reserve in equity. These exchange differences would be released from equity to the income statement as part of the gain or loss, only if GLS was sold.

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate effective during the month of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange effective at the balance sheet date. Hedge accounting is claimed for the €550 million 2026 bond, the €500 million 2028 bond and the Euro-denominated leases mentioned above. Exchange rate differences on these monetary liabilities are taken to equity (to the extent the hedges are effective) until the disposal of the hedge instrument or hedge item occurs, at which time they are recognised in profit or loss. Exchange rate differences on monetary assets and other monetary liabilities are taken to the income statement.

Non-monetary items that are measured in terms of their historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

2. Segment information

The Group's operating segments are based on geographic business units whose primary services and products relate to the delivery of parcels and letters. These segments are evaluated regularly by the International Distribution Services plc Board – the Chief Operating Decision Maker (CODM) as defined by IFRS 8 'Operating Segments' – in deciding how to allocate resources and assess performance.

A key measure of segment performance is operating profit before specific items. This measure of performance is disclosed on an 'adjusted' basis, a non-IFRS measure, excluding specific items and other adjustments (see pages 238 to 243). This is consistent with how financial performance is measured internally and reported to the CODM.

Transfer prices between segments are set at an arm's length/fair value on the basis of charges reached through negotiation between the relevant business units that form part of the segments.

53 weeks 2024 Continuing operations	Adjusted Royal Mail (UK operations) £m	Adjusted GLS (Non-UK operations) £m	Adjusted Eliminations[1] £m	Adjusted Adjusted Group £m	Specific items and other adjustments[2] Royal Mail (UK operations) £m	Specific items and other adjustments[2] GLS (Non-UK operations) £m	Reported Group £m
Revenue	7,834	4,865	(20)	12,679	–	–	12,679
People costs	(5,683)	(1,110)	–	(6,793)	41	–	(6,752)
Non-people costs	(2,499)	(3,435)	20	(5,914)	121	–	(5,793)
Profit on disposal of property, plant and equipment	–	–	–	–	14	1	15
Operating (loss)/profit before specific items	(348)	320	–	(28)	176	1	149
Operating specific items	–	–	–	–	(82)	(41)	(123)
Operating (loss)/profit	(348)	320	–	(28)	94	(40)	26
Finance costs	(81)	(32)	15	(98)	–	–	(98)
Finance income	57	9	(15)	51	–	–	51
Net pension interest (non-operating specific item)	–	–	–	–	135	–	135
(Loss)/profit before tax	(372)	297	–	(75)	229	(40)	114
Tax credit/(charge)	8	(73)	–	(65)	–	5	(60)
(Loss)/profit after tax	(364)	224	–	(140)	229	(35)	54

52 weeks 2023 Continuing operations	Adjusted Royal Mail (UK operations) £m	Adjusted GLS (Non-UK operations) £m	Adjusted Eliminations[1] £m	Adjusted Adjusted Group £m	Specific items and other adjustments[2] Royal Mail (UK operations) £m	Specific items and other adjustments[2] GLS (Non-UK operations) £m	Reported Group £m
Revenue	7,411	4,650	(17)	12,044	–	–	12,044
People costs	(5,409)	(1,031)	–	(6,440)	(133)	–	(6,573)
Non-people costs	(2,421)	(3,271)	17	(5,675)	–	–	(5,675)
Profit on disposal of property, plant and equipment[3]	–	–	–	–	5	1	6
Operating (loss)/profit before specific items[3]	(419)	348	–	(71)	(128)	1	(198)
Operating specific items	–	–	–	–	(492)	(52)	(544)
Operating (loss)/profit	(419)	348	–	(71)	(620)	(51)	(742)
Finance costs	(49)	(28)	17	(60)	–	–	(60)
Finance income	32	6	(17)	21	–	–	21
Net pension interest (non-operating specific item)	–	–	–	–	105	–	105
(Loss)/profit before tax	(436)	326	–	(110)	(515)	(51)	(676)
Tax (charge)/credit	(4)	(82)	–	(86)	(115)	4	(197)
(Loss)/profit after tax	(440)	244	–	(196)	(630)	(47)	(873)

1. Revenue and non-people costs eliminations relate to intragroup trading between Royal Mail and GLS, due to Parcelforce Worldwide being GLS' partner in the UK. Finance costs/income eliminations relate to intragroup loans between Royal Mail and GLS.
2. See Note 6 for details of specific items and other adjustments.
3. Profit on disposal of property, plant and equipment has been re-presented in the prior year within operating (loss)/profit before specific items, previously presented as a specific item after operating (loss)/profit (see Note 1 - changes in accounting policy and disclosures).

2. Segment information continued

The depreciation and amortisation costs shown below are included within 'operating profit/(loss) before specific items' in the income statement.

The non-current assets below exclude financial assets, retirement benefit surplus and deferred tax, and are included within 'non-current assets' on the balance sheet.

53 weeks 2024	Royal Mail (UK operations) £m	GLS (Non-UK Operations) £m	Eliminations[4] £m	Total £m
Depreciation	**(246)**	**(174)**	**–**	**(420)**
Amortisation of intangible assets (mainly software)	**(50)**	**(11)**	**–**	**(61)**
Non-current assets	**2,058**	**2,027**	**–**	**4,085**
Total assets	**5,989**	**3,189**	**(187)**	**8,991**
Total liabilities	**(3,983)**	**(1,650)**	**187**	**(5,446)**

52 weeks 2023	Royal Mail (UK operations) £m	GLS (Non-UK Operations) £m	Eliminations[4] £m	Total £m
Depreciation	(326)	(159)	–	(485)
Amortisation of intangible assets (mainly software)	(107)	(10)	–	(117)
Non-current assets	2,169	1,892	–	4,061
Total assets	6,054	2,953	(191)	8,816
Total liabilities	(3,651)	(1,554)	191	(5,014)

4. Eliminations in respect of total assets relate to intragroup balances between Royal Mail and GLS.

The Company is domiciled in the UK. The split of revenue from external customers and non-current assets (excluding financial assets, retirement benefit surplus and deferred tax) between the UK and GLS' presence in Continental Europe and North America is shown below.

53 weeks 2024	UK £m	Continental Europe £m	North America £m	Eliminations[5] £m	Total £m
Revenue	**7,834**	**4,315**	**550**	**(20)**	**12,679**
Non-current assets	**2,058**	**1,551**	**476**	**–**	**4,085**

52 weeks 2023	UK £m	Continental Europe £m	North America £m	Eliminations[2] £m	Total £m
Revenue	7,411	4,043	607	(17)	12,044
Non-current assets	2,169	1,379	513	–	4,061

5. Eliminations in respect of revenue and non-current assets relate to intragroup balances between Royal Mail and GLS.

3. Revenue

53 weeks 2024	Royal Mail £m	GLS £m	Intragroup revenue[1] £m	Group £m
Parcels	**4,108**	**4,865**	**(20)**	**8,953**
Letters	**3,726**	**–**	**–**	**3,726**
Total	**7,834**	**4,865**	**(20)**	**12,679**

52 weeks 2023	Royal Mail £m	GLS £m	Intragroup revenue[1] £m	Group £m
Parcels	3,910	4,650	(17)	8,543
Letters	3,501	–	–	3,501
Total	7,411	4,650	(17)	12,044

1. Intragroup revenue from trading between Royal Mail and GLS. This is due to Parcelforce Worldwide being GLS' partner in the UK.

During the year, around £230 million (2022-23: £250 million) of revenue was recognised which was previously held as a deferred revenue balance at 26 March 2023 (2022-23: 27 March 2022). This balance largely relates to stamps held and not yet used by customers and is recognised as 'advance customer payments' within 'current trade and other payables' (see Note 22).

4. Operating costs

Operating profit/(loss) before specific items is stated after charging the following operating costs:

	53 weeks 2024 £m	52 weeks 2023 £m
People costs (see Note 5)	**(6,752)**	(6,573)
Distribution and conveyance costs		
Charges from overseas postal administrations	**(242)**	(266)
Fuel costs	**(146)**	(159)
Infrastructure costs		
Depreciation, amortisation and impairment	**(481)**	(602)
Charge for property, plant and equipment (see Note 13)	**(420)**	(485)
Charge for intangible assets (see Note 16)[1]	**(61)**	(117)
Other operating costs		
Post Office Limited charges	**(313)**	(317)
Inventory expensed	**(40)**	(46)

1. Excludes £21 million (2022-23: £19 million) amortisation of intangible assets in acquisitions, presented as an operating specific item in the income statement.

Regulatory body costs

The following disclosure is relevant in understanding the extent of ongoing compliance costs in relation to the regulation of the Group:

	53 weeks 2024 £m	52 weeks 2023 £m
Ofcom administrative charge	**(5)**	(6)
Citizens Advice/Citizens Advice Scotland/Consumer Council for Northern Ireland	**(1)**	(1)
Total	**(6)**	(7)

Auditor's fees

	53 weeks 2024 £'000	52 weeks 2023 £'000
Audit of Group statutory Financial Statements	**(1,851)**	(1,828)
Other fees to auditor:		
Audit of the accounts of subsidiaries	**(2,033)**	(1,883)
Review of the interim financial information	**(422)**	(394)
Regulatory audit	**(169)**	(158)
Other assurance	**(56)**	(3)
Other non-audit services	**(150)**	(150)
Total	**(4,681)**	(4,416)

In addition to the fees earned from the Group, KPMG has been engaged by the respective Pension Trustee as external auditor of the Royal Mail Pension Plan, the Royal Mail Defined Contribution Plan and Royal Mail Trustees Limited, the fees for which were £225,000 (2022-23: £181,900).

5. People information

	53 weeks 2024 £m	52 weeks 2023 £m
Wages and salaries	**(5,770)**	(5,359)
Royal Mail[1]	**(4,785)**	(4,437)
GLS	**(985)**	(922)
Pensions (see Note 11)	**(416)**	(692)
UK defined benefit plans (including administration costs)	**(82)**	(385)
UK defined contribution plan	**(135)**	(124)
UK defined benefit and defined contribution plans' Pension Salary Exchange employer contributions	**(188)**	(174)
GLS pension costs accounted for on a defined contribution basis	**(11)**	(9)
Social security	**(566)**	(522)
Royal Mail	**(452)**	(422)
GLS	**(114)**	(100)
Total people costs	**(6,752)**	(6,573)

1. People costs include £12 million (2022-23: £47 million) charged in respect of voluntary redundancies in Royal Mail.

Defined benefit pension plan rates:		
Income statement – DBCBS	**14.8%**	22.9%
Cash flow – DBCBS	**15.6%**	15.6%
Defined contribution pension plan average rate:		
Income statement and cash flow[2]	**9.2%**	8.9%

2. Employer contribution rates are 4% for employees in the entry level category and 10% for the majority of those employees in the standard level category.

People numbers

The number of people employed (including Directors), expressed as both full-time equivalents and headcount, during the reporting year was as follows:

	Full-time equivalents[3]				Headcount[4]			
	Year end		Average		Year end		Average	
	53 weeks 2024	52 weeks 2023	**53 weeks 2024**	52 weeks 2023	**53 weeks 2024**	52 weeks 2023	**53 weeks 2024**	52 weeks 2023
Royal Mail	**138,905**	143,553	**143,848**	147,593	**130,031**	130,393	**128,316**	136,390
GLS	**22,075**	21,776	**22,355**	21,571	**23,521**	22,399	**23,336**	22,440
Total	**160,980**	165,329	**166,203**	169,164	**153,552**	152,792	**151,652**	158,830

3. These people numbers relate to the total number of paid hours (including part-time, full-time and agency hours) divided by the number of standard full-time working hours in the same year.
4. These people numbers represent permanent employees.

Directors' remuneration

	53 weeks 2024 £'000	52 weeks 2023 £'000
Directors' remuneration[5]	**(3,500)**	(3,463)
Amounts earned under long-term incentive plans	**–**	(364)
Number of Directors accruing benefits under defined contribution plans	**–**	1

5. These amounts include any cash supplements received in lieu of pension. Details of the pension contributions and highest-paid Director are included in the single figure table of the Directors' Remuneration Report on page 125.

6. Adjustments and specific items

The following adjustments and specific items are relevant in explaining the difference between reported and adjusted operating profit/(loss).

Adjustments to reported operating profit/(loss):	53 weeks 2024 £m	52 weeks 2023 £m
Pension charge adjustment	**41**	(133)
Depreciation/amortisation adjustment for impaired assets	**121**	–
Profit on disposal of property, plant and equipment	**15**	6
Total adjustments to operating profit/(loss)	**177**	(127)
Operating specific items:		
Regulatory and legal charges	**(57)**	(33)
GLS amortisation of intangible assets in acquisitions	**(21)**	(19)
Impairment of Royal Mail excluding Parcelforce Worldwide CGU	**(48)**	(539)
Damages award	**–**	35
Legacy/other items	**3**	12
Total operating specific items	**(123)**	(544)
Non-operating specific items:		
Net pension interest	**135**	105
Total specific items	**12**	(439)
Tax credit/(charge) on adjustments and specific items	**5**	(111)

Adjustments to reported operating profit/loss

The pension charge adjustment of £41 million comprises:

- £130 million credit (2022-23: £nil) in relation to a refund of cash held in escrow by the Trustee of the Royal Mail Pension Plan ('RMPP'). This was subsequently used to provide a one-off payment to UK employees following ratification of the Business Recovery, Transformation and Growth Agreement;
- £1 million credit (2022-23: £133 million credit) relating to the difference between the IAS 19 income statement pension charge rate of 14.8% (2022-23: 22.9%) for the Defined Benefit Cash Balance Section ('DBCBS') and the cash funding contribution rate agreed with the Trustee of 15.6% (2022-23 15.6%); and
- £172 million charge (2022-23: £nil) relating to a change to the assumed rate of annual increases applied to the DBCBS (previously a specific constructive obligation of CPI+2% now considered to be a non-specific obligation of CPI+1.2%) as at 31 March 2024. This change has been recognised as a past service credit in the income statement in line with IAS 19.

In the prior year a £539 million impairment charge was recognised to write down the value of the Royal Mail excluding Parcelforce Worldwide CGU. This resulted in a lower depreciation/amortisation charge in the current year in infrastructure costs. An adjustment of £121 million has been made to the reported results to reflect the depreciation/amortisation on a pre-impairment basis in line with how management reviews the underlying performance of the business.

The profit on disposal of property, plant and equipment mainly comprises £12 million relating to the sale of the Nine Elms, London site.

Specific items

Regulatory and legal charges of £57 million represent the best estimate of costs to settle present obligations for Royal Mail and GLS, in relation to regulated quality of service in the UK, legal claims and tax-related disputes in GLS Italy. In the prior year £33 million was in respect of a GLS Italy VAT settlement.

In the year the Royal Mail excluding Parcelforce Worldwide CGU was impaired by £48 million (2022-23: £539 million). In assessing whether the CGU was impaired, the carrying value of the CGU of £1,925 million (2022-23: £1,439 million) was compared to its recoverable amount, using the higher of a value in use (VIU), or fair value less cost to dispose (FVLCD) methodology. The VIU methodology would have resulted in a significant further impairment (consistent with the prior year), while the FVLCD methodology resulted in an impairment charge of £48 million. Further details of the calculations involved are provided in Note 1.

The £35 million damages award in the prior year related to a claim by Royal Mail against DAF Trucks Ltd ('DAF') in December 2016 in respect of vehicles sold to Royal Mail between 1997 and 2011.

Legacy/other items comprise a £10 million credit (2022-23: £nil) for court-awarded compensation resulting from the recovery of assets (£1 million received, £9 million receivable), following an investigation in 2016 and 2017 into an under declaration of mail fraud (see Note 10), mainly offset by £5 million specific intangible asset write-offs. The prior year credit of £12 million largely comprised a £10 million release of the industrial diseases provision.

The cash cost of operating specific items was an outflow of £11 million (2022-23: £53 million outflow) consisting mainly of the Ofcom regulatory fine payment of £6 million and Industrial Diseases claims of £6 million, offset by a £1 million receipt of court awarded compensation. The prior year consisted mainly of Ofcom regulatory fine payment of £52 million, Industrial Diseases claims of £3 million, £33 million relating to GLS settlement of VAT adjustments in Italy covering 2016-2021 and a £35 million receipt of damages awarded following settlement of a court case.

The tax credit of £5 million (2022-23: £111 million charge) consists mainly of a credit in relation to the GLS amortisation of intangible assets in acquisitions. The prior year charge consists of £115 million charge in relation to the derecognition of the UK net deferred tax asset and a net credit of £4 million in relation to the tax effect of certain specific items and the pension charge adjustment.

7. Net finance costs

	53 weeks 2024 £m	52 weeks 2023 £m
Unwinding of discount relating to industrial diseases claims provision	(1)	(1)
Other interest payable	(97)	(59)
Bank syndicate loan facility		
Unused facility fees	(2)	(1)
Arrangement fees	(4)	(1)
Bond interest	(38)	(17)
Cross currency swap costs on €550 million bond	(6)	(7)
Leases	(43)	(32)
Capitalisation of borrowing costs on specific qualifying assets	2	3
Other finance costs	(6)	(4)
Total finance costs	**(98)**	(60)
Total finance income – interest receivable on financial assets	**51**	21
Total net finance costs	**(47)**	(39)

8. Taxation

	53 weeks 2024 £m	52 weeks 2023 £m
Tax charged in the income statement		
Current income tax:		
Current UK income tax charge	–	–
Foreign tax	(71)	(81)
Current income tax charge	(71)	(81)
Amounts over-provided in previous years	8	8
Total current income tax charge	**(63)**	(73)
Deferred income tax:		
De-recognition of deferred tax asset	(1)	(115)
Relating to origination and reversal of temporary differences	3	5
Amounts over/(under)-provided in previous years	1	(14)
Total deferred income tax credit/(charge)	**3**	(124)
Tax charge in the consolidated income statement	**(60)**	(197)
Tax credited to other comprehensive income		
Deferred tax:		
Tax credit in relation to remeasurement gains of the defined benefit pension schemes	–	6
Tax credit on revaluation of cash flow hedges	–	18
Total deferred income tax credit	**–**	24
Total tax credit in the consolidated statement of other comprehensive income	**–**	24

Tax recognised directly in equity:
In addition to the amount (charged)/credited to the income statement and other comprehensive income, the following amount relating to tax has been recognised directly in equity:

	53 weeks 2024 £m	52 weeks 2023 £m
Deferred tax:		
Change in estimated excess tax deductions related to share-based payments	–	(1)
Total deferred income tax charge recognised directly in equity	**–**	(1)

Reconciliation of the total tax charge

A reconciliation of the tax charge in the income statement and the UK rate of corporation tax applied to accounting profit for the 53 weeks ended 31 March 2024 and accounting loss for the 52 weeks ended 26 March 2023 is shown below. The reconciliation is prepared using the UK corporation tax rate, as the Group is listed on the UK stock exchange and the UK is the main country in which the Group trades.

	53 weeks 2024 £m	52 weeks 2023 £m
Profit/(loss) before tax	**114**	(676)
At UK statutory rate of corporation tax of 25% (2022-23: 19%)	(29)	128
Effect of different tax rates on non-UK profits and losses	9	(7)
Tax over/(under)-provided in previous years	9	(6)
Non-deductible expenses	(7)	(2)
Regulatory and legal charges	(11)	(9)
Tax reliefs and incentives	9	5
Tax effect of property disposals	3	1
Tax effect of closure of RMPP to future accrual	(2)	(2)
Net pension interest credit	36	22
De-recognition of brought forward deferred tax assets	(1)	(115)
Net increase in tax charge resulting from non-recognition of certain deferred tax assets and liabilities	(76)	(219)
Super-deduction enhanced capital allowances	–	7
Tax charge in the consolidated income statement	**(60)**	(197)

Deferred tax

Deferred tax by balance sheet category 53 weeks 2024	At 27 March 2023 £m	Credited/ (charged) to income statement £m	Acquisition of subsidiaries £m	Exchange rate movement £m	Jurisdictional right of offset £m	At 31 March 2024 £m
Liabilities						
Accelerated capital allowances	(29)	1	–	–	–	(28)
Right of use assets	(113)	(22)	–	4	–	(131)
Intangible assets	(55)	4	(4)	2	–	(53)
	(197)	(17)	(4)	6	–	(212)
Jurisdictional right of offset	142	–	–	–	19	161
Deferred tax liabilities	(55)	(17)	(4)	6	19	(51)
Assets						
Deferred capital allowances	1	–	–	–	–	1
Lease liabilities	116	22	–	(4)	–	134
Provisions and other	15	1	–	–	–	16
Losses available for offset against future taxable income	20	(3)	–	–	–	17
	152	20	–	(4)	–	168
Jurisdictional right of offset	(142)	–	–	–	(19)	(161)
Deferred tax assets	10	20	–	(4)	(19)	7
Net deferred tax (liability)/asset	(45)	3	(4)	2	–	(44)

8. Taxation continued

Deferred tax by balance sheet category 52 weeks 2023[1]	At 28 March 2022 £m	Credited/ (charged) to income statement £m	Credited to other comprehensive income £m	Charged directly in equity £m	Acquisition of subsidiaries £m	Exchange rate movement £m	Jurisdictional right of offset £m	At 26 March 2023 £m
Liabilities								
Accelerated capital allowances	(34)	5	–	–	–	–	–	(29)
Right of use assets	(98)	(9)	–	–	–	(6)	–	(113)
Intangible assets	(51)	3	–	–	(5)	(2)	–	(55)
Hedging derivative temporary differences	(18)	–	18	–	–	–	–	–
	(201)	(1)	18	–	(5)	(8)	–	(197)
Jurisdictional right of offset	147	–	–	–	–	–	(5)	142
Deferred tax liabilities	(54)	(1)	18	–	(5)	(8)	(5)	(55)
Assets								
Deferred capital allowances	1	–	–	–	–	–	–	1
Lease liabilities	100	10	–	–	–	6	–	116
Pensions temporary differences	100	(106)	6	–	–	–	–	–
Provisions and other	25	(11)	–	–	–	1	–	15
Employee share schemes	2	(1)	–	(1)	–	–	–	–
Losses available for offset against future taxable income	34	(14)	–	–	–	–	–	20
R&D expenditure credit	1	(1)	–	–	–	–	–	–
	263	(123)	6	(1)	–	7	–	152
Jurisdictional right of offset	(147)	–	–	–	–	–	5	(142)
Deferred tax assets	116	(123)	6	(1)	–	7	5	10
Net deferred tax asset/(liability)	62	(124)	24	(1)	(5)	(1)	–	(45)

1. Re-presented due to the impact of applying the IAS 12 amendment

Deferred tax assets and liabilities are offset within the same jurisdiction where the Group has a legally enforceable right to do so. Below is an analysis of the deferred tax balances (after offset) for balance sheet presentation purposes.

Deferred tax – balance sheet presentation	At 31 March 2024 £m	At 26 March 2023 £m
Liabilities		
GLS group	**(51)**	(55)
Deferred tax liabilities	**(51)**	(55)
Assets		
GLS group	**7**	10
Deferred tax assets	**7**	10
Net deferred tax liability	**(44)**	(45)

GLS has deferred tax assets and liabilities in various jurisdictions which cannot be offset against one another. The main elements of the liability relate to goodwill and intangible assets in GLS Germany, for which the Group has already taken tax deductions, and fixed assets and intangible assets in relation to acquisitions in Canada.

Unrecognised temporary differences

The Group assesses the recoverability of deferred tax assets at each reporting date. In order to recognise a deferred tax asset, it must be probable that future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised. IAS 12 does not define a time period over which an assessment of expected taxable profits should be made, although it is acknowledged that reliability decreases the further out into the future the forecast extends. Whilst the Board-approved Business Plan covers five years, the normal planning cycle for Royal Mail is three years. Taxable profits have been calculated based on the Board-approved Business Plan and whilst for the next three years this shows taxable profits, there are negligible taxable profits in the early years. Therefore, there remains sufficient uncertainty that future taxable profits will be generated. As a result, management continues to not recognise any deferred tax asset in respect of the Royal Mail tax losses or other temporary differences.

At 31 March 2024, the Group had the following unrecognised tax losses and temporary differences:

	At 31 March 2024 £m		At 26 March 2023 £m	
	Unused losses and deductible temporary differences	**Tax value**	Unused losses and deductible temporary differences	Tax value
Royal Mail				
Losses available for offset against future taxable income	**1,178**	**294**	691	173
Deferred capital allowances	**198**	**49**	308	77
Pensions temporary differences	**76**	**19**	159	40
Provisions and other	**35**	**9**	29	7
GLS				
Losses available for offset against future taxable income	**238**	**56**	224	54
Provisions and other	**65**	**18**	58	16
	1,790	**445**	1,469	367

The Group has not recognised these deferred tax assets on the basis that there is not sufficient certainty of its capacity to utilise them in the future. The Royal Mail and GLS losses available for offset against future taxable income have no expiry date.

The Group also has temporary differences of £188 million (2022-23: £174 million) in respect of capital losses, the tax effect of which is £47 million (2022-23: £44 million) in respect of assets previously qualifying for industrial buildings allowances, that would arise if the assets were sold at net book value. These losses have no expiry date. Further temporary differences exist in relation to £420 million (2022-23: £419 million) of gains for which rollover relief has been claimed, the tax effect of which is £105 million (2022-23: £105 million). No tax liability would be expected to crystallise on the basis that, were the assets (into which the gains have been rolled over) to be sold at their residual values, no capital gain would arise.

Unremitted earnings

There are also temporary differences of £1,538 million (2022-23: £1,399 million) in relation to unremitted earnings of subsidiaries. No deferred tax liability has been recognised as the Group is able to control the timing and reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Tax developments

The Group has been monitoring developments in relation to the OECD's work on the Pillar two (Global Minimum Tax) rules. Finance (No.2) Act 2023 was substantively enacted in the UK during the year, which introduced the global minimum tax rules for accounting periods beginning on or after 31 December 2023. The Group expects to be subject to the Pillar two rules. However, based on early analysis, it expects that most jurisdictions in which it operates will benefit from a transitional safe harbour. For those jurisdictions that do not meet the conditions of the safe harbour it is probable that the top-up tax would not be material.

9. Earnings per share

	53 weeks 2024			52 weeks 2023		
	Reported	**Specific items and other adjustments[1]**	**Adjusted**	Reported	Specific items and other adjustments[1]	Adjusted
Profit/(loss) for the year (£ million)	**54**	**194**	**(140)**	(873)	(677)	(196)
Weighted average number of shares issued (million)	**957**	**n/a**	**957**	956	n/a	956
Basic earnings per share (pence)	**5.6**	**n/a**	**(14.6)**	(91.3)	n/a	(20.5)
Diluted earnings per share (pence)	**5.6**	**n/a**	**(14.6)**	(91.3)	n/a	(20.5)

1. Further details of specific items and other adjustments can be seen in Note 6.

The diluted EPS for the year ended 31 March 2024 was based on a weighted average number of shares of 963,094,508 to take account of the potential issue of 499,573 ordinary shares resulting from the Deferred Share Bonus Plans and 5,508,097 ordinary shares resulting from the long-term incentive plans. These plans are for certain senior management and are disclosed in more detail in Note 18.

The 1,206,638 (2022-23: 263,566) shares held in an Employee Benefit Trust for the settlement of options and awards to current and former employees are treated as treasury shares for accounting purposes (see Note 26). The Company, however, does not hold any shares in treasury.

10. Dividends

Dividends on ordinary shares	**53 weeks 2024 pence per share**	52 weeks 2023 pence per share	**53 weeks 2024 £m**	52 weeks 2023 £m
Final dividend paid	**–**	13.3	**–**	127
Total dividends paid	**–**	13.3	**–**	127

As previously indicated in the Group's half year results, the Board has proposed a final dividend payment of 2 pence per share in respect of 2023-24, funded by GLS. This final dividend payment is subject to shareholders approval at the Annual General Meeting scheduled to take place on 25 September 2024. The dividend will be paid on 30 September 2024 to shareholders on the register at 23 August 2024. The Board is also proposing a special dividend of 8 pence per share, conditional upon completion of the transaction with EP Group.

Some shares are held by the Trustee of the Royal Mail Share Incentive Plan on behalf of the Company to satisfy future share awards. The Trustee does not receive any dividends on the shares it holds, hence the value of dividends paid being lower than the number of shares in issue multiplied by the pence per share.

11. Retirement benefit plans

Summary pension information

	53 weeks 2024 £m	52 weeks 2023 £m
Ongoing UK pension service costs		
UK defined benefit plans (including administration costs)[1]	**(254)**	(385)
Past service credit[2]	**172**	–
UK defined contribution plan	**(135)**	(124)
UK defined benefit and defined contribution plans' Pension Salary Exchange employer contributions[3]	**(188)**	(174)
Total UK ongoing pension service costs	**(405)**	(683)
GLS pension costs accounted for on a defined contribution basis	**(11)**	(9)
Total Group ongoing pension service costs	**(416)**	(692)
Cash pension service costs[4]		
UK defined benefit plan's employer contributions[5]	**(212)**	(252)
Defined contribution plans' employer contributions	**(146)**	(133)
UK defined benefit and defined contribution plans' Pension Salary Exchange employer contributions	**(180)**	(174)
Total Group cash flows relating to ongoing pension service costs	**(538)**	(559)
Pension-related accruals/escrow payments (timing difference)[6]	**(49)**	–
Pension charge adjustment excluding pension escrow release[7]	**171**	(133)

	At 31 March 2024 ’000	At 26 March 2023 ’000
UK pension plans – active members		
UK defined benefit plan	**59**	65
UK defined contribution plan	**57**	57
Total	**116**	122

1. These pension service costs are charged to the income statement. They represent the cost (as a percentage of pensionable payroll – 14.8% (2022-23: 22.9%)) of the increase in the defined benefit obligation due to members earning one more year worth of pension benefits. They are calculated in accordance with IAS 19 and are based on market yields (high-quality corporate bonds and inflation) at the beginning of the reporting year. Also included are pensions administration costs for the RMPP of £9 million (2022-23: £11 million) and the DBCBS of £4 million (2022-23: £5 million).
2. During the year the constructive obligation to award annual increases to DBCBS members was revised from CPI plus 2% to CPI plus 1.2%, resulting in the recognition of a past service credit of £172 million (see Note 1 for more details). The Group adjusted profit/(loss) includes an adjustment to offset the impact of this £172 million credit in reported operating profit/(loss) (see Note 6).
3. Eligible employees who are enrolled into PSE opt out of making employee contributions to their pension and the Group makes additional contributions in return for a reduction in basic pay.
4. These values exclude the impact of any timing differences in pension payments and represent the equivalent cash costs of the amounts charged to the income statement in the period.
5. The employer contribution cash flow rate of 15.6% is paid in respect of the DBCBS (2022-23: 15.6%). These contribution rates are fixed, with actuarial funding valuations carried out every three years to determine whether additional deficit contributions are required. These actuarial valuations are required to be carried out on assumptions determined by the Trustee and agreed by Royal Mail. The most recent triennial valuation at 31 March 2021 was completed in May 2022 and no additional contributions were required. Also, the 2023-24 figures do not include £41 million relating to February and March 2024 contributions that were paid to the pensions escrow account (see footnote 6 for further details).
6. This relates to contributions of £19 million that were made into the pensions escrow account for February 2024 and a timing difference of a further £22 million into the escrow account for March 2024 and £8 million employer PSE contributions which were both paid in April 2024.
7. Excludes £130 million (2022-23: £nil) adjustment in relation to the release of pension escrow (see Note 4 for further details).

In the year, the Group operated the following plans:

UK defined contribution plan

Royal Mail Group Limited, the Group’s main UK operating subsidiary, operates the Royal Mail Defined Contribution Plan (RMDCP). This plan was launched in April 2009 and is open to employees who joined the Group from 31 March 2008, following closure of the RMPP to new members.

UK defined benefit plans

Royal Mail Pension Plan (RMPP)[8] and Defined Benefit Cash Balance Section (DBCBS)

The legacy section of the RMPP closed to future accrual in its previous form from 31 March 2018, and was replaced in 2018 by a new section of the scheme, the DBCBS.

The legacy RMPP includes sections A, B and C, each with different terms and conditions.

	Section A	Section B	Section C
Joining date for members (or beneficiaries of members)	Before 1 December 1971	On or after 1 December 1971 and before 1 April 1987 or for members of Section A who chose to receive Section B benefits.	On or after 1 April 1987 and before 1 April 2008
Terms	Pension of 1/80th of pensionable salary plus a tax-free lump sum of 3/80ths of pensionable salary for each year of pensionable service, until 31 March 2018.		Pension of 1/60th of pensionable salary for each year of pensionable service, until 31 March 2018. Members wishing to take a tax-free lump sum on retirement do so in exchange for a reduced pension.

8. Any references to the RMPP relate to the scheme’s defined pension liabilities built up to 31 March 2018. From 1 April 2018 members began building up DBCBS benefits.

The DBCBS has been in place since 1 April 2018, when the RMPP closed. This is a transitional arrangement until the proposed Royal Mail Collective Pension Plan (RMCPP) commences.

DBCBS members build up a guaranteed lump sum benefit of 19.6% of their pensionable pay each year. Although there are no guaranteed increases to this lump sum, the aim is to provide above inflation increases and the Trustee invests the scheme assets accordingly. If the value of the DBCBS assets were to fall below the value of the members’ guaranteed lump sum benefits, then no increases would be awarded until the asset values had recovered. The Group would be obligated to make the necessary contributions to ensure that members received at least the guaranteed lump sum amount. From an assessment of announcements and internal communications made to members of the scheme to date and taking into account the increases granted to date, management is however of the view that there is a requirement to recognise a constructive obligation to provide an increase to the lump sum for accounting purposes. The increase awarded from 1 April 2024 is CPI (at 6.7%) plus 0%. The liabilities of the scheme have been calculated assuming future increases of CPI plus 1.2%, although the nature of the scheme means that actual increases could be lower or higher than this amount.

11. Retirement benefit plans continued

The Group signed an updated Schedule of Contributions on 13 March 2024. This covers a period of five years from the date of certification of the schedule, i.e. until May 2029. In accordance with this schedule, the Group is required to make payments totalling 15.6% of pensionable payroll in respect of DBCBS. Contributions are payable in respect of periods prior to 1 February 2024 or after 30 June 2024. In the period between these two dates, employer contributions are paid instead into the RMPP Escrow per an agreement with the Pension Trustee. These contributions are not considered to be Plan assets as the Trustee does not have control over the assets. This balance is included within non-current assets. See Note 24 to the Financial Statements for further details.

Pensions governance and management

Royal Mail Pensions Trustees Limited acts as the corporate Trustee to the Royal Mail Pension Plan (comprising the RMPP and DBCB Sections). There are currently eight Trustee Directors who sit on the Trustee Board. There is one vacancy for an employer-nominated Trustee Director. The Trustee Board is supported by an executive team of pension management professionals. They provide day-to-day Plan management, advise the Trustee Board on its responsibilities and ensure that decisions are fully implemented.

The Trustee Board is responsible for:

Monitoring the covenant of the participating employers	To help protect benefits, the Trustee Board monitors the financial strength of the participating employers.
Investing contributions	The Trustee Board invests the member and employer contributions in a mix of equities, bonds, property and other investments including derivatives. It holds the contributions and investments on behalf of the members.
Keeping members informed	The Trustee Board sends active members an annual benefit illustration together with a summary of the RMPP's annual report and accounts.
Acting in the best interests of all RMPP beneficiaries	The Trustee Board must pay all benefits as they fall due under the Trust Deed and Rules.

Royal Mail Senior Executives Pension Plan (RMSEPP)

This scheme for executives closed in December 2012 to future accrual; therefore, the Group makes no regular future service contributions.

In September 2018 an insurance policy was purchased in respect of all remaining pensioners and deferred members, following which it was decided to proceed to buy out and wind-up the plan.

The buy-out of this scheme was completed in June 2022, with the bulk annuity policies being exchanged for individual policies between the insurers and all remaining members. All of the Group's obligations under the plan have now been fully extinguished and the Group has therefore de-recognised all liabilities under the scheme as well as the corresponding assets that had previously represented the value of the bulk of annuity policies.

The Group's obligations under the RMSEPP have now been fully extinguished and the Plan was wound up in April 2024. The residual assets were returned to the Group after the remaining closure expenses and the deduction of withholding tax.

Unfunded pension

A liability of £1 million (2022-23: £1 million) has been recognised for future payment of pension benefits to a past Director.

Accounting and actuarial funding surplus position (RMPP, RMSEPP and DBCBS)

In addition to the accounting valuations calculated in accordance with IAS 19, actuarial funding valuations are carried out every three years by actuaries commissioned by the Trustee for the purposes of calculating contributions and funding requirements. For the RMPP, the main difference between the accounting and actuarial funding valuations is that different rates are used to discount the projected scheme liabilities. The accounting valuation uses yields on high-quality corporate bonds and the actuarial funding valuation uses gilt yields. As the accounting discount rate is higher than the actuarial funding discount rate, this leads to a lower computed liability.

The difference between the funding and accounting valuations for the DBCBS arises from the different financial assumptions used for the calculations of each, in particular the discount rates used and the assumptions for discretionary increases to the lump sum benefits. The discount rate used for funding purposes is higher than that used for accounting purposes. In addition, as described above, under IAS 19, the Group recognises a constructive obligation in respect of future increases to benefits until retirement, currently CPI plus 1.2% (refer to note 1), for accounting purposes; however, for funding purposes the increases are set based on the level of the available assets. This results in the accounting liabilities for the DBCBS being higher than the funding liabilities.

The updated triennial valuation for RMPP and the first triennial valuation for the DBCBS at 31 March 2021 were approved in May 2022. Since the liabilities under the RMSEPP scheme have now been fully bought out, the Trustee did not carry out a full triennial valuation at 31 March 2021. The estimated funding positions for the RMPP and DBCBS are shown below.

	RMPP	DBCBS
Date of valuation	31 March 2021 (agreed on 17 May 2022)	The first full valuation was performed as at 31 March 2021 and was agreed on 17 May 2022.
Valuation	The triennial valuation was calculated on a self sufficiency basis. The surplus calculated for the purposes of the March 2021 triennial valuation was £661 million. Based on a set of assumptions which form the basis for the March 2021 valuation and then rolled forward, the actuarial surplus at 31 March 2024 was estimated to be around £1,025 million.	An estimated funding position at 31 March 2024 has been calculated based on the assumption that the funding surplus is equal to the amount held in respect of the risk reserve. Under this method, the DBCBS actuarial surplus was estimated to be around £47 million at 31 March 2024.

Below is a summary of the combined plans' assets and liabilities on an accounting (IAS 19) basis.

	DBCBS		RMPP		RMSEPP	
	At 31 March 2024 £m	At 26 March 2023 £m	**At 31 March 2024 £m**	At 26 March 2023 £m	**At 31 March 2024 £m**	At 26 March 2023 £m
Fair value of plans' assets (11(b) below)	**1,903**	1,652	**6,983**	7,604	**7**	8
Present value of plans' liabilities[9]	**(1,963)**	(1,797)	**(4,521)**	(4,601)	**–**	–
(Deficit)/surplus in plans (pre-withholding tax payable)	**(60)**	(145)	**2,462**	3,003	**7**	8
Withholding tax payable[10]	**n/a**	n/a	**(616)**	(1,051)	**(2)**	(3)
(Deficit)/surplus in plans	**(60)**	(145)	**1,846**	1,952	**5**	5

9. The 2024 DBCBS liabilities have been reduced by a one-off past service credit of £172 million which has arisen from the change in constructive obligation.
10. Any reference to a withholding tax adjustment relates to withholding tax payable on distribution of a pension surplus. Withholding tax was 35% in the prior year and has changed to 25% in the current year.

Having taken legal advice with regard to the rights of the Group under the Trust deeds and rules, the Directors believe there is an obligation to recognise a pension surplus for the RMPP on an accounting basis. The surplus on an accounting basis will be different to the scheme's funding position. Under IAS 19 and IFRIC 14, it must recognise the economic benefit it considers to arise from either a reduction to its future contributions or a refund of the surplus at some point in the future, using current long-term accounting assumptions at the reporting date. This is a technical adjustment made on an accounting basis only.

This surplus is presented on the balance sheet net of a withholding tax adjustment of £616 million (at 26 March 2023: £1,051 million) in respect of the RMPP, which represents the tax that would be withheld on the surplus amount. Any actuarial surplus will remain in the RMPP for the benefit of members until the point at which all benefits have been paid out or secured.

Under the terms of the DBCBS, any surplus would be awarded to members and therefore if this section was found to be in surplus the defined benefit liabilities would increase to equal the asset value under IAS 19.

Guaranteed Minimum Pensions

Pension schemes are now under an obligation to address the issue of unequal Guaranteed Minimum Pensions (GMPs). The transfer of RMPP's historical pension liabilities to HM Government in 2012, in accordance with the Postal Services Act 2011, included all of the RMPP's accrued GMP liabilities for members. The requirement to remove the inequality in former RMPP benefits deriving from GMPs for those members therefore rests with HM Government. Following the decision by the High Court in Lloyds Banking Group Pensions Trustees Limited versus Lloyds Bank plc (2020), however, which determined that schemes are also obliged to equalise GMPs by topping up payments for any past members who have transferred out of a scheme since May 1990, the Trustee sought legal advice as to whether this decision also applies in the case when liabilities were transferred to another scheme before April 2012. The Trustee considers that the Lloyds judgment is likely to give rise to a residual liability for statutory transfers out which included GMP benefits between May 1990 and March 2012 and expects that this will require top-up payments to be made for affected former members. The Trustee is still reviewing historic data to calculate the exact expected impact, which will take some time to complete, but the Group's Corporate Actuary provisionally estimated the cost to be c.£6 million, based on historic values of transfers out of the scheme. This was charged to the income statement in the year ended 27 March 2022 as a past service cost. This cost will be funded from the RMPP assets and no additional employer contributions are expected to be required.

All GMP liabilities relating to RMSEPP members (both past and present) have now been settled and, following the transfer of the liabilities under this Scheme to insurers, its liabilities have been extinguished.

Virgin Media Case

The Group is aware of the 2023 high court case that considered the validity of deeds where no Section 37 certificate (confirming that the minimum level of benefits had not been breached) was attached to the deed; and further understands that the case is being appealed with judgment expected in June 2024. The RMPP Trustees are of the view that the liabilities prior to 2012 have been discharged and the important rules changes since 2012 occurred in 2017 and 2018. Given that the ruling relates to contracted out benefits between 1997 and 2016, it is unlikely that these changes would be affected by the judgment. The Group will await the outcome of the appeal prior to assessing what, if any, impact there might be on the scheme balances. The Group considers this approach reasonable and appropriate.

11. Retirement benefit plans continued

The following disclosures relate to the major assumptions, sensitivities, assets and liabilities in the RMPP, RMSEPP and DBCBS.

a) Major long-term assumptions used for accounting (IAS 19) purposes – RMPP and DBCBS

IAS 19 assumptions will be derived separately for the legacy RMPP and DBCBS, in particular taking into account the different weighted durations of the future benefit payments. No assumptions have been derived for RMSEPP at 26 March 2023 and 31 March 2024 since the scheme has now been fully bought out and the liabilities extinguished.

The major assumptions used to calculate the accounting position of the pension plans are as follows:

	At 31 March 2024	At 26 March 2023
Retail Price Index (RPI) – RMPP[11,15]	**3.2%**	3.2%
Retail Price Index (RPI) – DBCBS[11,15]	**3.3%**	3.2%
Consumer Price Index (CPI) – RMPP[11,15]	**2.9%**	2.9%
Consumer Price Index (CPI) – DBCBS[11,15]	**2.9%**	2.8%
Discount rate – RMPP[11,12]		
– nominal	**4.9%**	4.7%
– real (nominal less RPI)	**1.7%**	1.5%
Discount rate – DBCBS[13]		
– nominal	**4.8%**	4.7%
– real (nominal less RPI)	**1.5%**	1.5%
Rate of increase in pensionable salaries[14]	**RPI – 0.1%**	RPI – 0.1%
Rate of increase for deferred pensions – RMPP	**CPI**	CPI
Rate of pension increases – RMPP Sections A/B	**CPI**	CPI
Rate of pension increases – RMPP Section C[14]	**RPI – 0.1%**	RPI – 0.1%
Rate of pension increases – DBCBS benefits	**CPI + 1.2%**	CPI + 2.0%
Life expectancy from age 60 – for a current 40/60 year old male RMPP member	**27/25 years**	27/25 years
Life expectancy from age 60 – for a current 40/60 year old female RMPP member	**29/27 years**	29/27 years

11. 31 March 2024 assumptions are derived for RMPP and DBCBS only since the RMSEPP scheme was fully bought out in the year.
12. The discount rate reflects the average duration of the RMPP benefits of around 19 years (2022-23: 20 years). The reduction in duration is due to the increase in the liability discount rate and rounding.
13. The discount rate reflects the average duration of the DBCBS benefits of 11 years (2022-23: 13 years). The pension service cost applicable from 27 March 2023 is based on 27 March 2023 assumptions. The reduction in duration is due to the increase in the liability discount rate and rounding.
14. The rate of increase in salaries, and the rate of pension increase for Section C members (who joined the RMPP on or after April 1987), is capped at 5.0%, which results in the average long-term pension increase assumption being 10 basis points lower than the RPI long-term assumption.
15. This is a measure of long-term inflation expectations so while short-term inflation expectations have increased over the period, in the long-term, they are expected to be lower.

Mortality

As part of the actuarial valuation as at 31 March 2021, the Scheme Actuary carried out an updated mortality experience analysis in respect of the legacy RMPP. As a result of that analysis, the RMPP assumptions are based on the heavy version of the latest Self-Administered Pension Scheme (SAPS) S3 mortality tables with appropriate scaling factors (96% for male pensioners and 113% for female pensioners). Future improvements for accounting purposes use the parameters identified from that analysis but for the year end have been based on the CMI 2022 core projections (smoothing factor 7.5 with a long-term trend of 1.5% per annum, and weightings to experience in 2020, 2021 and 2022 of 0%, 0% and 25% respectively). The choice of the non-zero weighting to 2022 experience is driven by the fact that mortality was persistently higher for most of 2022 when compared to 2019, which was not solely due to COVID, suggesting that experience in 2022 may to some extent be indicative of future mortality.

Sensitivity analysis for RMPP and DBCBS liabilities

The RMPP and DBCBS liabilities are sensitive to changes in key assumptions. The potential impact of the largest sensitivities on the RMPP and DBCBS liabilities is as follows:

	At 31 March 2024		At 26 March 2023	
Key assumption change	**Potential increase in DBCBS liabilities £m**	**Potential increase in RMPP liabilities £m**	Potential increase in DBCBS liabilities £m	Potential increase in RMPP liabilities £m
Additional one year of life expectancy	–	150	–	140
Increase in inflation rate (both RPI and CPI simultaneously) of 0.1% per annum	20	90	20	90
Decrease in discount rate of 0.1% per annum	20	90	20	90
Increase in CPI assumption (assuming RPI remains constant) of 0.1% per annum	20	20	20	20
Increase in constructive obligation of 0.1% per annum	20	–	20	–
Increase in inflation rate (both RPI and CPI simultaneously) of 0.5% per annum	100	470	110	480
Decrease in discount rate of 0.5% per annum	100	470	100	420
Increase in CPI assumption (assuming RPI remains constant) of 0.5% per annum	100	110	110	110
Increase in constructive obligation of 0.5% per annum	100	–	110	–

This sensitivity analysis has been determined based on a method that assesses the impact on the defined benefit obligation, resulting from reasonable changes in key assumptions occurring at the end of the reporting year. The discount rate and RPI sensitivities are calculated using the mean term of the relevant section to derive the impact of a 0.1% and 0.5% change in assumption. For the RPI/CPI gap, the approach is the same for DBCBS, but for legacy RMPP, the liabilities as at 31 March 2024 are considered to derive an accurate impact in percentage terms. This percentage is then applied to the liabilities at March 2024. This approach is unchanged from the prior year, although any change in mean terms will impact the sensitivities. Changes inverse to those in the table (e.g. an increase in discount rate) would have the opposite approximate effect on liabilities.

b) RMPP, RMSEPP and DBCBS assets

	At 31 March 2024			At 26 March 2023		
	Quoted £m	**Unquoted £m**	**Total £m**	Quoted £m	Unquoted £m	Total £m
Equities						
UK	9	1	10	1	–	1
Overseas	60	8	68	17	10	27
Bonds						
Fixed interest – UK	107	49	156	130	51	181
– Overseas	581	141	722	485	163	648
Pooled investments						
Absolute return	–	233	233	–	382	382
Equity[16]	60	–	60	85	–	85
Private equity[16]	–	261	261	–	227	227
Fixed interest	–	35	35	172	106	278
Private debt	–	443	443	–	504	504
Property	–	79	79	–	51	51
Liability-driven investments[17]	5,561	21	5,582	5,977	(42)	5,935
Property (UK)	–	468	468	–	533	533
Cash and cash equivalents	737	124	861	422	–	422
Other[18]	–	93	93	–	(5)	(5)
Derivatives	–	(178)	(178)	–	(5)	(5)
Total plans' assets	7,115	1,778	8,893	7,289	1,975	9,264

16. The equity and private equity assets in 2022-23 have been re-presented due to new information becoming available in the current year.
17. This portfolio comprises gilt and swap contracts that are designed to hedge the majority of the interest rate and inflation risk associated with the plans' obligations. At 31 March 2024 it included £6,066 million (26 March 2023: £5,452 million) of index-linked gilts and £214 million (26 March 2023: £555 million) in short-term money market funds, offset by negative fair value investments of £641 million (26 March 2023: £758 million) in repurchase agreements, £26 million (26 March 2023: £708 million) of bonds, £31 million (26 March 2023: £68 million asset) in cash and similar instruments and £nil million of swaps (26 March 2023: £90 million).
18. At 31 March 2024, funds amounting to £92 million had been redeemed but the cash had not yet been received and reinvested. These funds have therefore been classified as other assets.

11. Retirement benefit plans continued

Included within the Group's defined benefit pension scheme assets are assets with a fair value estimated to be £217 million that are based on non-observable inputs at 31 March 2024. Estimates of the fair value of these assets have been performed using the latest available statements of each of the funds that make up this balance, updated for any subsequent cash movements between the statement date and the year-end reporting date.

There were no open equity futures or options derivatives within this portfolio at 31 March 2024 (2022-23: £nil). £6.1 billion (2022-23: £5.4 billion) of HM Government bonds are primarily included in the liability-driven investments balance above. The plans' assets do not include property or other assets used by the Group or shares of International Distribution Services plc at 31 March 2024 (2022-23: £nil).

Risk exposure and investment strategy

The Group's defined benefit schemes face similar risks to other UK defined benefit schemes. Some of the key financial risks and mitigating actions are set out in the table below.

Investment market movements	The risks inherent in the investment markets are partially mitigated by pursuing a widely diversified approach across asset classes and investment managers. The RMPP uses derivatives (such as swaps, forwards and options), from time to time to manage risks whilst maintaining expected investment returns.
Interest rates and inflation changes	The legacy RMPP section's liabilities and assets are impacted by movements in interest rates and inflation. In order to reduce the risk of movements in these rates driving the RMPP into a funding deficit, the RMPP Trustee has hedged the liabilities. It has done this predominantly through investment in index-linked gilts and derivatives. The nature of the risks and their mitigation are similar for the DBCBS, although the level of hedging is less than the RMPP. In the RMPP section, many of the inflation linked increases that apply are restricted to a maximum increase of 5% in any year. The scheme's rules therefore give some protection from the risk of significantly high levels of inflation.
Equity exposure	Equity holdings totalling £95 million (2022-23: £61 million) were held at the discretion of the relevant investment managers under the terms of their mandates. These were held in the DBCBS.
Changes in life expectancy	The RMPP's liabilities could be impacted by longer than expected life expectancy, resulting in higher than expected payout levels. Although this risk is not hedged, mortality studies are undertaken as part of actuarial funding valuations and where appropriate updated assumptions are adopted for accounting valuations.
Changes in corporate and Government bond yields	An increase in yields on AA-rated corporate bonds, used to set the IAS 19 discount rates, has led to a decrease in the IAS 19 liabilities. The legacy RMPP's assets include corporate bonds, HM Government bonds and interest rate derivatives to partly offset the impact of movements in the discount rate. The RMPP section is hedged against gilt movements to limit the impact on funding (and therefore cash) but, to the extent that gilts move differently to corporate bonds, the accounting liability is more exposed.

Further details on 'key sources of estimation uncertainty' relating to pension assets can be found in Note 1, including details of how the assets have been valued.

c) Movement in RMPP assets, liabilities and net position

Changes in the value of the defined benefit pension liabilities, the fair value of the plans' assets and the net defined benefit surplus are analysed as follows:

	Defined benefit asset		Defined benefit liability		Net defined benefit surplus	
	2024 £m	2023 £m	**2024 £m**	2023 £m	**2024 £m**	2023 £m
Retirement benefit surplus (before withholding tax payable) at 27 March 2023 and 28 March 2022	**7,604**	11,142	**(4,601)**	(6,960)	**3,003**	4,182
Amounts included in the income statement:						
Ongoing UK defined benefit pension plan and administration costs (included in people costs)	**(9)**	(11)	**–**	–	**(9)**	(11)
Pension interest income/(cost)[19]	**356**	311	**(214)**	(194)	**142**	117
Total included in profit before tax	**347**	300	**(214)**	(194)	**133**	106
Amounts included in other comprehensive income – remeasurement (losses)/gains						
Actuarial (loss)/gain arising from:						
Financial assumptions	**–**	–	**178**	2,668	**178**	2,668
Demographic assumptions	**–**	–	**103**	–	**103**	–
Experience assumptions	**–**	–	**(81)**	(196)	**(81)**	(196)
Return on plans' assets (excluding interest income)	**(856)**	(3,757)	**–**	–	**(856)**	(3,757)
Total remeasurement (losses)/gains of the defined benefit surplus	**(856)**	(3,757)	**200**	2,472	**(656)**	(1,285)
Other						
Benefits paid	**(94)**	(81)	**94**	81	**–**	–
Transfer between sections	**(18)**	–	**–**	–	**(18)**	–
Total other movements	**(112)**	(81)	**94**	81	**(18)**	–
Retirement benefit surplus (before withholding tax payable) at 31 March 2024 and 26 March 2023	**6,983**	7,604	**(4,521)**	(4,601)	**2,462**	3,003
Withholding tax payable	**n/a**	n/a	**n/a**	n/a	**(616)**	(1,051)
Retirement benefit surplus (net of withholding tax payable) at 31 March 2024 and 26 March 2023	**n/a**	n/a	**n/a**	n/a	**1,846**	1,952

19. Pension interest income for the current year results from applying the plans' discount rate at 26 March 2023 to the plans' assets at that date. Similarly, the pension interest cost results from applying the plans' discount rate as at 26 March 2023 to the plans' liabilities at that date.

11. Retirement benefit plans continued

d) Movement in RMSEPP assets, liabilities and net position continued

Changes in the value of the defined benefit pension liabilities, the fair value of the plans' assets and the net defined benefit surplus are analysed as follows:

	Defined benefit asset		Defined benefit liability		Net defined benefit surplus	
	2024 £m	2023 £m	**2024 £m**	2023 £m	**2024 £m**	2023 £m
Retirement benefit surplus (before withholding tax payable) at 27 March 2023 and 28 March 2022	**8**	320	**–**	(312)	**8**	8
Amounts included in the income statement:						
Pension interest income/(cost)[20]	**–**	2	**–**	(2)	**–**	–
Total included in profit before tax	**–**	2	**–**	(2)	**–**	–
Amounts included in other comprehensive income – remeasurement (losses)/gains						
Actuarial (loss)/gain arising from:						
Financial assumptions	**–**	–	**–**	64	**–**	64
Return on plans' assets (excluding interest income)	**(1)**	(64)	**–**	–	**(1)**	(64)
Total remeasurement (losses)/gains of the defined benefit surplus	**(1)**	(64)	**–**	64	**(1)**	–
Other						
Transfer to insurer	**–**	(242)	**–**	242	**–**	–
Benefits paid	**–**	(8)	**–**	8	**–**	–
Total other movements	**–**	(250)	**–**	250	**–**	–
Retirement benefit surplus (before withholding tax payable) at 31 March 2024 and 26 March 2023	**7**	8	**–**	–	**7**	8
Withholding tax payable	**n/a**	n/a	**n/a**	n/a	**(2)**	(3)
Retirement benefit surplus (net of withholding tax payable) at 31 March 2024 and 26 March 2023	**n/a**	n/a	**n/a**	n/a	**5**	5

20. Pension interest income for the current year results from applying the plans' discount rate at 26 March 2023 to the plans' assets at that date. Similarly, the pension interest cost results from applying the plans' discount rate as at 26 March 2023 to the plans' liabilities at that date.

e) Movement in DBCBS assets, liabilities and net position

Changes in the value of the defined benefit pension liabilities, the fair value of the plans' assets and the net defined benefit deficit during the reporting year are analysed as follows:

	Defined benefit asset		Defined benefit liability		Net defined benefit deficit	
	2024 £m	2023 £m	**2024 £m**	2023 £m	**2024 £m**	2023 £m
Retirement benefit deficit at 27 March 2023 and 28 March 2022	**1,652**	1,536	**(1,797)**	(1,926)	**(145)**	(390)
Amounts included in the income statement:						
Ongoing UK defined benefit pension plan service cost including administration costs (included in people costs)	**(4)**	(5)	**(329)**	(451)	**(333)**	(456)
Past service credit	**–**	–	**172**	–	**172**	–
Pension interest income/(cost) [21]	**84**	45	**(91)**	(57)	**(7)**	(12)
Total included in profit before tax	**80**	40	**(248)**	(508)	**(168)**	(468)
Amounts included in other comprehensive income – remeasurement gains/(losses)						
Actuarial gain/(loss) arising from:						
Financial assumptions	**–**	–	**4**	662	**4**	662
Experience assumptions	**–**	–	**(32)**	(89)	**(32)**	(89)
Return on plan assets	**(31)**	(195)	**–**	–	**(31)**	(195)
Total remeasurement gains/(losses) of the defined benefit deficit	**(31)**	(195)	**(28)**	573	**(59)**	378
Other						
Employer contributions[22]	**294**	335	**–**	–	**294**	335
Employee contributions	**7**	10	**(7)**	(10)	**–**	–
Benefits paid	**(117)**	(74)	**117**	74	**–**	–
Transfer between sections	**18**	–	**–**	–	**18**	–
Total other movements	**202**	271	**110**	64	**312**	335
Retirement benefit deficit at 31 March 2024 and 26 March 2023	**1,903**	1,652	**(1,963)**	(1,797)	**(60)**	(145)

21. Pension interest income results from applying the plans' discount rate at 26 March 2023 to the plans' assets at that date. Similarly, the pension interest cost results from applying the plans' discount rate as at 26 March 2023 to the plans' liabilities at that date.
22. Includes PSE contributions of £94 million (2022-23: £88 million).

12. Acquisition of businesses

On 1 June 2023 GLS acquired 100% of the share capital of Altimax Courier Limited (Altimax).

GLS also acquired 100% of the share capital of Versandmanufaktur GmbH (acquired on 1 April 2023) and S.I.T. & Management S.r.l. (ProntoPacco – acquired on 30 May 2023), and the assets of an Italian Franchisee (acquired on 1 April 2023) which are included in 'Other' below.

This information includes the provisional fair value of the assets and liabilities recognised as at the date of the acquisitions. Costs related to the acquisitions, which have been recognised as an expense within other operating costs in the income statement, amounted to £1 million.

	Altimax £m	Other £m	Total £m
Property plant and equipment	3	1	4
Intangible assets recognised on acquisition	10	4	14
Trade and other receivables	2	3	5
Cash and cash equivalents	1	–	1
Goodwill recognised on acquisition	9	16	25
Total assets acquired	25	24	49
Trade and other payables	(1)	(2)	(3)
Loans and leases	(3)	(1)	(4)
Deferred tax liabilities	(3)	(1)	(4)
Net assets acquired	18	20	38
Cash paid during the period	15	12	27
Contingent consideration	3	8	11
Total consideration	18	20	38
Total consideration net of cash and cash equivalents acquired	17	20	37

The fair value of trade debtors is equal to the gross contractual amounts receivable. A review of trade debtors did not indicate any recoverability issues. The trade debtors of the Italian franchisee were not acquired.

The intangible assets recognised predominantly relate to customer relationships, IT software and brands. Of the £25 million goodwill arising on acquisition, none is tax deductible and represents the fact that these acquisitions will complement the existing networks in their respective countries, adding value through improved service offering and quality, thereby supporting the retention of existing and winning of new customers. The Group has applied its policy is to translate and present goodwill on the acquisition of foreign operations in GBP.

Revenue generated from these businesses since the date of acquisition is £38 million (Altimax: £17 million) and the loss is £1 million (Altimax: £nil loss). If these combinations had taken place at the beginning of the financial year, revenue generated would have been £42 million (Altimax: £21 million) and the loss would have remained at £1 million (Altimax: £nil loss).

The fair value of Altimax contingent consideration of £3 million comprises £1 million related to the expected achievement of EBITDA targets in each of the three years after acquisition date, and £2 million for indemnity holdbacks payable within 18 months of the acquisition date. The fair value of contingent consideration is based on unobservable inputs and the projected outcome is classified as a Level 3 fair value estimate under the IFRS fair value hierarchy. Contingent consideration is based on the projected EBITDA of the acquired business to determine the expected future contractual payments that will fall due, which are then discounted using quoted interest rates. Any adjustments required to contingent consideration outside of the measurement period will be recorded in the income statement.

For the 'Other' acquisitions, contingent consideration is principally in respect of the expected achievement of EBITDA targets in the three years after acquisition date. The accounting principles explained for the Altimax acquisition above will also be applied to these 'Other' acquisitions.

13. Property, plant and equipment[1]

	Land and buildings £m	Plant and machinery £m	Motor vehicles £m	Fixtures and equipment £m	Total £m
Cost					
At 27 March 2023	4,894	1,609	1,149	487	8,139
Exchange rate movements	(32)	(17)	(5)	(4)	(58)
Reclassification[2]	(1)	–	–	(2)	(3)
Modifications[3]	28	–	(14)	–	14
Additions	264	151	120	43	578
Disposals	(38)	(20)	(172)	(28)	(258)
Acquisition of subsidiaries	2	–	2	–	4
Reclassification to assets held for sale	(13)	(2)	(33)	–	(48)
At 31 March 2024	5,104	1,721	1,047	496	8,368
Depreciation and impairment					
At 27 March 2023	2,500	1,146	816	379	4,841
Exchange rate movements	(10)	(8)	(1)	(3)	(22)
Impairment charge	1	11	(3)	6	15
Modifications[2]	2	–	–	–	2
Charge for the year	262	65	62	31	420
Disposals	(39)	(20)	(86)	(27)	(172)
Reclassification to assets held for sale	(6)	(1)	(16)	–	(23)
At 31 March 2024	2,710	1,193	772	386	5,061
Net book value:					
At 31 March 2024	2,394	528	275	110	3,307
At 26 March 2023	2,394	463	333	108	3,298

1. This note includes details of both owned and Right of Use (ROU) assets. Further details on ROU assets are included in Note 14.
2. Reclassification between asset classes includes reclassifications between fixed and intangible assets.
3. Modifications mainly relate to IFRS 16 lease modifications.

13. Property, plant and equipment continued

	Land and buildings £m	Plant and machinery £m	Motor vehicles £m	Fixtures and equipment £m	Total £m
Cost					
At 28 March 2022	4,630	1,467	1,112	495	7,704
Exchange rate movements	50	25	6	8	89
Reclassification[2]	2	(2)	–	(3)	(3)
Modifications[3]	42	–	2	–	44
Additions	233	170	65	49	517
Disposals	(52)	(51)	(36)	(62)	(201)
Reclassification to assets held for sale	(11)	–	–	–	(11)
At 26 March 2023	4,894	1,609	1,149	487	8,139
Depreciation and impairment					
At 28 March 2022	2,282	968	537	346	4,133
Exchange rate movements	17	12	3	5	37
Reclassification[2]	1	(2)	–	–	(1)
Depreciation charge	257	78	110	40	485
Impairment charge	–	141	199	50	390
Disposals	(54)	(51)	(33)	(62)	(200)
Reclassification to assets held for sale	(3)	–	–	–	(3)
At 26 March 2023	2,500	1,146	816	379	4,841
Net book value:					
At 26 March 2023	2,394	463	333	108	3,298
At 27 March 2022	2,348	499	575	149	3,571

Depreciation rates are disclosed within Note 1. No depreciation is provided on land, which represents £296 million (2022-23: £290 million) of the total cost of property assets.

The net book value of the Group's property, plant and equipment includes £137 million (2022-23: £250 million) in respect of assets in the course of construction. The net book value of the Group's land and buildings includes £310 million (2022-23: £286 million) in respect of building fit-out.

The £578 million (2022-23: £517 million) additions include £1 million (2022-23: £3 million) borrowing costs capitalised at a rate of 3.52% (2022-23: 2.67%) in relation to specific qualifying assets.

14. Leases

The Group primarily leases office buildings and letter and parcel processing facilities. At 31 March 2024, the Group held approximately 4,500 land and building leases (2022-23: 2,297). The Group also has leases for some of its vehicle fleet and plant and equipment used in operations. Leases are negotiated on an individual basis and may include extension or termination options.

The lease liabilities are reported as follows in the balance sheet:

Lease liabilities	**At 31 March 2024** Present value of lease payments £m	At 26 March 2023 Present value of lease payments £m
Current liabilities		
Lease liabilities due within one year	**(241)**	(220)
Non-current liabilities		
Lease liabilities due between one and five years	**(738)**	(669)
Lease liabilities due beyond five years	**(444)**	(473)

The right of use assets resulting from lease agreements are detailed below:

Right of use assets	Land and buildings £m	Plant and machinery £m	Motor vehicles £m	Fixtures and equipment £m	Total £m
At 31 March 2024					
Cost	**1,780**	**183**	**584**	**20**	**2,567**
of which additions	**172**	**8**	**102**	**13**	**295**
Accumulated depreciation and impairment	**(648)**	**(149)**	**(429)**	**(12)**	**(1,238)**
Depreciation charge	**(167)**	**(9)**	**(34)**	**(3)**	**(213)**
Impairment (see Note 1)	**–**	**(1)**	**(23)**	**(5)**	**(29)**
Total	**1,132**	**34**	**155**	**8**	**1,329**

Right of use assets	Land and buildings £m	Plant and machinery £m	Motor vehicles £m	Fixtures and equipment £m	Total £m
At 26 March 2023					
Cost	1,627	178	547	8	2,360
of which additions	100	20	45	1	166
Accumulated depreciation and impairment	(518)	(141)	(420)	(5)	(1,084)
Depreciation charge	(169)	(10)	(51)	(1)	(231)
Impairment charge (see Note 1)	–	(11)	(73)	–	(84)
Total	1,109	37	127	3	1,276

Leases in the income statement

Leases are recognised in the income statement as detailed below:

	53 weeks 2024 £m	52 weeks 2023 £m
Other operating income		
Sublease income[1]	**5**	6
Operating expenses		
Expenses from short-term/low-value leases	**(46)**	(57)
Depreciation		
Depreciation of right of use assets	**(213)**	(231)
Net finance costs		
Interest expense on lease liabilities	**(43)**	(32)

1. The prior year number has been re-presented for the inclusion of £2 million sublease income in GLS.

The Group enters into sale and leaseback transactions for vehicles. Cash received from these transactions in the year was £79 million (2022-23: £nil).

15. Goodwill

	2024 £m	2023 £m
Cost		
At 27 March 2023 and 28 March 2022	**895**	850
Exchange rate movements	**(24)**	36
Acquisition of business	**25**	9
Reclassification to assets held for sale	**(1)**	–
At 31 March 2024 and 26 March 2023	**895**	895
Impairment		
At 27 March 2023 and 28 March 2022	**450**	422
Impairment charge	**–**	4
Exchange rate movements	**(13)**	24
At 31 March 2024 and 26 March 2023	**437**	450
Net book value:		
At 31 March 2024 and 26 March 2023	**458**	445
At 26 March 2023 and 27 March 2022	**445**	428

GLS Europe

The carrying value of goodwill of £458 million (2022-23: £445 million) at the balance sheet date includes £285 million (2022-23: £278 million) in relation to GLS' European network (GLS Europe CGU). The carrying value of the GLS European network is £1,037 million (2022-23: £908 million). The CGU has been assessed for impairment by comparing the carrying value of the CGU with its recoverable amount, being the CGU's value in use. The value in use has been calculated by discounting cash flows for a five-year period, with the period beyond five years assumed to have a perpetuity growth rate of 1.5% (2022-23: 1.5%). All cash flows of the CGU have been discounted to present value at the CGU's post-tax discount rate of 7.8% (2022-23: 9.1%) which reflects current market assessments of the time value of money and the risks specific to the asset or CGU. The pre-tax discount rate is 10.1% (2022-23: 12.2%). The recoverable amount was deemed to be significantly in excess of the carrying value of the CGU. Sensitivity analysis has been performed on each of the key assumptions, which did not identify any plausible outcomes that would require the CGU to be impaired.

GLS Dicom Canada

The value of the goodwill in respect of GLS Dicom Canada at 31 March 2024 is £137 million (2022-23: £130 million). The carrying value of this CGU is £211 million (2022-23: £197 million). To assess the CGU for impairment, the carrying amount has been compared with its value in use, which has been calculated by discounting cash flows covering a period of five years, with the period beyond five years assumed to have a perpetuity growth rate of 1.7% (2022-23: 1.7%). All cash flows have been discounted to present value using a post-tax discount rate of 9.3% (2022-23: 9.9%). The pre-tax discount rate is 11.8% (2022-23: 13.5%). Based on these assumptions, the value in use was deemed to be significantly in excess of the carrying value. Sensitivity analysis has been performed on each of the key assumptions, which did not identify any plausible outcomes that would require the CGU to be impaired.

GLS Rosenau Transport Canada (Rosenau)

The value of goodwill in relation to Rosenau is £27 million (2022-23: £28 million). An impairment review has been performed comparing the carrying amount of the Rosenau Transport CGU, of £179 million (2022-23: £191 million), with its recoverable amount. The recoverable amount has been calculated by discounting cash flows for a five-year period with the period beyond five years assumed to have a perpetuity growth rate of 1.7% (2022-23: 1.7%). All cash flows of the CGU have been discounted to present value at the CGU's post-tax discount rate of 9.3% (2022-23: 9.9%), which reflects current market assessments of the time value of money and the risks specific to the asset or CGU. The pre-tax discount rate is 11.8% (2022-23: 13.5%). Based on these assumptions, the value in use was deemed to be significantly in excess of the carrying value. Sensitivity analysis has been performed on each of the key assumptions, which did not identify any plausible outcomes that would require the CGU to be impaired.

16. Intangible assets

	2024					2023				
	Master franchise licences £m	**Customer listings £m**	**Software £m**	**Brands £m**	**Total £m**	Master franchise licences £m	Customer listings £m	Software £m	Brands £m	Total £m
Cost										
At 27 March 2023 and 28 March 2022	23	172	1,261	38	1,494	22	171	1,183	37	1,413
Exchange rate movements	–	(3)	(5)	(1)	(9)	1	–	8	1	10
Additions	–	–	112	–	112	–	–	93	–	93
Disposals	–	–	(13)	–	(13)	–	–	(25)	–	(25)
Reclassification[1]	–	–	3	–	3	–	–	2	–	2
Acquisition of business	–	11	1	2	14	–	1	–	–	1
Reclassification to assets held for sale	–	(6)	–	(1)	(7)	–	–	–	–	–
At 31 March 2024 and 26 March 2023	23	174	1,359	38	1,594	23	172	1,261	38	1,494
Amortisation and impairment										
At 27 March 2023 and 28 March 2022	23	84	1,057	26	1,190	22	66	814	23	925
Exchange rate movements	–	(2)	(4)	–	(6)	1	1	6	1	9
Amortisation charge[2]	–	16	61	5	82	–	17	117	2	136
Impairment charge (see Note 1)	–	–	40	–	40	–	–	145	–	145
Disposals	–	–	(13)	–	(13)	–	–	(25)	–	(25)
Reclassification to assets held for sale	–	(2)	–	(1)	(3)	–	–	–	–	–
At 31 March 2024 and 26 March 2023	23	96	1,141	30	1,290	23	84	1,057	26	1,190
Net book value:										
At 31 March 2024 and 26 March 2023	–	78	218	8	304	–	88	204	12	304
At 26 March 2023 and 27 March 2022	–	88	204	12	304	–	105	369	14	488

1. Reclassification between asset classes includes reclassifications between fixed and intangible assets.
2. Includes £nil million (2022-23: £17 million) impairment recognised in amortisation in the income statement in relation to the resource scheduling asset.

The intangible assets detailed above have finite lives and are being written down on a straight-line basis. The net book value of the Group's software assets includes £85 million (2022-23: £60 million) in respect of assets in the course of construction. The £112 million (2022-23: £93 million) additions include £1 million (2022-23: £nil) of borrowing costs capitalised at a rate of 3.52% (2022-23: 2.67%) in relation to specific qualifying assets.

The Group holds individually material intangible assets totalling £59 million (2022-23: £88 million). These assets relate to various IT initiatives taking place across the business and are tested annually for impairment. They have an average remaining useful life of three years (2022-23: four years).

17. Investments in associates

Details of the associates of the Group are listed below.

Company	Principal activities	Country of incorporation	Reporting date	% ownership 2024	% ownership 2023
JICMAIL Limited	Market research	UK	31 March	**20.0**	20.0
Charac Limited	Digital pharmacy prescription services	UK	31 March	**29.6**	32.9

The investment in Charac Limited was diluted during the year, due to the Group not participating in the latest funding round.

Movements in interests in associates

	2024 £m	2023 £m
Cost		
At 27 March 2023 and 28 March 2022	**1**	1
At 31 March 2024 and 26 March 2023	**1**	1

There are no significant restrictions on the ability of the associates to transfer funds to the Group in the form of cash dividends or repayment of loans and advances.

18. Share-based payments

Employee Free Shares

Employee Free Shares are held on behalf of employees in a tax-advantaged Share Incentive Plan (SIP).

The shares are held in a Trust administered by Equiniti Share Plan Trustees Limited (Equiniti) and may only be distributed to, or for the benefit of, eligible employees. The Trust is funded by the Company and has therefore been consolidated within these Financial Statements.

Partnership and Matching Shares

Beginning in October 2018, a Partnership and Matching Share scheme was introduced for eligible employees. Under the terms of the scheme, employees may elect to purchase a limited number of International Distribution Services plc shares through monthly payroll deductions at the current market price (Partnership Shares). For every five Partnership Shares purchased, the employee receives one unallocated SIP share (Matching Shares), up to a maximum of two Matching Shares per month, free of charge.

At 31 March 2024, there had been 66 (2022-23: 54) such monthly awards and a total of 2,073,822 (2022-23: 1,709,034) Matching Shares had been awarded to eligible staff members at a weighted average market price of 291.0 pence (2022-23: 300.7 pence). The vesting period for each award is three years from the award date, with all allocated shares to be equity-settled.

A charge to the income statement of £1 million (including £nil National Insurance) has been made for the year ended 31 March 2024 (2022-23: £1 million charge including £nil National Insurance) for all SIP allocations.

A reconciliation of the ordinary shares held in the SIP at 31 March 2024 and 26 March 2023 is shown below.

	Number of shares	Number of shares
Total shares remaining in SIP at 27 March 2023 and 28 March 2022	**37,600,824**	40,417,904
Shares sold/transferred out of SIP during the reporting year (fully vested)	**(1,236,159)**	(1,907,577)
Shares transferred out of SIP during the reporting year (good leavers)[1]	**(3,526,443)**	(909,503)
Total shares remaining in SIP at 31 March 2024 and 26 March 2023	**32,838,222**	37,600,824

1. 'Good leavers' refers to former employees whose shares vested under specific circumstances, in accordance with the rules of the scheme.

Of the total shares remaining in the scheme, 31,587,436 (2022-23: 36,114,161) have been allocated to current employees. The remaining 1,250,786 (2022-23: 1,486,663) shares are unallocated and have arisen as a result of forfeitures.

Award of shares under the Long-Term Incentive Plan

Award year	Grant date	Shares vest from	Fair value/share (pence) Monte-Carlo simulation Market-based conditions	Non-market-based conditions	Maximum number of potential shares to vest
2021	12/08/2021	12/08/2024	305.6	500.7	683,098
2022	01/09/2022	01/09/2025	100.1	272.6	1,741,416
2023	31/07/2023	31/07/2026	179.0	269.8	4,693,710

A charge to the income statement of £3 million (including £nil for National Insurance) has been made for the year ended 31 March 2024 in relation to all LTIP schemes (2022-23: £1 million, including £nil for National Insurance).

Award of shares under the Deferred Share Bonus Plan

Award year	Grant date	Shares vest from	Fair value/share (pence)	Maximum number of potential shares to vest
2022	29/03/2022	29/03/2025	358.6	107,816
2022	28/07/2022	28/07/2025	290.2	190,832
2022	28/07/2022	28/07/2024	290.2	203,797
2023	02/03/2023	02/03/2024	232.3	29,061
2023	02/03/2023	02/03/2025	232.3	29,061
2023	31/07/2023	01/09/2025	272.6	62,707
2023	31/07/2023	31/07/2026	269.8	137,132
2023	31/07/2023	31/07/2025	269.8	30,317
2023	30/11/2023	30/11/2025	269.8	17,310

A charge to the income statement of £1 million (including £nil for National Insurance) has been recognised for the year ended 31 March 2024 in relation to all DSBP schemes (2022-23: £nil, including £nil for National Insurance).

19. Assets and liabilities held for sale

The balance sheet values of the assets and liabilities held for sale during the reporting year are shown below.

	At 31 March 2024 £m	At 26 March 2023 £m
Property and other assets held for sale	18	4
Total	**18**	4

In the current year the net assets held for sale of £18 million include £3 million UK property assets, mainly in respect of the Parcelforce Worldwide depot at Royal College Street, Camden, London and £15 million GLS business assets, comprising £5 million goodwill and intangible assets; £18 million right of use (ROU) assets; £7 million tangible fixed assets; £9 million trade and other receivables; offset by £18 million ROU liabilities and £6 million trade and other payables. UK property assets with a carrying value of £nil million (2022-23: £8 million) were reclassified as held for sale in the year, of which assets of £nil million (2022-23: £4 million) were subsequently sold before the balance sheet date.

20. Trade and other receivables

	At 31 March 2024 £m	At 26 March 2023 £m
Trade receivables	**1,462**	1,391
Accrued income	**31**	32
Prepayments	**102**	167
Total	**1,595**	1,590

Movements in the loss allowance for bad and doubtful debts are shown below.

	2024 £m	2023 £m
At 27 March 2023 and 28 March 2022	**(43)**	(51)
Receivables provided for during the year	**(28)**	(19)
Release of allowance	**16**	18
Utilisation of allowance	**11**	9
Exchange differences	**1**	–
At 31 March 2024 and 26 March 2023	**(43)**	(43)

The Group's approach to loss allowance for bad and doubtful debts is explained in the accounting policies in Note 1.

The age profile of the trade receivables balance is shown below.

	At 31 March 2024 £m	At 26 March 2023 £m
Not yet overdue	**1,285**	1,289
Past due not more than one month	**141**	83
Past due more than one month and not more than two months	**12**	4
Past due more than two months	**24**	15
Total	**1,462**	1,391

21. Cash and cash equivalents

	At 31 March 2024 £m	At 26 March 2023 £m
Cash at bank and in hand	**410**	431
Client cash	**47**	36
Cash equivalent investments: Short-term bank deposits and money market fund investments	**573**	431
Total cash and cash equivalents in the balance sheet	**1,030**	898
Bank overdrafts (part of a cash pool)	**(56)**	(89)
Total cash and cash equivalents in the statement of cash flows	**974**	809

Cash and cash equivalents comprise amounts held physically in cash, bank balances available on demand and deposits for three months or less, dependent on the immediate cash requirements of the Group. Where interest is earned, this is either at floating or short-term fixed rates based upon bank deposit rates.

Client cash is cash collected from consignees by GLS on behalf of its posting customers. It is maintained in separate bank accounts to the cash of the business and allocated to a separate payables account in the balance sheet so it can be tracked and reconciled.

Bank overdrafts are included within the statement of cash flows net, alongside equivalent offsetting balances of cash at bank in the cash pool. The overdraft balances, which are part of a cash pool for the UK companies within the Group, are an integral part of the Group's cash management and are presented net within cash and cash equivalents at the beginning and end of the year in the statement of cash flows.

22. Current trade and other payables

	At 31 March 2024 £m	At 26 March 2023 £m
Trade payables and accruals	**(1,648)**	(1,695)
Advance customer payments (including stamps held, not yet used by customers)	**(227)**	(250)
Social security	**(125)**	(110)
Client creditors	**(57)**	(52)
Capital expenditure payables	**(19)**	(27)
Other	**(30)**	(10)
Total	**(2,106)**	(2,144)

The fair value of trade and other payables is not materially different from the carrying value. The average credit period taken for trade purchases is 42 days (2022-23: 42 days).

The Group operates a supply chain finance arrangement for small and medium suppliers. This form of reverse financing allows suppliers to obtain early access to funding. Suppliers may choose to access payment as soon as their invoices are processed, rather than adhere to Royal Mail standard payment terms, by paying a financing fee to the scheme provider. The Group pays the provider of the scheme on the due date of the invoices; therefore, this scheme does not assist the Group in the management of working capital.

As the scheme has not led to a substantial modification in the terms of the financial liability, the Group continues to treat the amounts owed within trade payables. All cash flows associated with the programme are included within operating cash flows as they continue to be part of the normal operating cycle of the Group. There is no impact on net debt, as amounts owed continue to be reported within trade payables.

The balance owed on the facility at 31 March 2024 was £45 million (26 March 2023: £37 million).

23. Loans and borrowings

	At 31 March 2024						
	Loans and borrowings[1] £m	Further committed facility £m	Total facility £m	Average interest rate of loan drawn down %	Basis of interest rate chargeable	Average maturity date of loan drawn down Year	Average maturity date of loan facility Year
Bank syndicate loan facility	**–**	**925**	**925**	**n/a**	**SONIA+CAS +0.575%[2]**	**n/a**	**2026**
€364.5 million 2024 Senior Fixed Rate Notes	**312**	**–**	**312**	**2.5**	**Fixed at 2.5%**	**2024**	**2024**
€550 million 2026 Senior Fixed Rate Notes	**469**	**–**	**469**	**2.7**	**Fixed at 2.7%**	**2026**	**2026**
€500 million 2028 Senior Fixed Rate Notes	**425**	**–**	**425**	**5.5**	**Fixed at 5.5%**	**2028**	**2028**
£250 million 2030 Senior Fixed Rate Notes	**248**	**–**	**248**	**7.5**	**Fixed at 7.5%**	**2030**	**2030**
Asset finance[1]	**29**	**–**	**29**	**2.9**	**Fixed at 2.9%**	**2027**	**2027**
Total	**1,483**	**925**	**2,408**	**4.2**		**2027**	**2027**

	At 26 March 2023						
	Loans and borrowings £m	Further committed facility £m	Total facility £m	Average interest rate of loan drawn down %	Basis of interest rate chargeable	Average maturity date of loan drawn down Year	Average maturity date of loan facility Year
Bank syndicate loan facility	–	925	925	n/a	SONIA+CAS +0.475%[2]	n/a	2026
€500 million bond – 2.375% Senior Fixed Rate Notes	440	–	440	2.5	Fixed at 2.5%	2024	2024
€550 million bond – 1.25% Senior Fixed Rate Notes	482	–	482	2.7	Fixed at 2.7%	2026	2026
Asset finance	25	–	25	2.1	Fixed at 2.6%	2031	2031
Total	947	925	1,872	2.6		2025	2026

1 Asset finance of £29 million (2022-23: £25 million) consists of £3 million current and £26 million non-current (2022-23: £3 million current and £22 million non-current). The 2024 Bond of £312 million (2022-23: £440 million) is current as it is repayable in July 2024 (2022-23: non-current). Other loans and borrowings of £1,142 million (2022-23: £922 million) are non-current.

2 The total margin over Sterling Overnight Indexed Average (SONIA) consists of a 0.50% margin (2022-23: 0.40%), a credit adjustment spread (CAS) and a utilisation fee of 0.075% (for drawings less than one third of the total facility). Interest is compounded daily and a CAS of between 0.0% and 0.3% is added using the International Swaps and Derivatives Association (ISDA) published five-year historical mean on fixing date (5 March 2021).

23. Loans and borrowings continued

Two new bonds were issued in September 2023 for €500 million (repayable in 2028) and £250 million (repayable in 2030). Part of the proceeds were used to make a partial repayment of €135.5 million of the existing €500 million bond maturing in 2024, leaving the balance of €364.5 million bond maturing in July 2024. The remaining proceeds are held in cash and investments by the Group at 31 March 2024.

The €364.5 million 2024 bond is shown after partial repayment of €135.5 million in September 2023, net of issue discount and fees and at a closing spot rate of £1/€1.169 (2022-23: £1/€1.136). The effective interest rate on the bond of 2.5% (2022-23: 2.5%) consists of the interest coupon of 2.375% (2022-23: 2.375%) plus the unwinding of the discount and fees on issuing the bond of 0.08% (2022-23: 0.08%).

Until 14 September 2023 (when the 2028 bond was issued), the bond was designated as a hedge of the net investment in GLS, which has a very significant balance of Euro-denominated assets. From 14 September 2023 onwards, the new 2028 bond is designated as a hedge of the net investment in GLS.

During the year, total gains of £12 million (2022-23: £24 million loss) on the retranslation of these borrowings were taken to other comprehensive income, which offsets the gains on translation of an equivalent amount of the Euro-denominated assets in GLS. There was no hedge ineffectiveness in the current or comparative reporting years.

The €550 million 2026 bond has a coupon of 1.25% and maturity date of 8 October 2026. To hedge the foreign exchange risk, Royal Mail chose to take out a cross-currency swap perfectly mirroring the terms of the bond. The combined interest rate of the coupon and the cross-currency swap is 2.7% (2022-23: 2.7%). The €550 million bond is shown net of issue discount and fees and at a closing spot rate of £1/€1.169 (2022-23: £1/€1.136). The effective interest rate on the bond plus the cross-currency swap (2.7%) consists of the interest coupon of 1.25% (2022-23: 1.25%) plus the effects of the cross-currency swap of 1.00% (2022-23: 1.00%) and the unwinding of the discount and fees on issuing the bond of 0.4% (2022-23: 0.4%). The revaluation of the bond is hedged by the cross-currency swap. During the year, effective hedge reserve was transferred from other comprehensive income to profit and loss for £13 million (2022-23: £26 million gain) to match the equivalent gain on retranslation of this borrowing. There was no hedge ineffectiveness in the current or comparative reporting years.

The bank syndicate loan facility can be cancelled and any loans drawn under the facility can become repayable immediately on the occurrence of an event of default under the loan agreements.

Such events of default include non-payment, insolvency and breach of covenants. On 24 March 2023, a covenant amendment was agreed that amended the financial covenants to use GLS EBITDA instead of Group EBITDA in the covenant calculations until September 2024, at which point, the facility will revert to the previous covenants. It is not anticipated that the Group is at risk of breaching any of these amended covenants.

The financial covenants require the Group to maintain the (leverage) ratio of adjusted net debt to EBITDA below 3.5:1 and EBITDA to interest above 3.5:1. For the measurement periods of March 2023, September 2023 and March 2024, GLS EBITDA will be used in these calculations, after which date it will revert to Group EBITDA.

The covenant ratios are calculated on an IAS 17 basis for leases. Adjusted net debt consists of net debt less operating leases capitalised under IFRS 16, plus Letters of Credit (contingent liabilities in respect of the Royal Mail insurance programme, where the possibility of an outflow of economic benefits is considered remote), plus bank guarantees provided to HMRC (in order to facilitate the movement of parcels from Europe efficiently through to our network, where the possibility of an outflow of economic benefits is considered remote) and is adjusted for exchange rate movements during the year. EBITDA is adjusted to deduct operating lease expense on leases capitalised under IFRS 16 (£94 million for GLS for 2023-24, 2022-23: £82 million)) and to remove transformation costs and certain specific items (the pension charge adjustment is not removed). Interest is adjusted to remove interest on operating leases capitalised under IFRS 16. The Group's leverage ratio at 31 March 2024 under the amended covenants is (using GLS EBITDA) 1.1:1 (2022-23: 0.7:1). The Group's ratio of EBITDA to interest at 31 March 2024 under the amended covenants is (using GLS EBITDA) 68.7:1 (2022-23: 48.3:1). Accordingly, the Group comfortably meets the covenants tests within its bank syndicate loan facility agreement. The Group's leverage ratio at 31 March 2024 under the unamended calculations (using Group EBITDA) at 31 March 2024 is 1.1:1 (2022-23: 1.0:1). The Group's ratio of EBITDA to interest at 31 March 2024 is 72.0:0 (2022-23: 32.3:1).

The interest rate chargeable on the bank syndicate loan facility would increase if more than one third of the facility was drawn and also if the Group's leverage ratio changed. Under the loan agreement, the maximum interest rate chargeable would be compounding SONIA plus 2.35%.

The issued bonds become repayable immediately on the occurrence of an event of default under the bond agreements. These events of default include non-payment and insolvency. It is not anticipated that the Group is at risk of breaching any of these obligations.

The undrawn committed facilities, in respect of which all conditions precedent had been met at the balance sheet date, were £925 million maturing in September 2026 (2022-23: £925 million maturing in September 2026).

There is no security in place under the bank syndicate loan facility or the bonds.

The bank syndicate loan facility contains a provision that, following a change of control of the Group, the lenders may cancel the facility (assuming a required period of negotiation fails to agree to continuing or amending the facility). The four bonds all contain provisions such that, on a change of control that is combined with a credit rating downgrade in certain circumstances, the noteholders may require the Company to redeem or, at the Company's option, purchase the notes for their principal amount, together with interest accrued to (but excluding) the date of redemption or repurchase.

On 9 May 2023, IDS plc secured a backstop facility of €500 million from a syndicate of banks to provide additional flexibility on the timing for refinancing the €500 million bond maturing in July 2024. The backstop was cancelled, undrawn during the year following the two new bond issues in September 2023.

During the year, GLS used asset finance to fund the purchase of tangible fixed assets.

24. Financial assets and liabilities and risk management

The following disclosures are included in this Note:

a) Classification, carrying amount and fair value of financial assets and liabilities – Carrying amounts and fair value of each category of financial assets and liabilities.
b) Movement in liabilities arising from financing activities – A reconciliation of the opening and closing balances of liabilities arising from financing activities.
c) Foreign currency risk management – How management addresses the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
d) Commodity price risk management – How management addresses the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.
e) Interest rate risk management – How management addresses the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
f) Liquidity risk management – How management addresses the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.
g) Credit risk management – How management addresses the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
h) Sensitivity analysis – How the income statement and balance sheet would have been affected by changes in commodity prices and exchange rates in the reporting year.
i) Additional derivative and hedge analysis – A detailed breakdown of derivative balances and hedge movements.

a) Classification, carrying amount and fair value of financial assets and liabilities

The following table shows the classification, carrying amount and fair value of the Group's financial assets:

	Level	Classification	**At 31 March 2024 Carrying amount £m**	**At 31 March 2024 Fair value £m**	At 26 March 2023 Carrying amount £m	At 26 March 2023 Fair value £m
Financial assets						
Cash[1]	1		**457**	**457**	467	467
Cash held within cash pool			**56**	**56**	89	89
Client Cash			**47**	**47**	36	36
All other cash			**354**	**354**	342	342
Cash equivalent investments	1		**573**	**573**	431	431
Money market funds		FVTPL	**428**	**428**	349	349
Short-term deposits – bank		Amortised cost	**145**	**145**	82	82
Cash and cash equivalents	1		**1,030**	**1,030**	898	898
Current asset investments – short-term deposits – bank	1	Amortised cost	**216**	**216**	–	–
Pension escrow investments	1	FVTPL	**102**	**102**	208	208
Trade and other receivables[2]	2	Amortised cost	**1,493**	**1,493**	1,423	1,423
Derivative assets (current)	2	FVTPL	**6**	**6**	23	23
Derivative assets (non-current)	2	FVTPL	**2**	**2**	3	3
Total financial assets			**2,849**	**2,849**	2,555	2,555

1. Cash and cash equivalents includes bank overdrafts that are part of a cash pool for the UK companies which generally has a net £nil balance across the Group and forms an integral part of the Group's cash management.
2. Trade and other receivables excludes prepayments of £102 million (2022-23: £167 million).

24. Financial assets and liabilities and risk management continued

The following table shows the classification, carrying amount and fair value of the Group's financial liabilities:

	Level	Classification	**At 31 March 2024 Carrying Amount £m**	**At 31 March 2024 Fair Value £m**	At 26 March 2023 Carrying amount £m	At 26 March 2023 Fair value £m
Financial liabilities						
Bank overdrafts (in a cash pool)[1]	1		**(56)**	**(56)**	(89)	(89)
Obligations under leases (current)	2	Amortised cost	**(241)**	**(241)**	(220)	(220)
Interest-bearing loans and borrowings (current)			**(315)**	**(313)**	(3)	(3)
Asset finance	2	Amortised cost	**(3)**	**(3)**	(3)	(3)
€364.5 million 2024 bond	2	Amortised cost	**(312)**	**(310)**	–	–
Trade and other payables[3]	2	Amortised cost	**(1,879)**	**(1,879)**	(1,894)	(1,894)
Derivative liabilities (current)		FVTPL	**(16)**	**(16)**	(13)	(13)
Interest-bearing loans and borrowings (non-current)			**(1,168)**	**(1,175)**	(944)	(894)
€500 million 2024 bond	2	Amortised cost	**–**	**–**	(440)	(432)
€550 million 2026 bond	2	Amortised cost	**(469)**	**(440)**	(482)	(441)
€500 million 2028 bond	2	Amortised cost	**(425)**	**(445)**	–	–
£250 million 2030 bond	2	Amortised cost	**(248)**	**(264)**	–	–
Asset finance	2	Amortised cost	**(26)**	**(26)**	(22)	(21)
Obligations under leases (non-current)	2	Amortised cost	**(1,182)**	**(1,097)**	(1,142)	(1,022)
Derivative liabilities (non-current)	2	FVTPL	**(24)**	**(24)**	(22)	(22)
Total financial liabilities			**(4,881)**	**(4,801)**	(4,327)	(4,157)
Net total financial liabilities			**(2,032)**	**(1,952)**	(1,772)	(1,602)

1. Cash and cash equivalents includes bank overdrafts that are part of a cash pool for the UK companies which generally has a net £nil balance across the Group and forms an integral part of the Group's cash management.
3. Trade and other payables excludes advance customer payments of £227 million (2022-23: £250 million). Trade and other payables includes a balance of £11 million (2022:23 £9 million) measured at fair value level 3 relating to deferred consideration on acquisitions. See Note 12 for further details.

Derivatives that do not qualify for hedge accounting are classified as fair value through profit and loss and any gains or losses arising from changes in fair value are taken directly to the income statement in the year. The 'Level' classification in the above table is explained in the 'Fair value measurement of financial instruments' section of Note 1.

The main purpose of these financial instruments is to raise finance and manage the liquidity needs of the business' operations.

No speculative trading in financial instruments has been undertaken during the current or comparative reporting years, in line with Group policy.

b) Movement in liabilities arising from financing activities

The following table reconciles the opening and closing balances of liabilities arising from financing activities:

	Bank overdrafts[1] (in a cash pool) £m	Interest-bearing loans and borrowings (current) £m	Interest-bearing loans and borrowings (non-current) £m	Obligations under leases (current) £m	Obligations under leases (non-current) £m	Total £m
At 27 March 2023	**(89)**	**(3)**	**(944)**	**(220)**	**(1,142)**	**(2,398)**
Movements through income statement:						
Interest payable on financial liabilities	**–**	**–**	**(39)**	**–**	**(43)**	**(82)**
Movements through cash flow:						
Finance costs paid[4]	**–**	**–**	**38**	**–**	**43**	**81**
Proceeds from bond issues	**–**	**–**	**(674)**	**–**	**–**	**(674)**
Repayments of bonds and loans	**–**	**5**	**117**	**–**	**–**	**122**
Proceeds from sale and leaseback	**–**	**–**	**–**	**–**	**(71)**	**(71)**
Payment of capital element of lease contracts	**–**	**–**	**–**	**216**	**–**	**216**
Other movements:						
Reclassification between categories	**–**	**(318)**	**318**	**(243)**	**243**	**–**
Reclassification to liabilities held for sale	**–**	**–**	**–**	**6**	**12**	**18**
Decrease in gross cash pool overdraft	**33**	**–**	**–**	**–**	**–**	**33**
Increase in lease obligations	**–**	**–**	**–**	**–**	**(232)**	**(232)**
Acquisitions	**–**	**–**	**–**	**–**	**(4)**	**(4)**
New asset finance	**–**	**–**	**(10)**	**–**	**–**	**(10)**
Effect of foreign currency exchange rates	**–**	**1**	**26**	**–**	**12**	**39**
At 31 March 2024	**(56)**	**(315)**	**(1,168)**	**(241)**	**(1,182)**	**(2,962)**

4. Finance costs paid of £79 million in the statement of cash flows also includes £6 million interest on cross-currency swaps and £11 million other finance costs, offset by £19 million accrued interest on the new bonds issued in September 2023.

	Bank overdrafts[1] (in a cash pool) £m	Interest-bearing loans and borrowings (current) £m	Interest-bearing loans and borrowings (non-current) £m	Obligations under leases (current) £m	Obligations under leases (non-current) £m	Total £m
At 28 March 2022	(62)	–	(872)	(213)	(1,128)	(2,275)
Movements through income statement:						
Interest payable on financial liabilities	–	–	(19)	–	(32)	(51)
Movements through cash flow:						
Finance costs paid[5]	–	–	19	–	32	51
Payment of capital element of lease contracts	–	–	–	202	–	202
Payment of asset finance	–	–	2	–	–	2
Other movements:						
Reclassification between categories	–	–	–	(209)	209	–
Increase in gross cash pool overdraft	(27)	–	–	–	–	(27)
Increase in lease obligations	–	–	–	–	(204)	(204)
New asset finance	–	(3)	(24)	–	–	(27)
Effect of foreign currency exchange rates	–	–	(50)	–	(19)	(69)
At 26 March 2023	(89)	(3)	(944)	(220)	(1,142)	(2,398)

1. Cash and cash equivalents includes bank overdrafts that are part of a cash pool for the UK companies which generally has a net £nil balance across the Group and forms an integral part of the Group's cash management.
5. Finance costs paid of £61 million in the statement of cash flows also includes £7 million interest on cross-currency swaps and £3 million other finance costs.

24. Financial assets and liabilities and risk management continued

c) Foreign currency risk management

Foreign currency transaction risk

Royal Mail is exposed to foreign currency risk due to interest payments on the three Euro-denominated bonds, certain obligations under Euro-denominated leases, trading with overseas postal administrations and various purchase contracts denominated in foreign currency. GLS' main currency exposure is the Euro. It also has some exposure to non-Euro currencies, principally in emerging European markets, to the US Dollar and the Canadian Dollar.

Where possible, exposures are netted internally. Any remaining exposure is hedged using a combination of external spot and forward purchase and sale contracts. Hedging will not normally be considered for exposures of less than £1 million. Hedging is normally confined to 80% of the forecast exposure, where forecast cash flows are highly probable. But it will be increased to 100% in certain circumstances where there is more certainty (e.g. for capital programmes where there is contractual liability). Royal Mail applies a hedge ratio of 1:1 for such foreign currency hedges.

Royal Mail determines the existence of an economic relationship between the hedging instrument and hedged item by comparing changes in the sterling cost of forecasted currency settlements and the related fixed price on the derivative forward contracts.

In these hedge relationships, the main sources of ineffectiveness are:

- Hedged currency settlements could be lower than forecast and hence hedged volumes could be greater than underlying exposure
- Credit risk of the derivative counterparty or Royal Mail could change over time – creating a change in the derivative value that it is not related to or replicated by a change in the exposure.

The following table shows, for each hedge programme, the risk and the percentage hedged of the next 12 months' exposure:

		Percentage of next 12 months' exposure that has been hedged	
Hedge programme	Risk	**At 31 March 2024**	At 26 March 2023
Capital programmes	€/£ exchange rate movements	**98%**	100%
Overseas postal administrations	SDR/£ exchange rate movements	**41%**	59%

Royal Mail's obligation to settle with overseas postal administrations is denominated in Special Drawing Rights (SDR) – a basket of currencies which comprise US Dollar, Japanese Yen, Chinese Renminbi, Sterling and Euro. The next 12 months' exposure is calculated as the combination of the cost of settling liabilities during the next 12 months and the cost of revaluing unsettled liabilities at the end of 12 months.

Foreign currency translational risk

The Group's presentational currency is Sterling (£). GLS profits in Euro, US Dollar, Canadian Dollars and other currencies are converted to Sterling at the average exchange rate for the year, which can result in reported growth or decline that does not relate to underlying performance. GLS' balance sheet is converted at year-end exchange rates and movements related to foreign currency translation are taken to equity.

The €500 million 2028 bond issued in September 2023 acts as a hedge of part of the translation exposure created by the net assets of GLS. At 31 March 2024, Royal Mail had €3 million of Euro-denominated lease payables outstanding (2022-23: €9 million). This similarly acts as a hedge of the net assets of GLS. The remaining net assets of GLS in excess of the €500 million bond and lease payables are not hedged. Foreign currency exchange differences arising from the translation of the net assets of GLS, the €500 million bond and the Royal Mail Euro-denominated lease payables, at closing Sterling/Euro exchange rates, are recognised in the statement of comprehensive income. These exchange differences would be released to the income statement as part of the gain or loss if GLS was sold.

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in foreign operation due to movements in the spot rate (the offset method). The Group's policy is to hedge the net investment only to the extent of the debt principal.

The €550 million bond issued in October 2019 is perfectly hedged for foreign currency risk by a cross-currency swap. Royal Mail applies a hedge ration of 1:1 for this hedge. Royal Mail determines the existence of an economic relationship between the hedging instrument and the hedged item as the currency payment amounts due under bond are exactly equal to the currency amounts receivable under the cross-currency swap. The only source of hedge ineffectiveness in this hedge would be if the credit risk of the derivative or Royal Mail change materially over time – creating a change in the derivative value that it is not related to or replicated by a change in the exposure.

The €364.5 million 2024 bond is naturally hedged for foreign currency risk by the Euro-denominated current asset investments held by the Group from the proceeds of the €500 million 2028 bond.

The net total financial liabilities are held in various different currencies as summarised in the table below. The majority of the non-Sterling financial assets and liabilities (other than the Euro-denominated bonds and €441 million of leases and asset finance) are held within cash or derivatives.

	Sterling £m	US$ £m	Euro £m	Other £m	Total £m
Net total financial liabilities at 31 March 2024	**(724)**	**(6)**	**(1,214)**	**(88)**	**(2,032)**
Net total financial liabilities at 26 March 2023	(485)	(27)	(1,189)	(71)	(1,772)

d) Commodity price risk management

Royal Mail is exposed to fuel price risk arising from operating one of the largest vehicle fleets in Europe – which consumes around 140 million litres of fuel per year – and a jet fuel price risk arising from purchasing air freight services. Royal Mail's fuel risk management strategy aims to reduce uncertainty created by the movements in the oil and foreign currency markets. The strategy uses forward commodity price swaps to mitigate this risk by entering into a combination of US Dollar and forward currency purchase or Sterling contracts to manage these exposures as it sees fit.

In addition, Royal Mail is exposed to commodity price risk via its requirement to purchase electricity and gas. Royal Mail's risk management strategy aims to reduce uncertainty created by the movements in the electricity and gas markets. These exposures are managed by locking into fixed price contracts with suppliers and using forward commodity price swaps in Sterling.

Royal Mail adopts a policy of ensuring that no more than 90% of its diesel and jet price risk exposure and no more than 80% of its gas price risk exposure is hedged. Royal Mail applies a hedge ratio of 1:1 for such commodity price hedges.

Royal Mail determines the existence of an economic relationship between the hedging instrument and hedged item by comparing changes in the commodity price of forecasted usage to be purchased and the related fixed price per litre swap contracts for diesel/jet and related fixed price per therm swap contracts for Gas.

In these hedge relationships, the main sources of ineffectiveness are:

- Purchase volumes could be lower than forecast and hence hedged volumes could be greater than underlying exposure
- Credit risk of the derivative counterparty or Royal Mail could change over time – creating a change in the derivative value that it is not related to or replicated by a change in the exposure.

GLS generally out-sources its collection, delivery and line-haul activities to subcontractors, and therefore is not significantly directly exposed to higher fuel costs. Nevertheless, there is an indirect exposure, as increasing fuel costs for subcontractors lead to higher rates for their services as they seek to pass on the higher fuel costs incurred. This indirect exposure is mitigated to a degree by fuel surcharges paid by customers in a number of GLS markets. GLS has very limited direct exposure to diesel costs. GLS does not hedge exposure to energy costs, a further 10% increase in energy costs would increase energy costs by £4 million.

24. Financial assets and liabilities and risk management continued

e) Interest rate risk management

The Group's policy is to manage its net interest expense using an appropriate mix of fixed and floating rate financial instruments, combined with external hedging of interest rate risk, as appropriate, to keep a high percentage of its gross debt fixed. At 31 March 2024, there was no external hedge of interest rate risk (2022-23: none). Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

The analysis below sets out the carrying amount of the Group's financial instruments that are exposed to interest rate risk.

	At 31 March 2024					
	Average effective interest rate %	Within one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Fixed rate						
Cash equivalent investments – bank deposits	3.8	96	–	–	–	96
Current asset investments – short-term deposits – bank	3.9	216	–	–	–	216
€364.5 million 2024 bond	2.5	(312)	–	–	–	(312)
€550 million 2026 bond	2.7	–	–	(469)	–	(469)
€500 million 2028 bond	5.4	–	–	(425)	–	(425)
£250 million 2030 bond	7.5	–	–	–	(248)	(248)
Asset finance	2.9	(3)	(4)	(15)	(7)	(29)
Lease obligations	3.4	(241)	(224)	(514)	(444)	(1,423)
Total		(244)	(228)	(1,423)	(699)	(2,594)
Floating rate						
Cash at bank	2.8	305	–	–	–	305
Cash equivalent investments – money market funds	5.2	428	–	–	–	428
Cash equivalent investments – bank deposits	5.3	49	–	–	–	49
Financial assets – pension escrow investments (non-current)	5.2	–	–	–	102	102
Total		782	–	–	102	884
Non-interest bearing						
Cash at bank or in hand		152	–	–	–	152
Bank overdrafts (in a cash pool)		(56)	–	–	–	(56)
Trade and other receivables		1,493	–	–	–	1,493
Trade and other payables		(1,879)	–	–	–	(1,879)
Derivative assets		6	2	–	–	8
Derivative liabilities		(16)	(7)	(17)	–	(40)
Total		(300)	(5)	(17)	–	(322)
Total financial assets		2,745	2	–	102	2,849
Total financial liabilities		(2,507)	(235)	(1,440)	(699)	(4,881)
Net total financial assets/(liabilities)		238	(233)	(1,440)	(597)	(2,032)

	At 26 March 2023					
	Average effective interest rate %	Within one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Fixed rate						
€500 million bond	2.5	–	(440)	–	–	(440)
€550 million bond	2.7	–	–	(482)	–	(482)
Asset finance	2.1	(3)	(4)	(11)	(7)	(25)
Lease obligations	2.6	(220)	(203)	(466)	(473)	(1,362)
Total		(223)	(647)	(959)	(480)	(2,309)
Floating rate						
Cash at bank	1.7	218	–	–	–	218
Cash equivalent investments – money market funds	3.9	349	–	–	–	349
Cash equivalent investments – bank deposits	2.7	82	–	–	–	82
Financial assets – pension escrow investments (non-current)	1.4	–	–	–	208	208
Total		649	–	–	208	857
Non-interest bearing						
Cash at bank or in hand		249	–	–	–	249
Bank overdrafts (in a cash pool)		(89)				(89)
Trade and other receivables		1,423	–	–	–	1,423
Trade and other payables		(1,894)	–	–	–	(1,894)
Derivative assets		23	3	–	–	26
Derivative liabilities		(13)	(12)	(10)	–	(35)
Total		(301)	(9)	(10)	–	(320)
Total financial assets		2,344	3	–	208	2,555
Total financial liabilities		(2,219)	(659)	(969)	(480)	(4,327)
Net total financial assets/(liabilities)		125	(656)	(969)	(272)	(1,772)

Drawings under the bank syndicate loan facility are at fixed rate to maturity (which must be six months or less). At 31 March 2024, there were no drawings (2023-24: £nil). The total interest-bearing financial assets of the Group (excluding the RMPP and RMCPP/RMSEPP pension escrow investments) of £1,094 million (2022-23: £649 million), which consist of the fixed and floating rate cash and cash equivalent investments, plus current financial asset investments, are at short-dated fixed or variable interest rates with an average maturity of 25 days (2022-23: an average maturity of one day). These short-dated financial instruments are primarily used for liquidity but within that they are maturity-managed to obtain the best value out of the interest yield curve.

Obligations under leases are either unsecured or secured on the leased assets. The average interest rate is 3.4% (2022-23: 2.6%). The average maturity date is more than five years (2022-23: more than five years).

Net debt excludes £102 million (2022-23: £208 million) of pension escrow investments on the balance sheet in respect of the RMPP and RMCPP pension schemes, which are not considered to fall within the definition of net debt.

The RMPP pension escrow investment of £89 million (2022-23: £195 million) represents a money market fund investment, established with the agreement of the Pension Trustee for the benefit of members. The RMPP escrow agreement specifies that the funds must be used for the benefit of members, on a basis to be agreed between the Plan Trustee and the Company. During the year an amount of £130 million was released from the RMPP pension escrow and used on 30 September 2023 to pay Royal Mail employees a one-off payment following ratification of the Business, Transformation and Growth Agreement. In March 2024, a further £16 million was invested into the fund. The funds are not generally available to management for corporate purposes (outside of pension arrangements) and so the RMPP escrow is excluded from net debt and treated as maturing in more than five years.

The RMCPP pension escrow investment of £13 million (2022-23: £13 million) was established during the previous year to provide security to the RMCPP. Whilst the funds may be returned to Royal Mail at some point in the future, the timing of this is uncertain and, as a result, the investments are excluded from net debt and treated as maturing in more than five years.

24. Financial assets and liabilities and risk management continued

f) Liquidity risk management

The Group's primary objective is to ensure that it has sufficient funds available to meet its financial obligations as they fall due. This is achieved by aligning short-term investments and borrowing facilities with forecast cash flows. Borrowing facilities are regularly reviewed to ensure continuity of funding. In October 2021, the bank syndicate loan facility was extended by one year to September 2026. There are no further extension options in the agreement. The unused committed facilities of the Group of £925 million expire in 2026 (2022-23: £925 million expiring in 2026).

Below is a summary of the gross (undiscounted) contractual cash flows of the Group's financial liabilities. The cash flows for the Euro-denominated bonds and non-Sterling-denominated leases represent the undiscounted total amounts payable (interest and nominal repayment) which have been converted to Sterling at 31 March 2024 market forward exchange rates. For derivatives that are settled gross (including the cross-currency swap), these cash flows represent the undiscounted gross payment due and do not reflect the accompanying cash inflow. For derivatives that are settled net, these cash flows represent the undiscounted forecast cash outflow.

	At 31 March 2024							
	Bank overdrafts (in a cash pool) £m	Gross loans and borrowings commitments £m	Gross lease instalments £m	Gross trade and other payables £m	Sub-total £m	Gross payments on derivatives settled gross £m	Gross payments on derivatives settled net £m	Total £m
Amounts falling due in:								
One year or less or on demand (current)	**(56)**	**(371)**	**(256)**	**(1,879)**	**(2,562)**	**(91)**	**(13)**	**(2,666)**
More than one year (non-current)	**–**	**(1,437)**	**(1,529)**	**–**	**(2,966)**	**(517)**	**(4)**	**(3,487)**
More than one year but not more than two years	**–**	**(52)**	**(238)**	**–**	**(290)**	**(13)**	**(4)**	**(307)**
More than two years but not more than five years	**–**	**(1,088)**	**(569)**	**–**	**(1,657)**	**(504)**	**–**	**(2,161)**
More than five years	**–**	**(297)**	**(722)**	**–**	**(1,019)**	**–**	**–**	**(1,019)**
Total	**(56)**	**(1,808)**	**(1,785)**	**(1,879)**	**(5,528)**	**(608)**	**(17)**	**(6,153)**
Less interest	**–**	**277**	**362**	**–**	**639**	**n/a**	**n/a**	**n/a**
Less exchange rate adjustment	**–**	**48**	**–**	**–**	**48**	**n/a**	**n/a**	**n/a**
Net total	**(56)**	**(1,483)**	**(1,423)**	**(1,879)**	**(4,841)**	**n/a**	**n/a**	**n/a**

	At 26 March 2023							
	Bank overdrafts (in a cash pool) £m	Gross loans and borrowings commitments £m	Gross lease instalments £m	Gross trade and other payables £m	Sub-total £m	Gross payments on derivatives settled gross £m	Gross payments on derivatives settled net £m	Total £m
Amounts falling due in:								
One year or less or on demand (current)	(89)	(20)	(219)	(1,894)	(2,222)	(96)	(9)	(2,327)
More than one year (non-current)	–	(1,000)	(1,400)	–	(2,400)	(530)	(9)	(2,939)
More than one year but not more than two years	–	(468)	(205)	–	(673)	(13)	(8)	(694)
More than two years but not more than five years	–	(525)	(493)	–	(1,018)	(517)	(1)	(1,536)
More than five years	–	(7)	(702)	–	(709)	–	–	(709)
Total	(89)	(1,020)	(1,619)	(1,894)	(4,622)	(626)	(18)	(5,266)
Less interest	–	46	257	–	303	n/a	n/a	n/a
Less exchange rate adjustment	–	27	–	–	27	n/a	n/a	n/a
Net total	(89)	(947)	(1,362)	(1,894)	(4,292)	n/a	n/a	n/a

g) Credit risk management

The level of credit granted to customers is based on a customer's risk profile, assessed by an independent credit referencing agent. The credit policy is applied rigidly within the regulated products area to ensure that Royal Mail is not in breach of compliance legislation. Assessment of credit for non-regulated products is based on commercial factors, commensurate with the Group's appetite for risk. An analysis of aged debt is included within Note 20.

The Group's exposure to credit risk from other financial assets arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. At 31 March 2024, 59% (2022-23: 84%) of financial assets were held with AA or above rated counterparties.

GLS operates a decentralised credit management model, with each country responsible for managing the credit risk associated with its customers. Where appropriate, external credit checks are performed for new and existing customers, taking into account the customer profile, expected volume of business and consequent risk to the respective GLS companies.

Other than trade and other receivables, which are disclosed within Note 20, none of the financial assets is either past due or considered to be impaired.

h) Sensitivity analysis

As a result of the mix of fixed and variable rate financial instruments and the currency and commodity hedge programmes in place, the Group has no material exposure to 2023-24 profit from interest rate risk or commodity price risk (2022-23: £nil risk). Further details of the Group's exposure to commodity price risk can be found in the Financial Review.

The Group has an exposure to the exchange rate risk on translating GLS profits; on trading with overseas postal administrations; on various purchase contracts; and on the interest on the 2024 and 2028 bonds and Royal Mail Euro-denominated leases. The impact of a 10% strengthening of Sterling across all currencies on forecast profits/trade during 2023-24 would be to reduce the Group operating profit by £14 million (2022-23: £20 million). However, changes in exchange rates could also cause other impacts on operating profit, including a change in import/export volumes.

The Group has an exposure to the exchange rate risk on translating GLS net assets into Sterling on consolidation. This is partially offset by an exposure on translating the €500 million bond and Euro-denominated leases into Sterling at each balance sheet date. The impact of a 10% strengthening of Sterling against all currencies at 31 March 2024 would have been to reduce the Group net assets by £91 million (2022-23: £75 million).

i) Additional derivative and hedge analysis

The following tables provide further detail on the derivative balances and hedge movements.

Cash flow hedges – derivatives

	At 31 March 2024					
	Nominal amount	**Nominal value £m**	**Derivative non-current assets £m**	**Derivative current assets £m**	**Derivative current liabilities £m**	**Derivative non-current liabilities £m**
Diesel	**168m litres**	**85**	**2**	**5**	**(2)**	**(1)**
Jet	**11m litres**	**5**	**–**	**1**	**–**	**–**
Gas	**16m therms**	**27**	**–**	**–**	**(11)**	**(3)**
Conveyance costs	**15m US$**	**12**	**–**	**–**	**–**	**–**
Capex	**17m Euro**	**15**	**–**	**–**	**–**	**–**
€550m bond cross-currency swap	**550m Euro**	**491**	**–**	**–**	**(3)**	**(20)**
Total			**2**	**6**	**(16)**	**(24)**

	At 26 March 2023					
	Nominal amount	Nominal value £m	Derivative non-current assets £m	Derivative current assets £m	Derivative current liabilities £m	Derivative non-current liabilities £m
Diesel	201m litres	90	2	16	(4)	(4)
Jet	27m litres	11	–	2	–	–
Gas	19m therms	29	1	5	(5)	(5)
Conveyance costs	19m US$	15	–	–	–	–
Capex	38m Euro	35	–	–	(1)	–
€550m bond cross-currency swap	550m Euro	491	–	–	(3)	(13)
Total			3	23	(13)	(22)

24. Financial assets and liabilities and risk management continued

Cash flow hedges – changes in fair value

	53 weeks 2024						
	Change in fair value during year – gain/(loss)				Gains/(losses) reclassified during year		
	Cash flow hedges deferred to reserves £m	Cost of hedging deferred to reserves £m	Ineffectiveness taken to other operating costs £m	Distribution and conveyance costs £m	Infrastructure costs £m	Finance costs £m	Initial carrying value of fixed asset £m
Diesel	**13**	**–**	**–**	**16**	**–**	**–**	**–**
Jet	**2**	**–**	**–**	**3**	**–**	**–**	**–**
Gas	**(12)**	**–**	**(1)**	**–**	**(4)**	**–**	**–**
Conveyance costs	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Capex	**(1)**	**–**	**–**	**–**	**–**	**–**	**(1)**
€550m bond cross-currency swap	**(7)**	**–**	**–**	**–**	**–**	**(12)**	**–**
Total	**(5)**	**–**	**(1)**	**19**	**(4)**	**(12)**	**(1)**

	52 weeks 2023						
	Change in fair value during year – gain/(loss)				Gains/(losses) reclassified during year		
	Cash flow hedges deferred to reserves £m	Cost of hedging deferred to reserves £m	Ineffectiveness taken to other operating costs £m	Distribution and conveyance costs £m	Infrastructure costs £m	Finance costs £m	Initial carrying value of fixed asset £m
Diesel	8	–	3	62	–	–	–
Jet	2	–	–	8	–	–	–
Gas	(15)	–	(4)	–	14	–	–
Conveyance costs	1	–	–	1	–	–	–
Capex	2	–	–	–	–	–	(2)
€550m bond cross-currency swap	(12)	2	–	–	–	(7)	–
Total	(14)	2	(1)	71	14	(7)	(2)

Net Investment hedges

	At 31 March 2024					
	Nominal amount	Carrying value £m	Line item in the statement of financial position where the hedging instrument is included	Change in fair value of hedge instrument during year – gains/ (losses) in OCI £m	Change in fair value of hedged item during year – gains/ (losses) in OCI £m	Ineffectiveness – gains/(losses) recognised in other operating income £m
€500m bond	**500m Euro**	**425**	**Interest-bearing loans and borrowings – non-current**	**12**	**(12)**	**–**
Euro-denominated lease payables	**3m Euro**	**3**	**Lease liabilities**	**–**	**–**	**–**
Total				**12**	**(12)**	**–**

	At 26 March 2023					
	Nominal amount	Carrying value £m	Line item in the statement of financial position where the hedging instrument is included	Change in fair value of hedge instrument during year – gains/ (losses) in OCI £m	Change in fair value of hedged item during year – gains/ (losses) in OCI £m	Ineffectiveness – gains/(losses) recognised in other operating income £m
€500m bond	500m Euro	440	Interest-bearing loans and borrowings – non-current	(24)	24	–
Euro-denominated lease payables	9m Euro	8	Lease liabilities	(1)	1	–
Total				(25)	25	–

Reserves reconciliation

	Cash flow hedge reserve 2024 £m	Cost of hedging reserve 2024 £m	Total hedging reserve 2024 £m	Cash flow hedge reserve 2023 £m	Cost of hedging reserve 2023 £m	Total hedging reserve 2023 £m
Opening Balance	(3)	2	(1)	68	1	69
Changes in fair value – cash flow hedges						
Diesel	13	–	13	8	–	8
Jet	2	–	2	2	–	2
Gas	(12)	–	(12)	(15)	–	(15)
Conveyance costs	–	–	–	1	–	1
Capex	(1)	–	(1)	2	–	2
€550m bond cross-currency swap	(7)	–	(7)	22	2	24
Amounts reclassified to Income statement						
Diesel	(16)	–	(16)	(62)	–	(62)
Jet	(3)	–	(3)	(8)	–	(8)
Gas	4	–	4	(14)	–	(14)
Conveyance costs	–	–	–	(1)	–	(1)
€550m bond cross-currency swap	13	(1)	12	(26)	(1)	(27)
Amounts reclassified to non-financial assets						
Capex	1	–	1	2	–	2
Tax on movements on reserves in the year	–	–	–	18	–	18
Closing Balance	(9)	1	(8)	(3)	2	(1)

There are no balances in cash flow hedge reserves or foreign currency translation reserve relating to hedging relationships for which hedge accounting is no longer applied (2022-23: none).

25. Provisions

	Charged as specific items			Charged in operating costs				
	Industrial diseases £m	Regulatory and legal £m	Other £m	Voluntary redundancy £m	Property decommi-ssioning £m	Litigation claims £m	Other £m	Total £m
At 27 March 2023	(44)	–	(3)	(12)	(25)	(50)	(74)	(208)
(Charged)/released	–	(52)	–	(12)	2	(35)	(3)	(100)
Utilised	6	–	–	18	1	33	13	71
Reclassifications	–	–	–	3	–	–	51	54
Unwinding of discount	(1)	–	–	–	–	–	–	(1)
At 31 March 2024	(39)	(52)	(3)	(3)	(22)	(52)	(13)	(184)
Disclosed as:								
Current	(7)	(37)	–	(3)	(4)	(42)	(2)	(95)
Non-current	(32)	(15)	(3)	–	(18)	(10)	(11)	(89)
At 31 March 2024	(39)	(52)	(3)	(3)	(22)	(52)	(13)	(184)
Disclosed as:								
Current	(10)	–	–	(12)	(3)	(38)	(66)	(129)
Non-current	(34)	–	(3)	–	(22)	(12)	(8)	(79)
At 26 March 2023	(44)	–	(3)	(12)	(25)	(50)	(74)	(208)

25. Provisions continued

Specific items provisions

Industrial diseases

The Group has a potential liability for industrial diseases claims relating to individuals who were employed in the General Post Office Telecommunications division and whose employment ceased prior to October 1981. The provision is derived using estimates and ranges calculated by its external actuarial consultant, based on current experience of claims, and an assessment of potential future claims, the majority of which are expected to be received over the next 25 to 35 years.

There is considerable uncertainty associated with estimating the future reporting of latent disease claims, over future decades. Consistent with the approach last year, our advisor has leveraged the updated scenarios provided by the Asbestos Working Party (AWP). The AWP model was released in late 2021.

The AWP collects industry data each year which helps it understand how the existing models are performing against actual experience and helps inform any adjustments to the model. The projections for 2024-25 and later years are based on recent levels of reporting, net of estimated levels of repudiation in more recent historical periods.

Benchmark projections have been adopted and it is assumed that no more claims will arise after 2060. The cut-off date for reporting of claims is one of the sources of uncertainty in the projections.

The Group has a rigorous process for ensuring that only valid claims are accepted.

Regulatory and legal

The regulatory and legal provisions are pertaining to obligations for Royal Mail and GLS, in relation to regulated quality of service, legal claims and tax-related disputes in GLS Italy.

Operating costs provisions

During the year, settlements for the remaining voluntary redundancies relating to the right-sizing of the operational frontline were made, along with a number of current year, small ad-hoc voluntary redundancy schemes.

Other provisions movements in the year mainly relate to £60 million in respect of the costs of a one-off payment of £500 per person to frontline employees as part of their negotiated pay agreement (mostly reclassified as accruals prior to payment).

Property decommissioning obligations represent an estimate of the costs of removing fixtures and fittings and restoring the leased property to its original condition.

Provisions for litigation claims, based on best estimates as advised by external legal experts, mainly comprise outstanding liabilities in relation to road traffic accident and personal injury claims.

Below is a summary of the ageing profile of the provisions.

	At 31 March 2024					At 26 March 2023				
	Expected period of settlement					Expected period of settlement				
	Within one year £m	One to two years £m	Two to five years £m	After five years £m	Total £m	Within one year £m	One to two years £m	Two to five years £m	After five years £m	Total £m
Specific items										
Industrial disease claims	(7)	(2)	(6)	(24)	(39)	(10)	(2)	(6)	(26)	(44)
Regulatory and legal	(37)	(15)	–	–	(52)	–	–	–	–	–
Other	–	–	–	(3)	(3)	–	–	–	(3)	(3)
Total	(44)	(17)	(6)	(27)	(94)	(10)	(2)	(6)	(29)	(47)
Operating costs										
Voluntary redundancy	(3)	–	–	–	(3)	(12)	–	–	–	(12)
Property decommissioning	(4)	(1)	(9)	(8)	(22)	(3)	(2)	(12)	(8)	(25)
Litigation claims	(42)	(8)	(2)	–	(52)	(38)	(11)	–	(1)	(50)
Other	(2)	(2)	(2)	(7)	(13)	(66)	(2)	(1)	(5)	(74)
Total	(51)	(11)	(13)	(15)	(90)	(119)	(15)	(13)	(14)	(161)

26. Share capital and reserves

Authorised and issued	At 31 March 2024 £m	At 26 March 2023 £m
958,293,475 (2022-23: 956,193,475) ordinary shares of £0.01 each	10	10
Total	**10**	10

During the year 2,100,000 shares were allotted in pursuance of employee share schemes.

Of the issued ordinary shares, a total of 1,206,638 (2022-23: 263,566) shares are held by an Employee Benefit Trust (EBT) administered by Apex Group Fiduciary Services Limited (formerly Sanne Fiduciary Services Limited). These shares are treated as treasury shares for accounting purposes in accordance with IAS 32 'Financial Instruments: Presentation'. The Company, however, does not hold any shares in treasury. The EBT is funded by the Company and has been consolidated within these Financial Statements.

Reserves included in the consolidated statement of changes in equity

Foreign currency translation reserve

The foreign currency translation reserve is used to record the gains and losses arising on translation of assets and liabilities of subsidiaries denominated in currencies other than the reporting currency.

Hedging reserve

The hedging reserve is used to record gains and losses arising from cash flow hedges.

27. Commitments

Capital commitments

The Group has commitments of £41 million (2022-23: £54 million) for property, plant and equipment and £6 million (2022-23: £5 million) for intangible assets, which are contracted for but not provided for in the Financial Statements.

Lease commitments

The Group has £39 million of lease commitments (2022-23: £142 million) relating to leases that have been signed but not yet commenced at the year-end date. These commitments have not been provided for in the Financial Statements.

28. Contingent liabilities and contingent assets

The probability of the following contingent liabilities resulting in an outflow of benefits and their financial impact cannot be estimated reliably due to the nature of the cases and respective legal processes. The outcomes are not, however, expected to fundamentally impact the operations or financial performance of the Group.

Contingent liabilities

Whistl damages claim

In October 2018, Whistl filed a damages claim against Royal Mail at the High Court relating to Ofcom's decision of 14 August 2018, which found that Royal Mail had abused its dominant position. Whistl's High Court claim was paused until after the completion of the appeal by Royal Mail against the Ofcom decision. Following the exhaustion of Royal Mail's appeal against the Ofcom decision, the stay on Whistl's related damages claim has been lifted, and in March 2023, the proceedings were transferred from the High Court to the Competition Appeal Tribunal. There have been two case management conferences (in December 2023 and April 2024) at which a trial date has been set for November 2025, plus significant milestones leading to the trial. Royal Mail believes Whistl's claim is without merit and will defend it robustly.

DAF Trucks Ltd damages award

In relation to Royal Mail's damages claim against DAF Trucks Limited (DAF), the UK Competition Appeal Tribunal (CAT) passed judgment in favour of Royal Mail on 7 February 2023 and subsequently ordered DAF to pay Royal Mail £35 million in damages (see Note 6) and interest. Royal Mail has received this amount in full.

DAF unsuccessfully appealed the CAT decision to the Court of Appeal (CoA), which issued its judgment dismissing the appeal on 27 February 2024. DAF is now seeking permission to appeal to the Supreme Court. Permission has already been refused by the CoA, and the final decision now rests with the Supreme Court, which is expected later this calendar year. If the Supreme Court grants permission, there remains a risk that Royal Mail may have to return some of the £35 million damages and costs to DAF.

Contingent asset

Court-awarded compensation

In 2016 and 2017, Royal Mail investigated a group of companies and individuals suspected of a long-running under-declaration fraud. A number of individuals were charged for conspiracy to commit (statutory) fraud and a further charge of conspiracy to commit false accounting.

Work is ongoing regarding the recovery of certain identified assets and at the balance sheet date, assets with a value of £10 million have been recognised as a specific item (see Note 6) in the income statement (£1 million received and a further £9 million for which management considers the recovery of assets of this value to be virtually certain). In addition, management also considers that further assets with a value of up to £10 million could potentially be recovered over the next two to three years, although there is not sufficient certainty at the balance sheet date.

29. Related party information

Related party transactions

During the reporting year, the Group entered into transactions with related parties as follows:

	53 weeks 2024 £m	52 weeks 2023 £m
Recharges to:		
RMPP – Defined benefit pension plan (administration and investment service recharge)	7	7

Balances outstanding at the reporting year end are unsecured, interest free and settlement is made by cash.

Key management compensation

	53 weeks 2024 £000s	52 weeks 2023 £000s
Short-term employee benefits	(4,382)	(3,907)
Post-employment benefits	–	(5)
Other long-term benefits	–	(170)
Terminations benefits	(33)	–
Share-based payments	(1,230)	(1,504)
Total	(5,645)	(5,586)

Key management is considered to comprise of the Executive and Non-Executive Directors of International Distribution Services plc, plus a specific population of Persons Discharging Managerial Responsibilities. Remuneration relates to the period for which they are considered key management.

The ultimate Parent Company and principal subsidiaries

International Distribution Services plc is the ultimate Parent Company of the Group. The Consolidated Financial Statements include the financial results of Royal Mail Group Limited and the other principal subsidiaries listed below. The reporting year end for these entities is 31 March 2024 unless otherwise indicated.

Company	Principal activities	Country of incorporation	% equity interest 2024	% equity interest 2023
General Logistics Systems B.V.	Parcel services holding company	Netherlands	100	100
Royal Mail Estates Limited	Property holdings	UK	100	100
IDS Holdco Limited (formerly RMGLS Holdco Limited)	Holding company	UK	100	100
RM Property and Facilities Solutions Limited	Facilities management	UK	100	100

1. GLS' reporting period is the 52 weeks ending 31 March each year. There were no significant transactions in GLS between this reporting period and the remainder of the Group's 53 week reporting period .

The Company has complied with section 409 of the Companies Act 2006 by including, in these Financial Statements, a schedule of interests in all undertakings (see Note 31).

30. Events after the balance sheet date

On 14 May 2024, the Board received a revised non-binding proposal of 370 pence per IDS share from EP Group for the entire issued share capital of IDS plc not already owned by EP Group and its affiliates, namely VESA Equity Investment S.à r.l. (Vesa Equity) (the Proposal). The Proposal follows significant negotiation including a number of earlier proposals from EP Group (the first of which was made on 9 April 2024 at a price of 320 pence per share in cash).

The Board is minded to recommend the revised offer of 370 pence to IDS plc shareholders, should an offer be made at that level, subject to satisfactory resolution of the final terms and arrangements.

The Directors considered the implications on the Financial Statements for IDS plc Group for the 53 week ended 31 March 2024 should the EP Group acquire the IDS plc Group, in particular the implications in relation to the Group's financing arrangements as set out in the going concern and viability assessments on pages 171 to 173 and pages 59 to 61.

31. Related undertakings of International Distribution Services plc
In accordance with section 409 of the Companies Act 2006, a full list of related undertakings, the country of incorporation, registered office address and the effective percentage of equity owned, as at 31 March 2024, is disclosed below. Unless otherwise stated, the share capital disclosed comprises ordinary or common shares which are held by subsidiaries of International Distribution Services plc.

Subsidiary undertakings included in the consolidation

Company name	Share class	% held by Group
Austria		
Traunuferstrasse 105a, 4052 Ansfelden, Austria		
General Logistics Systems Austria GmbH	€1,090,092.51 Ordinary shares	100.000
Belgium		
Humaniteitslaan 233, 1620 Drogenbos, Belgium		
General Logistics Systems Belgium N.V.	Ordinary shares, no par value	100.000
GLS Belgium Distribution S.A/N.V.	Ordinary shares, no par value	100.000
Canada		
274 Dieppe Blvd, Dieppe, NB E1A 6P8, Canada		
Altimax Courier (2006) Limited	Class A Common shares	100.000
1055, Hastings Street West, Suite 1700, Vancouver (British Columbia), V6E 2E9, Canada		
GLS Logistics Systems Canada Ltd.	Class A Common shares	100.000
3400 7th Avenue SW, #350, Edmonton, Alberta, T2P 3N9, Canada		
A-Crop-Olis Warehousing Inc	Class A Common shares	100.000
Medicine Hat Express Inc	Class A Common shares	100.000
Mid-Nite Sun Transportation Ltd	Class A Common shares	100.000
Rosenau Transport Ltd	Class A Common shares	100.000
Wheels Transport Ltd	Class A Common shares	100.000
China		
Suite 2447, within Suite 2401, 24F, No.77, Jian Guo Rd, Chao Yang District, Beijing		
EBP Consultancy (Beijing) Co. Ltd	–	100.000
Croatia		
Stupničke Šipkovine 22, 10255 Donji Stupnik, Croatia		
General Logistics Systems Croatia d.o.o	€100,860.33 Ordinary shares	100.000
Czech Republic		
Průmyslová 5619/1, 58601 Jihlava, Czech Republic		
General Logistics Systems Czech Republic s.r.o	CZK2,970,000.00 Ordinary shares	100.000
	CZK30,000.00 Ordinary shares	100.000
Denmark		
Kokmose 3, 6000 Kolding, Denmark		
General Logistics Systems Denmark A/S	DKK100.00 Ordinary shares	100.000
General Logistics Systems Express A/S	DKK1,000.00 Ordinary shares	100.000
Finland		
Rydöntie 6, 20360 Turku, Finland		
General Logistics Systems Finland Oy	€50.00 Ordinary shares	100.000
France		
14 Rue Michel Labrousse, CS 93730, 31037 Toulouse Cedex 01, France		
General Logistics Systems France S.A.S	€50.00 Ordinary shares	100.000
GLS Invest France S.A.S	€12.71 Ordinary shares	100.000
6 Rue des Bateliers, 92110 Clichy, France		

31. Related undertakings of International Distribution Services plc continued

Company name	Share class	% held by Group
Tousfacteurs S.A.S	€1.00 Ordinary shares	100.000
Germany		
Dörrwiese 2, 36286 Neuenstein, Germany		
Der Kurier Beteiligungsgesellschaft GmbH	€25,000.00 Ordinary shares	100.000
Der Kurier GmbH & Co. KG	€2,561,572.32 Cash contribution	100.000
GLS Germany-Str. 1-7, 36286 Neuenstein, Germany		
General Logistics Systems Germany GmbH & Co. OHG	€47,968,004.75 Cash contribution	100.000
GLS IT Services GmbH	€127,822.97 Ordinary shares	100.000
GLS Beteiligungs GmbH	€7,720,507.41 Ordinary shares	100.000
GLS Verwaltungs-und Service GmbH	€153,387.56 Ordinary shares	100.000
GLS eCom Lab GmbH	€100,000.00 Ordinary shares	100.000
GLS Mobility Solutions GmbH	€100,000.00 Ordinary shares	100.000
Wendenstraße 349, 20537 Hamburg, Germany		
OverNight Express & Logistics GmbH	€25,565.00 Ordinary shares	100.000
Siepenhöhe 5e, 44803 Bochum, Germany		
Versandmanufaktur GmbH	€12,800.00 Ordinary shares €256.00 Ordinary shares €12,544.00 Ordinary shares	100.000
Guernsey		
PO Box 160, No 1 The Plaza, Admiral Park, St Peter Port, GY1 4EY, Guernsey		
Postcap (Guernsey) Limited	£1.00 Ordinary shares	100.000
Hungary		
GLS Európa utca 2, 2351 Alsónémedi, Hungary		
GLS General Logistics Systems Hungary Csomag-Logisztikai Kft.	HUF30,000,000.00 Ordinary shares	100.000
Ireland		
Unit 200 Northwest Business Park, Ballycoolin, Dublin D15, Ireland		
RM Financing Operations Limited	€1.00 Ordinary shares	100.000
	€1.00 Redeemable preference shares	100.000
Unit P1 Horizon Logistics Park Swords Dublin K67 P2Y8, Ireland		
General Logistics Systems Ireland Limited	€1.269738 Ordinary shares	100.000
Italy		
Via Basento No. 19, 20098 San Giuliano Milanese, Italy		
Agone S.r.L	€10,400.00 Ordinary shares	100.000
General Logistics Systems Enterprise S.r.L	€1,018,000.00 Ordinary shares	100.000
General Logistics Systems Italy S.p.A.	€0.52 Ordinary shares	100.000
Gruppo Executive Societa Consortile a.r.l	€0.51 Ordinary shares	84.22
S.I.T. & Management s.r.l.	€35,000.00 Ordinary shares	100.000
Luxembourg		
Zae Op Zaemer 24, 4950 Bascharage, Luxembourg		
General Logistics Systems Belgium S.A. Succursale de Luxembourg[1]	–	–
Morocco		
Place Roudani, Rue La Sena Résidence Beethoven II – 3ème étage, No. 82, 90000 Tanger, Morocco		
Tousfacteurs MA S.A.R.L.A.U.	MAD1,000.00 Ordinary shares	100.000
The Netherlands		
Breguetlaan 28-30, 1438 BC Oude Meer, The Netherlands		

Company name	Share class	% held by Group
General Logistics Systems B.V.	€100.00 Common shares	100.000
Proostwetering 40, 3543 AG Utrecht, The Netherlands		
General Logistics Systems Netherlands B.V.	€50.00 Ordinary shares	100.000
GLS Netherlands Holding B.V.	€50.00 Ordinary shares	100.000
GLS Netherlands Services B.V.	€50.00 Ordinary shares	100.000
Poland		
Ul. Tęczowa 10, Gluchowo, 62-052 Komorniki, Poland		
General Logistics Systems Poland Spolka zo.o	PLN1,721.00	100.000
Portugal		
Rua da Bica, No. 10, 2669-608 Venda do Pinheiro, Portugal		
General Logistics Systems Portugal Lda	€102,000.00 quota	100.000
	€97,900.00 quota	
	€100.00 quota	
Romania		
3, Str. Stefan cel Mare, Parcul Industrial Selimbar, 557260 Selimbar, Romania		
GLS General Logistics Systems Srl	RON100.00 Ordinary shares	100.000
Serbia		
Pančevački put 152R, Beograd - Palilula 11060, Beograd, Serbia		
General Logistics Systems Beograd d.o.o.	RSD11,738,000.00 Ordinary shares	100.000
Slovakia		
Budča 1039, 962 33 Budča, Slovakia		
GLS General Logistics Systems Slovakia s.r.o	SK98,604.00 Ordinary shares	100.000
	SK996.00 Ordinary shares	100.000
Slovenia		
Cesta v Prod 84, 1000 Ljubljana, Slovenia		
General Logistics Systems, logisticne storitve, d.o.o.	€751,127.00 Ordinary shares	100.000
Spain		
Calle del Ingeniero Torres Quevedo 1, 28022 Madrid, Spain		
Distribuidora de Electrodomésticos Aceval, S.A.	€0.42 Ordinary shares	100.000
General Logistics Systems Spain S.A	€60.10 Ordinary shares	100.000
UK		
185 Farringdon Road, London, EC1A 1AA		
Angard Staffing Solutions Limited	£1.00 Ordinary shares	100.000
IDS Group Limited (previously RM Finance CAD Limited)	£1.00 Ordinary shares	100.000
	CAD1.00 Ordinary shares	
IDS Holdco Limited (previously RMGLS Holdco Limited)	£1.00 Ordinary shares	100.000
International Distribution Services Limited	£1.00 Ordinary shares	100.000
Intersoft Systems & Programming Limited	£1.00 Ordinary shares	100.000
Nine Elms Parkside Estate Management Company Limited[2]	£1.00 Ordinary shares	100.000
Parcelforce Limited	£1.00 Ordinary shares	100.000
Revisecatch Limited	£0.01 Ordinary shares	100.000
RM 2022 Limited	£1.00 Ordinary shares	100,000
RMCPP Trustees Limited	£1.00 Ordinary shares	100.000
RM (International) Limited	£1.00 Ordinary shares	100.000
RMSEPP Pensions Trustees (2050) Limited[3]	£1.00 Ordinary shares	100.000
Royal Mail Courier Services Ltd	£1.00 Ordinary shares	100.000

31. Related undertakings of International Distribution Services plc continued

Company name	Share class	% held by Group
Royal Mail Enterprises Limited	£1.00 Ordinary shares	100.000
Royal Mail Estates Limited	£1.00 Ordinary shares	100.000
Royal Mail Group Limited	£1.00 Ordinary shares	100.000
Royal Mail Innovations Limited	£1.00 Ordinary shares	100.000
Storefeeder Ltd	£1.00 Ordinary shares	100.000
Highbank House, Exchange Street, Stockport, Cheshire, SK3 0ET, United Kingdom		
RM Property and Facilities Solutions Limited	£1.00 Ordinary shares £1.00 B shares £1.00 C shares	98.040 0.980 0.980
11 Ironmonger Lane, London, EC2V 8EY, United Kingdom		
Royal Mail Pensions Trustees Limited	£1.00 Ordinary shares	100.000
US		
Registered Agent Solutions Inc. 838 Walker Road, Suite 21-2 Dover, Delaware 19904, US		
General Logistics Systems North America Inc.	USD 0.001 Common stock	100.000
6750 South Longe Street, Suite 100 Stockton, CA 95206, US		
General Logistics Systems US Interim, Inc	USD 1.00 Common stock	100.000
General Logistics Systems US, Inc	Common stock, no par value	100.000
GLS US Freight, Inc.	Common stock, no par value	100.000
GLS Solutions, Inc.[4]	Common stock, no par value	100.000
Postal Express, Inc.	Common stock, no par value	100.000
9 East Loockerman Street, Suite 311, Dover, Delaware 19901, US		
Dicom JD, LLC.[2]	100 Shares, no par value	100.000

Associate undertakings

Company name	Share class	% held by Group
Associates		
United Kingdom		
March Studios Peills Yard, Bromley, Kent, BR2 9NS, United Kingdom		
Charac Limited	B Ordinary shares	29.580
Lynton House, 7-12 Tavistock Square, London, WC1H 9LT, United Kingdom		
JICMAIL Limited[2]	–	20.000

Investments

Company name	Share class	% held by Group
Investments		
United Kingdom		
Aviva, Wellington Row, York, North Yorkshire, YO90,1WR		
Voyager Park South Management Company Limited[2]	Ordinary shares	5.500

1. Branch of GLS Belgium. No shares are issued or held.
2. Limited by guarantee.
3. Member managed company.
4. Trades under the name Mountain Valley Freight Solutions.

International Distribution Services plc Parent Company Financial Statements

Balance sheet

At 31 March 2024 and 26 March 2023
Registered number: 08680755

	Notes	At 31 March 2024 £m	At 26 March 2023 £m
Non-current assets			
Investment in subsidiaries	6	**2,919**	2,914
Intergroup and other receivables	7	**813**	615
Total non-current assets		**3,732**	3,529
Current assets			
Intergroup and other receivables	7	**327**	–
Current liabilities			
Interest bearing loans and borrowings	8	**(312)**	–
Interest and other payables	8	**(30)**	(12)
Net current liabilities		**(15)**	(12)
Non-current liabilities			
Interest-bearing loans and borrowings	9	**(1,142)**	(922)
Net assets		**2,575**	2,595
Equity			
Share capital	10	**10**	10
Retained earnings		**2,565**	2,585
Total equity		**2,575**	2,595

The Company has not presented its own income statement, as permitted by section 408 of the Companies Act 2006. The Company reported a loss for the year of £25 million (2022-23: profit of £118 million) (see Note 4 to these financial statements).

The balance sheet was approved and authorised for issue by the Board of Directors on 24 May 2024 and signed on its behalf by:

Michael Snape
Chief Financial Officer

Statement of changes in equity

For the 53 weeks ended 31 March 2024 and 52 weeks ended 26 March 2023

	Share capital £m	Retained earnings £m	Total equity £m
At 27 March 2022	10	2,592	2,602
Profit for the year	–	118	118
Share-based payments	–	2	2
Dividend paid	–	(127)	(127)
At 26 March 2023	10	2,585	2,595
Loss for the year	**–**	**(25)**	**(25)**
Share-based payments	**–**	**5**	**5**
At 31 March 2024	**10**	**2,565**	**2,575**

1. Parent Company accounting policies

Accounting reference date

The financial reporting year ends on the last Sunday in March and, accordingly, these Financial Statements are prepared for the 53 weeks ended 31 March 2024 (2022-23: 52 weeks ended 26 March 2023).

Authorisation of Financial Statements and statement of compliance with FRS 101

The Financial Statements of the Company for the year ended 31 March 2024 were authorised for issue by the Board of Directors on 24 May 2024. The Company is incorporated and domiciled in England and Wales.

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in accordance with applicable accounting standards.

Basis of preparation

The Financial Statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards (UK-adopted IFRS) in conformity with the requirements of the Companies Act 2006, but makes amendments where necessary in order to comply with Companies Act 2006, and has set out below where advantage of the FRS 101 disclosure exemptions has been taken:

(a) The requirements of IFRS 7 'Financial Instruments: Disclosures'.[1]
(b) The requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).[1]
(c) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers'.
(d) The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a)(iv) of IAS 1 (reconciliation of shares outstanding).
(e) The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B-D, 40A-D, 111 and 134-136 of IAS 1 'Presentation of Financial Statements'.
(f) The requirements of IAS 7 'Statement of Cash Flows'.
(g) The requirements of paragraphs 17 and 18(a) of IAS 24 'Related Party Disclosures' (details of key management compensation and related party transaction amounts).
(h) The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
(i) The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Accounting policies

The accounting policies are consistent with those of the previous year except for an additional policy statement regarding intergroup receivables (see below).

Key sources of estimation uncertainty and critical accounting judgements

The carrying amount of the Parent Company's investments in, and amounts due from, subsidiaries are significant balances. The recoverability of the investments has been considered by management by reviewing the net assets of the relevant subsidiary (being an approximation of their minimum recoverable amount) and confirmed that they were in excess of the carrying value of the Parent Company's investment in that subsidiary at 31 March 2024 (see Note 6 below).

Investment in subsidiaries

The investment in subsidiaries is stated at cost, and includes deemed capital contributions arising from share-based payment transactions, less any accumulated impairment losses.

Intergroup receivables

Whilst they are repayable on demand, the interest-bearing intergroup loans are generally deemed to be non-current assets for the year ended 31 March 2024, as the Company's intention at the balance sheet date is that the loans will not be settled by Royal Mail Group Limited or IDS Holdco Limited (formerly RMGLS Holdco Limited) within the next 12 months. The one exception is the intergroup loan due from IDS Holdco Limited for €364.5 million which relates to the 2024 bond payable by the Company, this is deemed to be current as the intergroup loan will be repaid in order to allow the Company to repay the bond in July 2024.

After consideration of the financial position and future prospects of the counterparties, management has determined they are not in default and that any expected credit loss is not significant and therefore no provision has been recognised.

1. Exemption taken as equivalent disclosures are included within the Consolidated Financial Statements of International Distribution Services plc.

2. Directors' remuneration

The Directors of the Company are not paid any fees by the Company for their services as Directors of the Company. The Directors are paid fees by other companies of the Group. This remuneration is disclosed in the Group Consolidated Financial Statements (see Note 5) and in the Group Directors' Remuneration Report on pages 103 to 136.

3. Auditor's remuneration

This remuneration is disclosed in the Group Consolidated Financial Statements (see Note 4).

4. Income statement

The Company is a non-trading company. The loss for the year of £25 million (2022-23: profit of £118 million) is the net sum of: a £nil million dividend received from IDS Holdco Limited (2022-23: £127 million); net £13 million (2022-23: £5 million) management charges from Royal Mail Group Limited, net £16 million interest payable (2022-23: £4 million) on the bonds and on intercompany balances with IDS Holdco Limited and Royal Mail Group Limited, £4 million fees (2022-23 £nil) on RCF and Bonds and £8 million (2022-23: £nil) income tax credit. A gain of £26 million (2022-23: loss of £50 million) on re-translation of the bond liabilities and a loss of £26 million (2022-23: gain of £50 million) on the retranslation of intercompany balances with Royal Mail Group Limited has also been recognised in the year.

5. Taxation

The tax credit of £8 million (2022-23: £nil) consists entirely of a current tax credit in relation to tax losses surrendered to other group companies.

6. Investment in subsidiaries

	At 31 March 2024 £m	At 26 March 2023 £m
Investment in IDS Holdco Limited at 27 March 2023 and 28 March 2022	**2,914**	2,912
Charge for Employee Free Shares/LTIP/DSBP	**5**	2
Investment in IDS Holdco Limited at 31 March 2024 and 26 March 2023	**2,919**	2,914

As a result of the impairment of Royal Mail excluding Parcelforce Worldwide CGU, management has tested the Parent Company's investment in IDS Holdco Limited and has determined that its recoverable amount is in excess of its carrying amount at 31 March 2024.

7. Intergroup and other receivables

Non-current assets

This balance consists of intergroup loans, including accrued interest, of £1,168 million to IDS Holdco Limited amounting to the proceeds from the issue of the 2026, 2028 and 2030 bonds (2022-23: £483 million to Royal Mail Group Limited from the issue of the 2026 Bond and £446 million to IDS Holdco Limited from the issue of the 2024 Bond) (see Notes 8 and 9) offset by £356 million (2022-23: £316 million) loan from IDS Holdco Limited funding the historic dividends and the share buy-back programme in excess of dividends received by International Distribution Services plc. An additional £1 million (2022-23: £2 million) relates to other receivables.

Current assets

This relates to the intergroup loan including accrued interest of £317 million (2022-23: £nil) to IDS Holdco Limited amounting to the net proceeds (after partial repayment in September 2023) from the issue of the 2024 bond, £2m (2022-23: £nil) of prepaid fees and £8m (2022-23: £nil) income tax receivable owed by group companies for group tax loss relief.

8. Interest bearing loans and borrowings and other payables

This balance comprises £312 million (2022-23: £nil) bond repayable in July 2024 and £30 million (2022-23: £10 million) external interest payable and £nil (2022-23: £2 million) other payables.

9. Interest-bearing loans and borrowings

This balance comprises £469 million (2022-23: £482million) Bond repayable in 2026, £425 million (2022-23: £nil) Bond repayable in 2028, £248 million (2022-23: £nil) Bond repayable in 2030 and £nil (2022-23: £440 million repayable in 2024).

10. Share capital

	At 31 March 2024 £m	At 26 March 2023 £m
Authorised and issued		
958,293,475 (2022-23: 956,193,475) ordinary shares of £0.01 each	**10**	10
Total	**10**	10

During the year 2,100,00 shares were allotted in pursuance of employee share schemes.

Of the issued ordinary shares, a total of 1,206,638 (2022-23: 263,566) are held by an Employee Benefit Trustee (EBT) administered by Apex Group Fiduciary Services Limited (formerly Sanne Fiduciary Services Limited). These shares are treated as treasury shares for accounting purposes in accordance with IAS 32 'Financial Instruments: Presentation'. The Company, however, does not hold any shares in treasury.

The EBT is funded by the Company and has been treated as an extension of the Company for accounting purposes within these Financial Statements.

Additional Information

Shareholder Information

Annual General Meeting
The 2024 AGM will be held on Wednesday 25 September 2024. Full details of the business to be considered at the meeting will be included in the Notice of Annual General Meeting that will be sent to shareholders and published on our website at www.internationaldistributionservices.com/investors/annual-general-meetings.

Final dividend
The Board has proposed a final dividend payment of 2 pence per share in respect of 2023-24, funded by GLS. This final dividend payment is subject to shareholders approval at the Annual General Meeting scheduled to take place on 25 September 2024.
The dividend will be paid on 30 September 2024 to shareholders on the register at 23 August 2024. The Board is also proposing a special dividend of 8 pence per share, conditional upon completion of the transaction with EP Group.

Managing your shares online
Shareholders can register through Shareview, via a platform provided by the Company's registrars, to access shareholder information online at www.shareview.co.uk. This service allows you to:

— Manage your shares online.
— Receive notifications of new shareholder information by email.
— Arrange dividend payments.
— Update personal records.

When registering, you will need to have your shareholder reference number which can be found on your share certificate, dividend voucher or AGM voting documents.

Be scam smart
Investment scams are designed to look like genuine investments.

Spot the warning signs
Have you been:

— Contacted out of the blue?
— Promised tempting returns and told the investment is safe?
— Called repeatedly?
— Told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

Avoid investment fraud
Reject cold calls
If you have received unsolicited contact about an investment opportunity, the chances are it is a high-risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

Check the FCA Warning List
The FCA Warning List is a list of firms the FCA has identified as operating without its authorisation.

Get impartial advice
Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Report a scam
If you suspect that you have been approached by fraudsters, please tell the FCA using the reporting form at www.fca.org.uk/consumers/report-scam-us. You can also call the FCA Consumer Helpline on 0800 111 6768.

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk.

Find out more at www.fca.org.uk/scamsmart.

Remember: if it sounds too good to be true, it probably is.

Information for investors
Our website provides information for investors, such as trading updates, share price information, AGM and dividend information, shareholder FAQs and results and reports. The website can be accessed via www.internationaldistributionservices.com/investors.

If you have any queries relating to your shareholding, you can also email shareholderquestions@ids-plc.com

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Glossary of Alternative Performance Measures

Presentation of results and alternative performance measures (APMs)

The Group uses certain APMs in its financial reporting that are not defined under IFRS, the Generally Accepted Accounting Principles (GAAP) under which the Group produces its statutory financial information.

These APMs are not a substitute for, or superior to, any IFRS measures of performance. They are used by Management, who considers them to be an important means of comparing performance period-on-period and are key measures used within the business for assessing performance.

APMs should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP. Where appropriate, reconciliations to the nearest GAAP measure have been provided. The APMs used may not be directly comparable with similarly titled APMs used by other companies.

A full list of APMs used are set out in the section entitled 'Alternative Performance Measures'.

Reported to adjusted results

The Group makes adjustments to results reported under IFRS to exclude specific items, depreciation/amortisation adjustment for impaired assets and the pension charge adjustment. Management believes this is a useful basis upon which to analyse the business' underlying performance (in particular given the volatile nature of the IAS 19 charge) and is consistent with the way financial performance is reported to the Board.

Further details on specific items excluded from adjusted operating profit are included in the paragraph 'Specific items and adjustments' in the Financial Review. A reconciliation showing the adjustments made between reported and adjusted Group results can be found in the section headed 'Consolidated reported and adjusted results'.

Presentation of results

Consolidated reported and adjusted results

The following table reconciles the consolidated reported results, prepared in accordance with IFRS, to the consolidated 53 week adjusted results:

	53 weeks March 2024			52 weeks March 2023		
Group (£m)	Reported	Specific items and other adjustments[1]	Adjusted	Reported	Specific items and other adjustments[1]	Adjusted
Revenue	**12,679**	**–**	**12,679**	12,044	–	12,044
Operating costs	**(12,545)**	**162**	**(12,707)**	(12,248)	(133)	(12,115)
People costs	**(6,752)**	**41**	**(6,793)**	(6,573)	(133)	(6,440)
Non-people costs	**(5,793)**	**121**	**(5,914)**	(5,675)	–	(5,675)
Distribution and conveyance costs	**(3,890)**	**–**	**(3,890)**	(3,721)	–	(3,721)
Infrastructure costs	**(1,087)**	**121**	**(1,208)**	(1,178)	–	(1,178)
Other operating costs	**(816)**	**–**	**(816)**	(776)	–	(776)
Profit on disposal of property, plant and equipment	**15**	**15**	**–**	6	6	–
Operating profit/(loss) before specific items	**149**	**177**	**(28)**	(198)	(127)	(71)
Operating specific items[1]:						
Regulatory and legal charges	**(57)**	**(57)**	**–**	(33)	(33)	–
Amortisation of intangible assets in acquisitions	**(21)**	**(21)**	**–**	(19)	(19)	–
Impairment charge	**(48)**	**(48)**	**–**	(539)	(539)	–
Damages claim	**–**	**–**	**–**	35	35	–
Legacy/other items	**3**	**3**	**–**	12	12	–
Operating profit/(loss)	**26**	**54**	**(28)**	(742)	(671)	(71)
Finance costs	**(98)**	**–**	**(98)**	(60)	–	(60)
Finance income	**51**	**–**	**51**	21	–	21
Net pension interest (non-operating specific item)[1]	**135**	**135**	**–**	105	105	–
Profit/(loss) before tax	**114**	**189**	**(75)**	(676)	(566)	(110)
Tax (charge)/credit	**(60)**	**5**	**(65)**	(197)	(111)	(86)
Profit/(loss) for the year	**54**	**184**	**(140)**	(873)	(677)	(196)
Earnings/(loss) per share (pence)						
Basic	**5.6**	**–**	**(14.6)**	(91.3)	–	(20.5)
Diluted	**5.6**	**–**	**(14.6)**	(91.3)	–	(20.5)

1. Details of specific items and other adjustments can be found under 'Adjustment and Specific items' in the Financial Review.

Royal Mail 52 week results

The 52 week 2023-24 adjusted results are derived by removing the 53rd week revenue and incremental costs in relation to Royal Mail, based on working days and only incremental costs for frontline staff, distribution and conveyance, property rates and utilities and Post Office commissions. The allocation of only incremental costs reflects the high fixed cost base of the Royal Mail business and should therefore not be taken as representative of an exit run rate for the year. The 52 week adjusted results are in line with how the Chief Operating Decision Maker as defined by IFRS 8 reviews performance.

The following table reconciles the Royal Mail 53 week adjusted results to the Royal Mail 52 week adjusted results.

(£m)	Adjusted 53 weeks March 2024	53rd week revenue and costs	Adjusted 52 weeks March 2024
Revenue	7,834	(140)	7,694
Operating costs			
People costs	(5,683)	73	(5,610)
Non-people costs	(2,499)	29	(2,470)
Distribution and conveyance costs	(922)	16	(906)
Infrastructure costs	(874)	5	(869)
Other operating costs	(703)	8	(695)
Operating profit	(348)	(38)	(386)

Segmental reported results

The following table presents the segmental reported results, prepared in accordance with IFRS:

	53 weeks March 2024				52 weeks March 2023			
Group (£m)	Royal Mail	GLS	Intragroup eliminations	Group	Royal Mail	GLS	Intragroup eliminations	Group
Revenue	7,834	4,865	(20)	12,679	7,411	4,650	(17)	12,044
People costs	(5,642)	(1,110)	–	(6,752)	(5,542)	(1,031)	–	(6,573)
Non-people costs	(2,378)	(3,435)	20	(5,793)	(2,421)	(3,271)	17	(5,675)
Profit on disposal of property, plant and equipment	14	1	–	15	5	1	–	6
Operating (loss)/profit before specific items	(172)	321	–	149	(547)	349	–	(198)
Operating specific items[1]	(82)	(41)	–	(123)	(492)	(52)	–	(544)
Operating (loss)/profit	(254)	280	–	26	(1,039)	297	–	(742)
Net finance costs	(24)	(23)	–	(47)	(17)	(22)	–	(39)
Net pension interest (non-operating specific item)[1]	135	–	–	135	105	–	–	105
(Loss)/profit before tax	(143)	257	–	114	(951)	275	–	(676)
Tax credit/(charge)	8	(68)	–	(60)	(119)	(78)	–	(197)
(Loss)/profit for the period	(135)	189	–	54	(1,070)	197	–	(873)

1. Details of specific items and other adjustments can be found under 'Adjustment and Specific items' in the Financial Review.

Alternative Performance Measures

This section lists the definitions of the various APMs disclosed throughout the Annual Report and Financial Statements. They are used by management, who considers them to be an important means of comparing performance year-on-year and are key measures used within the business for assessing performance including remuneration.

Adjusted operating (loss)/profit
This measure is based on reported operating profit excluding the pension charge adjustment, the depreciation/amortisation adjustment for impaired assets, and operating specific items, which Management considers to be key adjustments in understanding the underlying result of the Group at this level. These adjusted measures are reconciled to the reported results in the table in the 'Presentation of Results' section in the paragraph ‘Consolidated reported and adjusted results’. Definitions of the pension charge adjustment, the depreciation/amortisation adjustment for impaired assets, and operating specific items are provided below.

Adjusted operating (loss)/profit margin
This is a measure of performance that management uses to understand the efficiency of the business in generating profit. It calculates ‘adjusted operating profit’ as a proportion of revenue in percentage terms.

Earnings before interest, tax, depreciation and amortisation (EBITDA) before specific items and adjusted EBITDA
EBITDA is reported operating profit before specific items with depreciation and amortisation added back. Adjusted EBITDA is EBITDA before specific items with the pension charge adjustment added back.

(£m)	53 weeks ended March 2024	52 weeks ended 2023
Reported operating profit/(loss) before specific items	149	(198)
Adjustment for profit disposal of property, plant and equipment	(15)	(6)
Reported operating profit/(loss) before profit on disposal of property, plant and equipment and specific items	134	(204)
Reported depreciation and amortisation	481	602
EBITDA before profit on disposal of property, plant and equipment and specific items	615	398
Pension charge adjustment	(41)	133
Adjusted EBITDA	574	531

Adjusted earnings per share
Adjusted earnings per share is reported basic earnings per share, excluding operating and non-operating specific items, the pension charge adjustment and the depreciation/amortisation adjustment for impaired assets. A reconciliation of this number to reported basic earnings per share is included in the ‘Presentation of Results’ section in the paragraph ‘Consolidated reported and adjusted results’.

Adjusted people costs
People costs incurred in respect of the Group’s employees and comprise wages and salaries, temporary resource, pensions, bonus and social security costs. People costs relating to projects and voluntary redundancy costs are also included. The pension charge adjustment is excluded from reported people costs in establishing adjusted people costs.

(£m)	53 weeks ended March 2024	52 weeks ended March 2023
Reported people costs	(6,752)	(6,573)
Pension charge adjustment	(41)	133
Adjusted people costs	(6,793)	(6,440)

Pension charge adjustment
Management have sought to clarify the definition of this APM for the 2023-24 and future reporting periods. Having previously referred to the adjustment as representing the difference between the IAS 19 income statement pension charge and the ‘actual cash payments’ into the schemes, management’s intention has always been to show the difference between the IAS 19 charge and the pension ‘funding cost’.
The revised definition is shown below.

This adjustment represents the difference between the IAS 19 income statement pension charge and the funding cost of accrual as specified in the DBCBS Schedule of Contributions, plus any payments into, or out of, RMPP pension escrow investments and any scheme deficit payments. Management reviews the performance of the business based on the cash cost of the pension plans in the adjusted operating profit/(loss) of the Group.

In the current year, the pension charge adjustment includes £130 million credit in relation to a refund of cash from the RMPP pension escrow, £172 million charge in respect of a change in the DBCBS constructive obligation, and £1 million credit for the difference between the IAS 19 income statement charge rate for the DBCBS and the scheme’s cash funding rate (see Note 4 for further details).

In the first half year to 24 September 2023, cash management actions were implemented such that payments to the DBCBS Scheme are aligned to the due dates per the schedule of contributions, resulting in £30 million lower cash payments in the year. The definition of the APM was clarified such that this reduction was not treated as an adjustment, since it did not change the funding cost.

Depreciation/amortisation adjustment for impaired assets
This adjustment is new in the year and represents the reinstatement of the amounts for depreciation and amortisation that would have been charged to the income statement, had the partial impairment of the Royal Mail excluding Parcelforce Worldwide CGU impairment in the prior year not taken place. The reported depreciation and amortisation is in accordance with UK-adopted IFRS, however when reviewing these balances management exclude the impact of impairments and the related impact on depreciation and amortisation. Due to the unpredictability of impairments and the resulting impact on depreciation, this measure is used to provide a consistent basis for operating profit

Operating specific items
These are items that management do not consider to be operating in nature that are considered significant by nature or value and that, in management's opinion, require separate identification. Management does not consider them to be reflective of year-on-year operating performance.

Profit/(loss) on disposal of property, plant and equipment
Management separately identifies the profit/(loss) on disposal of property plant and equipment as these disposals are not part of the Group's trading activity and are driven primarily by business strategy.

Amortisation of intangible assets in acquisitions
These charges, which arise as a direct consequence of IFRS business combination accounting requirements, are separately identified as management does not consider these costs to be directly related to the trading performance of the Group.

Legacy/other items
These costs/credits relate either to unavoidable ongoing costs arising from historic events (such as the industrial diseases provision).

Non-operating specific items
These are recurring or non-recurring items of income or expense of a particular size and/or nature which do not form part of the Group's trading activity and in management's opinion require separate identification.

Adjusted tax (charge)/credit
The adjusted tax (charge)/credit is the total reported tax (charge)/credit excluding the tax (charge)/credit in relation to specific items, the depreciation/amortisation adjustment for impaired assets, and the pension charge adjustment.

Weighted average tax rate
This rate is calculated by taking the weighted average sum of the expected tax charge of each territory. The expected tax charge in a territory is calculated by taking the profits multiplied by the standard rate of tax in that territory. The weighted average tax rate is sometimes considered as a useful alternative to the parent company standard rate of tax when reconciling the effective tax rate.

Adjusted effective tax rate
The adjusted effective tax rate is the adjusted tax charge or credit for the year expressed as a proportion of adjusted profit before tax.
The adjusted effective tax rate is considered by Management to be a useful measure of the tax impact for the period. It approximates to the tax rate on the underlying trading business through the exclusion of specific items, the pension charge adjustment and the depreciation/amortisation adjustment for impaired assets.

Free cash flow
Free cash flow (FCF) is calculated as statutory (reported) net cash flow before financing activities, adjusted to include finance costs paid and exclude net cash from the purchase/sale of financial asset investments and GLS client cash movements. FCF represents the cash that the Group generates after spending the money required to maintain or expand its asset base, thus is useful for Management in assessing liquidity. FCF is also shown on a pre-IFRS 16 basis as it is used to support dividend cover analysis, taking into account all cash flows related to the operating businesses.

The following table reconciles free cash flow to the nearest IFRS measure 'net cash inflow before financing activities'.

(£m)	**Reported 53 weeks March 2024**	Reported 52 weeks March 2023
Net cash inflow before financing activities	**(155)**	48
Adjustments for:		
Finance costs paid	**(79)**	(61)
Movement in GLS client cash[1]	**(12)**	2
Payments to/(from) pension escrow investments	**16**	(8)
Purchase/(sale) of financial asset investments	**216**	(70)
Free cash flow	**(14)**	(89)
Capital element of operating lease repayments[2]	**(206)**	(179)
Pre-IFRS 16 free cash flow	**(220)**	(268)

1. The movement in GLS client cash is shown excluding foreign currency exchange loss of £1 million (2022-23: £2 million gain).
2. The capital element of lease payments of £216 million (2022-23: £202 million) shown in the statutory cash flow is made up of the capital element of operating lease payments of £206 million (2022-23: £179 million) and the capital element of finance lease payments of £10 million (2022-23: £23 million).

In-year trading cash flow

In-year trading cash flow reflects the cash generated from the trading activities of the Group. It is based on reported net cash inflow from operating activities, adjusted to exclude movements in GLS client cash and the cash cost of operating specific items and to include the cash cost of property, plant and equipment and intangible asset acquisitions, net finance payments and dividends received from associates. In-year trading cash flow is also shown on a pre-IFRS 16 basis as it is used to support dividend cover analysis, taking into account all cash flows related to the operating businesses.

The following table reconciles in-year trading cash flow to the nearest IFRS measure 'net cash inflow from operating activities'.

(£m)	**Reported 53 weeks ended March 2024**	Reported 52 weeks ended March 2023
Net cash (outflow)/inflow from operating activities	**215**	373
Adjustments for:		
Movement in GLS client cash[1]	**(12)**	2
Cash cost of operating specific items	**11**	53
Purchase of property, plant and equipment	**(272)**	(328)
Purchase of intangible assets	**(113)**	(93)
Receipts from pension escrow investments	**130**	–
Net finance costs paid	**(32)**	(41)
In-year trading cash flow	**(73)**	(34)
Capital element of operating lease repayments[2]	**(206)**	(179)
Pre-IFRS 16 in-year trading cash flow	**(279)**	(213)

1. The movement in GLS client cash is shown excluding foreign currency exchange loss of £1 million (2022-23: £2 million gain).
2. The capital element of lease payments of £216 million (2022-23: £202 million) shown in the statutory cash flow is made up of the capital element of operating lease payments of £206 million (2022-23: £179 million) and the capital element of finance lease payments of £10 million (2022-23: £23 million).

Net debt

Net debt is calculated by netting the value of financial liabilities (excluding derivatives) against cash and other liquid assets. Management consider this APM to be useful as it is a measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength. It is also a single measure that can be used to assess the combined impact of the Group's indebtedness and its cash position. The use of the term net debt does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure. Net debt is also shown on a pre-IFRS 16 basis as the banking covenants are calculated on a pre-IFRS 16 basis.

(£m)	**At 31 March 2024**	At 26 March 2023
Loans/bonds	**(1,454)**	(922)
Asset finance	**(29)**	(25)
Leases	**(1,423)**	(1,362)
Cash and cash equivalents[1]	**927**	773
Investments	**216**	–
GLS client cash	**47**	36
Net debt	**(1,716)**	(1,500)
Operating leases[2]	**1,388**	1,319
Pre-IFRS 16 net (debt)	**(328)**	(181)

1. Cash and cash equivalents includes bank overdrafts of £56 million at 26 March 2024 and £89 million at 26 March 2023 that are part of a cash pool for the UK companies which generally has a net £nil balance across the Group and forms an integral part of the Group's cash management.
2. This amount represents leases that would not have been recognised on the Balance Sheet prior to the adoption of IFRS 16.

Loans and bonds increased by £532 million, largely as a result of the issue of two new bonds offset by the partial repurchase of the 2024 Bond and exchange rate movements on the value of bonds.

Net debt excludes £102 million (2022-23: £208 million) related to the RMPP and RMCPP, and pension escrow investments on the balance sheet which are not considered to fall within the definition of net debt in the covenants.

GLS performance excluding the impact of acquisitions

When reviewing GLS performance, management exclude the impact of current year acquisitions on revenue and operating costs. This approach strips out the impact of new acquisitions on revenue and operating costs in the current year and allows for revenue and operating costs movements to be compared on a like for like basis.

(£m)	12 months 31 March 2024	Acquisition	12 months 31 March 2024 excl. acquisitions	12 months 31 March 2023
Revenue	4,865	38	4,827	4,650
People costs	(1,110)	(12)	(1,098)	(1,031)
Non-people costs	(3,435)	(27)	(3,408)	(3,271)
Distribution and conveyance costs	(2,988)	(22)	(2,966)	(2,847)
Infrastructure costs	(334)	(4)	(330)	(310)

GLS performance presented in Euro

IDS plc financial statements are presented in Sterling, being the Group functional currency. However, given GLS strategic targets are set using Euros, GLS financial performance is presented in Euro as well as Sterling in order to aid transparency.

The reconciliation between the Group functional currency of Sterling and Euro are set out below:

	52 weeks 2023-24		52 weeks 2022-23	
	GLS performance in Sterling	GLS performance in Euro	GLS performance in Sterling	GLS performance in Euro
Revenue	4,865	5,635	4,650	5,384
People costs	(1,110)	(1,286)	(1,031)	(1,194)
Non-people costs	(3,435)	(3,978)	(3,271)	(3,787)
Operating profit	320	371	348	403

GLS performance has been translated using an average exchange rate between Sterling and Euro of £1:€1.16 (2022-23: £1:€1.16). This has resulted in a net £nil impact in GLS reported operating profit before tax in 2023-24 (2022-23: £5 million increase).

Forward-Looking Statements

Disclaimers

This document contains certain forward-looking statements concerning the Group's business, financial condition, results of operations and certain of the Group's plans, objectives, assumptions, projections, expectations or beliefs with respect to these items. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'will', 'should', 'expects', 'believes', 'intends', 'plans', 'potential', 'targets', 'goal' or 'estimates'.

Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group's actual financial condition, performance and results to differ materially from the plans, goals, objectives and expectations set out in the forward-looking statements included in this document. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements.

By their nature, forward-looking statements relate to events and depend on circumstances that will occur in the future and are inherently unpredictable. Such forward-looking statements should, therefore, be considered in light of various important factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, among other things: changes in the economies and markets in which the Group operates; changes in the regulatory regime within which the Group operates; changes in interest and exchange rates; the impact of competitive products and pricing; the occurrence of major operational problems; the loss of major customers; undertakings and guarantees relating to pension funds; contingent liabilities; the impact of legal or other proceedings against, or which otherwise affect, the Group; and risks associated with the Group's overseas operations.

All written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to the Group or any persons acting on its behalf are expressly qualified in their entirety by the factors referred to above. No assurance can be given that the forward-looking statements in this document will be realised; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Subject to compliance with applicable law and regulation, the Company does not intend to update the forward-looking statements in this document to reflect events or circumstances after the date of this document, and does not undertake any obligation to do so.

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