

Touching Lives

Hosted by CorporateRegister.com

Connecting People

Royal Mail Group Corporate Responsibilty Report 2008

Testing ambitions, great achievements...

Royal Mail Group's corporate responsibility targets

We want to be the leading organisation in corporate responsibility in the UK. Here we take a look at what we've managed to achieve over the last year.

		2007/08	2006/07	2005/06	2004/05
Economic £m	External turnover	9,388	9,179	9,056	8,956
	Operating profit before exceptional items	162	233	355	302
	Exceptional items:	-383	-125	-143	-210
	Profit/(loss) before taxation	-77	313	312	167
	Taxation credit/(charge)	212	-27	83	-16
	Profit/(loss) after taxation	135	286	395	151
	D. 118	4.005.2	1.040.8	1.151.7	4 272 7
Environmental	Building energy consumption (gwh)2	1,085.3	, , , , , , ,		1,272.7
	Renewable energy (% of electricity consumption)	99.0%	98.8%	1.2%	1.2%
	Renewable energy (electricity consumption in GWh)	364.0	377.6	5	5
	Water usage (m3)	2,197,831	2,035,160	2,254,720	2,166,066
	Road fleet fuel procured (million litres)	144.2	147.6	153.9	160.5
	CO2 emissions from mail operations (CO2 kg per 1000 items)	18.1	18.0	18.7	19.9
	Total CO2 emissions (tonnes)	993,879	995,336	994,235	1,047,303
	Solid waste dispatch to landfill (tonnes)	34,449	42,133	47,126	48,074
People -	Total number of RIDDOR reportable incidents	4,887	4,902	5,239	5,598
Health & safety	Total accidents	23,310	23,453	25,679	25,808
	Total accidents per 1,000 staff	128.18	122.99	128.93	132.4
	Absence accidents	7,108	6,986	7,553	7,603
	Days lost due to accidents	138,635	149,710	163,156	179,891
	Days lost due to accidents per 1,000 staff	762.4	795.6	832.4	922.7
	Total number of fatalities	10 (all non-employees)	10 (9 non-employees, 1 employee)	10 (3 non-employees, 7 employees)	8 (7 non-employees, 1 employee)
	Sick absence %	4.86%	4.83%	4.90%	5.60%
	Medical severance cost £ million	11.16	14.95	13.19	17.03
Diversity	Total number of bullying and harassment cases received	775	884	832	1,039
Diversity	Total number of investigations completed	771	868	859	1,163
	Total number of bullying and harassment cases resolved within 28 days	273	406	341	319
Social	Total employee donations via our payroll giving scheme (£)	2,702,818	2,640,319	2,200,428	2,055,350
Jocial	Total charitable donations	1.8m	1.2m	1.3m	2m

This report summarises our corporate responsibility approach.

You should read it in conjunction with our Annual Report and Accounts, which can be found on our website - www.royalmailgroup.com

Further information about our corporate responsibility activity, including case studies, additional data and links, can be found at the same address.

Contents

Sect	ion	Page
1.0	Introduction	4
2.0	Our approach to Corporate Responsibility	(
3.0	The scope of this report	8
4.0	Reporting	:
5.0	Governance and management	10
6.0	Workplace	1:
7.0	Community	18
8.0	Environment	2
9.0	Marketplace	20
10.0	Assurance	2
11.0	Appendix	3(



1.0 Introduction

Every day, Royal Mail Group touches the lives of millions of people.

60 million people.



We aim to be in touch with people's aspirations, in touch with their lives, in touch with their needs.

As we are at the heart of their communities, people expect us to be there when they need us. And we believe we should respond - it is important for us not only to connect people, but to be connected to the issues that matter to them.

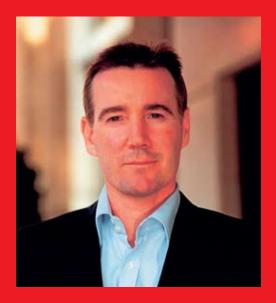
Here are two examples:

Our employees voted for Barnardo's as our major supported partner. They wanted us to work with an organisation that makes a real difference to the lives of children and young people in their local communities.

We are also taking significant steps to help our customers become more sustainable and more competitive through our own aggressive approach to avoiding and reducing our carbon impact upon the environment. We aim significantly to reduce our carbon emissions by implementing industry best practice, and move towards carbon neutrality by 2015.

We are immensely proud of the contribution and impact our employees make in the community every day. We want to continue being a business that makes that kind of positive impact on everyone whose lives we touch - our customers, employees, suppliers and partners. We passionately believe that this way of keeping in touch will have a positive impact on us as a business.







2.1 Our Corporate Responsibility ambitions

We want to be the leading organisation in corporate responsibility in the UK.

Royal Mail Group is committed to demonstrating excellence in five key areas of our operations – we call them our Big Five. We want to:

- **1** Demonstrate **equality** and **fairness** throughout our workplace
- **2** Ensure unrivalled standards of **safety** in our workplace
- **3** Provide first class support to improve and maintain the **health** of our employees
- **4** Make a positive **social impact** on employees, communities, customers and suppliers
- **5** Become carbon neutral by 2015 and help our customers do business in an **environmentally sustainable** and competitive way

These are challenging ambitions. But they are the right things for us to do.

2.2 Business - with a social purpose

Being a leader in corporate responsibility is not separate from being a world-class logistics and postal service business. It is central to it. This has been the case for the 350 years of Royal Mail's history.

As a commercial business with a social purpose, we are committed to optimising the positive part of our operations and reducing their negative impact to an absolute minimum. But building a leadership role in corporate responsibility also enables us to distinguish ourselves in a competitive marketplace. It also gives us tremendous opportunities to help our corporate and domestic customers achieve their own sustainability targets and change their lifestyles.

We are absolutely convinced that involvement in corporate responsibility is key to our long term growth and bottom-line results. And that the best way to realise our vision is to fully integrate corporate responsibility into our strategic management process.

3.0 The scope of this report

This report relates to the UK activities of the three main brands of Royal Mail Group – Post Office, Parcelforce Worldwide, and Royal Mail.

The financial information is for the period 26th March 2007 to 25th March 2008. The data contained here does not cover our European parcels business (General Logistics Systems) or the agency Post Office branches. It does cover our directly managed branches.

It does not cover our associate companies or our joint venture arrangements. Full details of these arrangements can be found in the Royal Mail Holdings plc Report and Accounts for the year ending 25th March 2008.

4.0 Reporting

This is the sixth year we have published an external report detailing our activities in the field of corporate responsibility. It is the first in which we have used the fourfold classification developed by Business in the Community (BITC) as a reporting base (see www.bitc.org.uk)

From 2009, we will report annually against two sets of criteria – against both the BITC four impact areas and against our own Big Five ambitions.

The structure of this report follows the reporting framework below.

Royal Mail Group Reporting Framework





4.1 Materiality Determination

We have tried to include the issues that our stakeholders want to read about within the scope of this report, based on feedback from our engagement processes. Some of the issues have been covered elsewhere in our reporting structures – such as our Annual Report and Accounts which covers Post Office Limited plans to create a sustainable network (Page 6 of Annual Report and Accounts). The UN Global Compact has been reported separately and is available at www.royalmailgroup. com. The diagram outlines our stakeholders and maps them against the impacts which we have used as part of our materiality determination process.

This report does not cover issues that have been dealt with in our previous reports and for which there has been no material change within the last 12 months. Copies of our previous external reports are available on our website: www.royalmailgroup.com





5.0 Governance and management

Our ambition is to become the leading organisation in corporate responsibility in the UK. This goal is a priority of our Chief Executive and each one of our Managing Directors.

They are committed to inspiring a culture of continuous improvement in the business, and know that this is the only way to ensure that every one of our 180,000 employees and 60 million customers understands and shares our commitment to keeping in touch.

Our CSR approach is led by our Chief Executive, who chairs a Committee including our Business Unit Managing Directors and key senior stakeholders.

For Board reporting purposes, our HR Director leads and reports on CSR issues and, within his team, experts provide the specialist support and advice to develop policies and approaches across the CSR agenda. Business Unit appointed leads are responsible for ensuring operational plans deliver on Royal Mail Group's CSR objectives.

5.1 How our Group structure works

Royal Mail Group sets the targets and provides specialist support in each of our Big Five areas

Each of our business units produces a five year action plan to deliver on the targets

Royal Mail Group brings together and reports on all of the outcome measures across the separate business units

6.0 Workplace

BITC's workplace definition looks at the way we behave as an employer, and how we go about building a world-class organisation with the help of our employees. Our Big Five ambitions covering equality and fairness, health, and safety all fall within this category. With over 180,000 employees, these ambitions are key to our future success as a business.



6.1 Equality and fairness

Our ambition

To demonstrate equality and fairness throughout our workplace

Everyone has the right to be treated fairly and equally at work and to have the opportunity to fulfil their potential. Royal Mail Group is determined to be an employer where fairness, dignity and respect, and equality of opportunity are at the heart of what we do. We want to be able to draw on the widest possible pool of talent, and create a business which reflects the diversity of our society.

This emphasis on equality and fairness is central to maintaining our competitive edge in a crowded marketplace, and to offering a world-class postal service to every UK resident.

It is how we keep in touch with a changing society.

Our targets

Currently: We employ 0.61% of the UK workplace population, and are accountable for roughly 0.6% of all UK discrimination tribunal cases - equal to the UK benchmark rate.

Five year target: We aim to have an absolute reduction of 10% in the rate of discrimination claims, whilst ensuring our rate is at least 10% below the UK benchmark rate.

Stretch target: We aim to have an absolute reduction of 20% in the rate of discrimination claims, whilst ensuring our rate is at least 10% below the UK benchmark rate.

Our strategy

Our Group strategy is focused on the areas where we can go beyond legal compliance to ensure that equality and fairness are a business priority. Our strategy will focus on the following core themes over the next five years:

Effective monitoring of our recruitment programmes and employment practices. This will help us report on the outcomes of our diversity strategy and understand the impact of customer diversity on our business. It will also enable us to see if we can make interventions in our supply chain to redress any discrimination or disadvantage.

Removing barriers that prevent people from accessing recruitment, employment or development opportunities. We will achieve this through targeted recruitment campaigns, an open procurement system, and a focus on customer access through the internet.

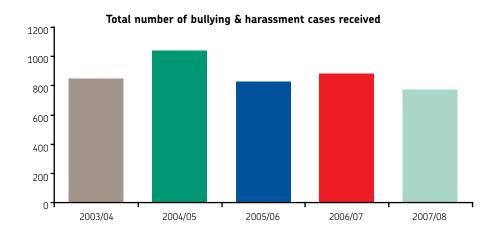
Doing work differently – offering our employees flexible and part time work, as well as reasonable adjustments to accommodate child care, elder care, disability and religious needs.

Business Ethics – ensuring our suppliers can show evidence of equality and fairness in their working methods and procurement practices. We will also ensure we are delivering against our commitment to the UN Global Compact on Human Rights.

Effective reporting and consultation to demonstrate Royal Mail Group's commitment to being more transparent when discussing equality and fairness. We will be open about our shortcomings and focused on correcting them.

Our performance

Diversity	2007/08	2006/07	2005/06	2004/05
Total number of bullying and harassment cases received	775	884	832	1,039
Total number of investigations completed	771	868	859	1,163
Total number of bullying and harassment cases resolved within 28 days	273	406	341	319



Over the past year, we have made considerable progress in reducing the incidence of bullying and harassment throughout our organisation. We still have room to improve the numbers of cases we resolve within 28 days, but our work over the last 12 months has gone a long way to changing the culture of how we do business within Royal Mail Group. We outline below what measures we have taken to do this.

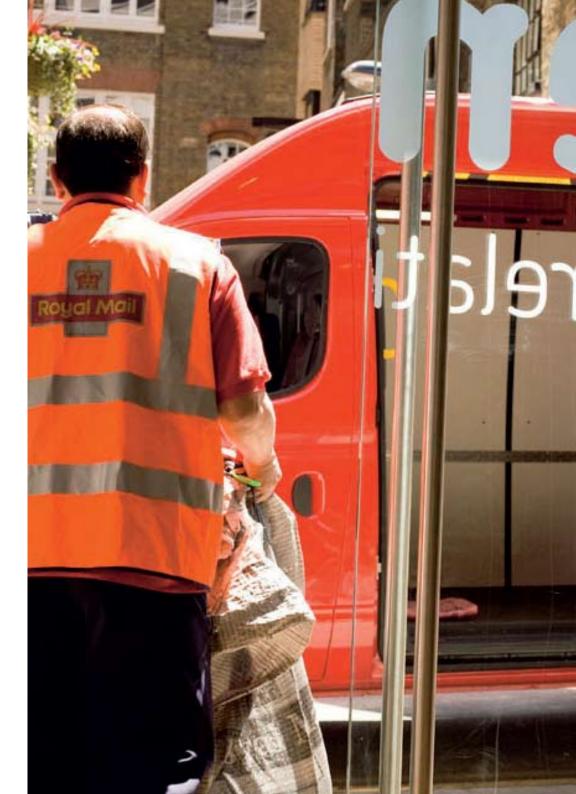
Effective monitoring: We are planning for the introduction of a new people software system and we have set up a project to look at the effective data capture and trend analysis of equality information. We produce a monthly diversity scorecard and we have put in place new procedures for monitoring complaints from disabled customers. We have started to monitor and record language provision amongst sub postmasters.

Removing barriers: We have completed a full web accessibility audit, which looks to ensure that disabled customers do not encounter barriers. Access audits are being carried out for our buildings to ensure customer access. A recruitment audit has been carried out for senior posts to identify barriers in language and search and selection processes. We have produced a new policy on supplier diversity to help smaller suppliers access the procurement process.

Doing work differently: We are trialling a number of new ways of working in order to improve flexibility for people who have caring responsibilities. We also have a range of policies in place to help manage flexible leave for religious and cultural reasons.

Business ethics: A new policy on ethical procurement has been agreed which promotes our values with our vendors. This covers exploitation of labour and provision of safe working environments. We have a rigorous process in place for ensuring that vendors are assessed against our standards.

Effective reporting and consultation: We have formed a disability leadership panel and conducted an online consultation process with disabled people to ensure that we are consulting disabled and vulnerable people on issues that impact our customers and employees. We have agreed to report publicly on the findings of access audits and we will report publicly on our diversity scorecard.



6.2 Safety

Our ambition

To ensure unrivalled standards of safety in our workplace

Safety is an absolute priority for Royal Mail Group. We are constantly exploring new ways to give people the skills they need to make the right safety improvements and build a culture of safety throughout our organisation.

This is the right thing for one of the UK's largest employers to do. But there is a clear business rationale for our commitment to excellent safety standards: a poor safety culture can adversely affect our operations, leading to an increase in costs, a reduction in our quality of service, and low staff morale.

We are determined to build further on the progress we have already made to encourage a culture change throughout the Group.

Our targets

Currently: Our Lost Time Accident (LTA) rate per 100,000 hours worked is currently 1.72.

Five year target: Improve our LTA rate to below 1.0.

Stretch target: We want each of our business units to lead their sector in safety performance.

Our strategy

Our commitment to ensure unrivalled standards of safety across the Group is challenging. To achieve our safety targets, we have constructed a strategy based on the following themes:

Ensuring compliance across all business units in the Group. We will review all current safe systems of work, and measure performance across all three business units.

Targeting the serious hazards within our business. In particular, we will continue to focus on improving road safety across the Group

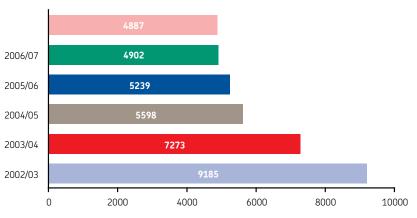
Building effective partnerships with the Health and Safety Executive (HSE) and local authorities. We will continue working with our trade unions to develop Local Action Plans to address the particular concerns of local workforces employed by Royal Mail Group. We will also participate in the Large Organisation Partnership Pilot (LOPP), which brings together the HSE, local authorities and large organisations in the private sector to improve safety outcomes.

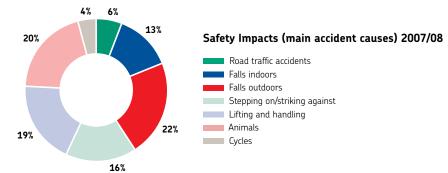
Training our employees to highlight the positive benefits of good safety practice at all levels

Our performance

Safety	2007/08	2006/07	2005/06	2004/05
Total number of RIDDOR reportable incidents	4,887	4,902	5,239	5,598
Total accidents	23,310	23,453	25,679	25,808
Total accidents per 1,000 staff	128.18	122.99	128.93	132.4
Absence accidents	7,108	6,986	7,553	7,603
Days lost due to accidents	138,635	149,710	163,156	179,891
Days lost due to accidents per 1,000 staff	762.4	795.6	832.4	922.7
Total number of fatalities	10 (all non- employees)	10 (9 non-employees, 1 employee)	10 (3 non-employees, 7 employees)	8 (7 non-employees, 1 employee)

Total number of RIDDOR reportable accidents





Over the past year, we have made progress in reducing the number of accidents across our businesses, and the numbers of days lost due to accidents. We outline below what mechanisms we have put in place to make these achievements.

Ensuring compliance: We have set up a Senior Safety Professionals Forum to identify trends, review policy, and provide guidance to the rest of the business on safety issues. We have also appointed Area Safety Managers to provide help and support to employees within specific geographical units. And finally, we have mandated every manager within Royal Mail Group to hold meetings with their employees to discuss how they can all work together locally to make their place of work an Accident Free Zone. The commitments they make towards achieving this goal will be displayed on a Safety Charter Certificate to improve compliance.

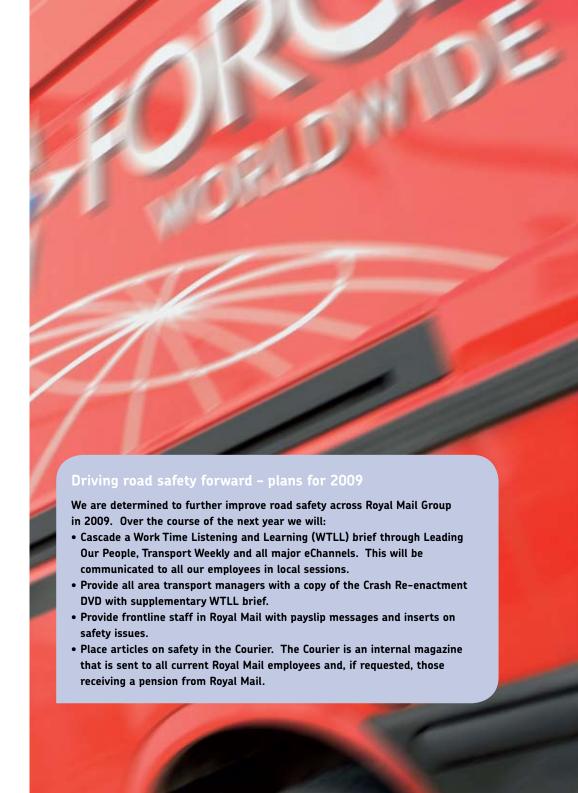
Targeting the serious hazards within our business: Royal Mail Group is heavily reliant on road transport. Road safety is a major issue for us, and we are committed to helping our staff minimise their exposure to risk on the roads. Over the past year, we have developed specific driver risk assessments to identify the risks affecting our drivers, analyse our employees' driving behaviours and performance and put in place specific measures to help reduce their exposure to risk. We have also put road safety material on all communication screens.

Building effective partnerships: As part of our strategic goal of building sustained and effective partnerships, we have asked trade union safety representatives to help our employees develop Accident Free Zones.

Training: We have re-designed our standard safety course as a result of feedback from our continuing training review process. The course now ensures that managers understand legal compliance as well as wider group policies on health, safety and environmental management. It also ensures they are given the skills to identify and manage risks in the workplace. We have also updated and re-designed our induction training materials for use in Work Time Listening Sessions, in order to make them more accessible.

Royal Mail Group firmly believes that success should be rewarded and shared. We are planning a one day event in 2009 to celebrate the achievements we have made to improve safety across the businesses and share best practice from the past year across the Group.

We believe we have achieved a lot but equally realise through our ambitious strategies and targets we have a lot to achieve. At Royal Mail Group we will remain steadfast in our commitment to take all necessary actions to minimise accidents in the workplace making the business a safe "great place to work".



6.3 Health

Our ambition

Provide first class support to improve and maintain the health of our employees

A healthy workforce is central to our position as a world-class logistics company. We recognise and acknowledge our responsibility to promote healthy lifestyles amongst our employees and help them manage whatever short-term and chronic health challenges they might face. Health is also a business issue for us: we want to reduce sickness absence and improve workplace morale as a means of further improving our performance.

The scale of this commitment is considerable: with over 180,000 employees, we face enormous challenges in delivering effective occupational health services to all our people, all the time, and on an equal basis. But we are determined to offer nothing less than first-class support to our employees – to treat them as individuals, to manage, not medicalise, sickness absence, and to secure a healthy, effective and productive workforce.

Our targets

Currently: 4.4% of our staff are on sickness absence.

Five-year target: Reduce sickness absence to below 3.75%.

Stretch target: We want our absence rate to be in the top quartile of best performing businesses.

Our strategy

We are determined to offer our employees targeted, effective support to maintain and improve their health and well-being. Our strategic approach to achieving this objective is based on four key strands:

Improving health risk management: We are committed to identifying and controlling work-related health hazards through systematic risk assessment, effective control measures and regular compliance audits.

Providing sickness and rehabilitation support: We have developed an early referral, occupational health advice and rehabilitation service for employees recovering from illness and injury. The aim of this service is to support our employees as they adjust to the workplace after an absence.

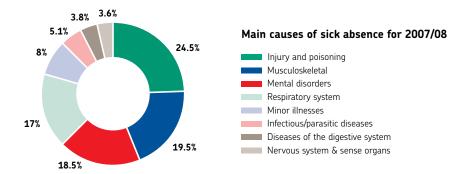
Promoting well-bring: We actively promote physical, mental and nutritional health across Royal Mail Group.

Developing effective partnerships: We are proud of the significant healthcare expertise that exists within Royal Mail Group. But we are also committed to working with external stakeholders to identify, develop and implement the best measures to secure our employees' long-term health and well-being.

Our performance

Health	2007/08	2006/07	2005/06	2004/05
Sick absence %	4.86%	4.83%	4.90%	5.60%
Medical severance cost £ million	11.16	14.95	13.19	17.03

Over the last few years, the combination of a clear strategy and proactive health interventions has reduced sickness absence across the Group. Indeed, between 2004 and 2007, Royal Mail Group reduced absence from 7% to 5% – equivalent to an extra 3600 full-time employees back in work.



We outline below how we have made this progress over the past year.

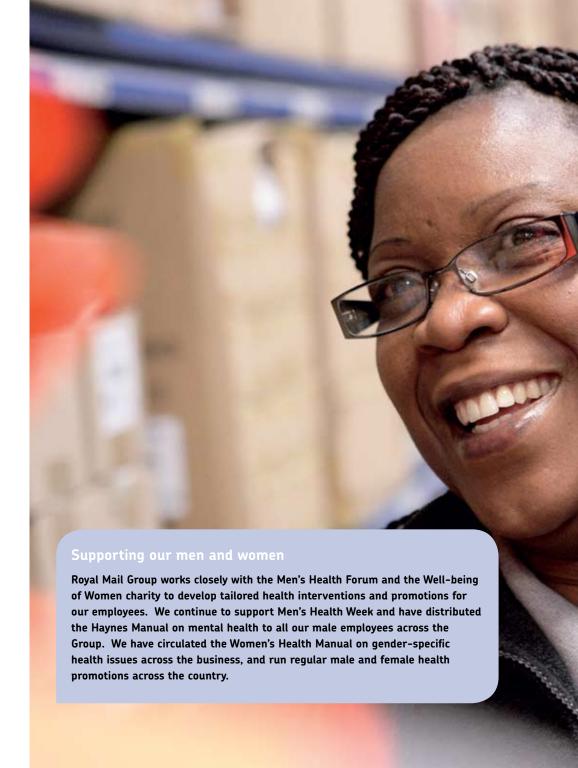
Improving risk management: We firmly believe that prevention is better than cure. We have developed a Workplace Health Risk Management programme which engages employees in the Business Units to develop approaches towards managing issues such as Musculoskeletal Disorders, Stress and Mental Health, and Pandemic Flu.

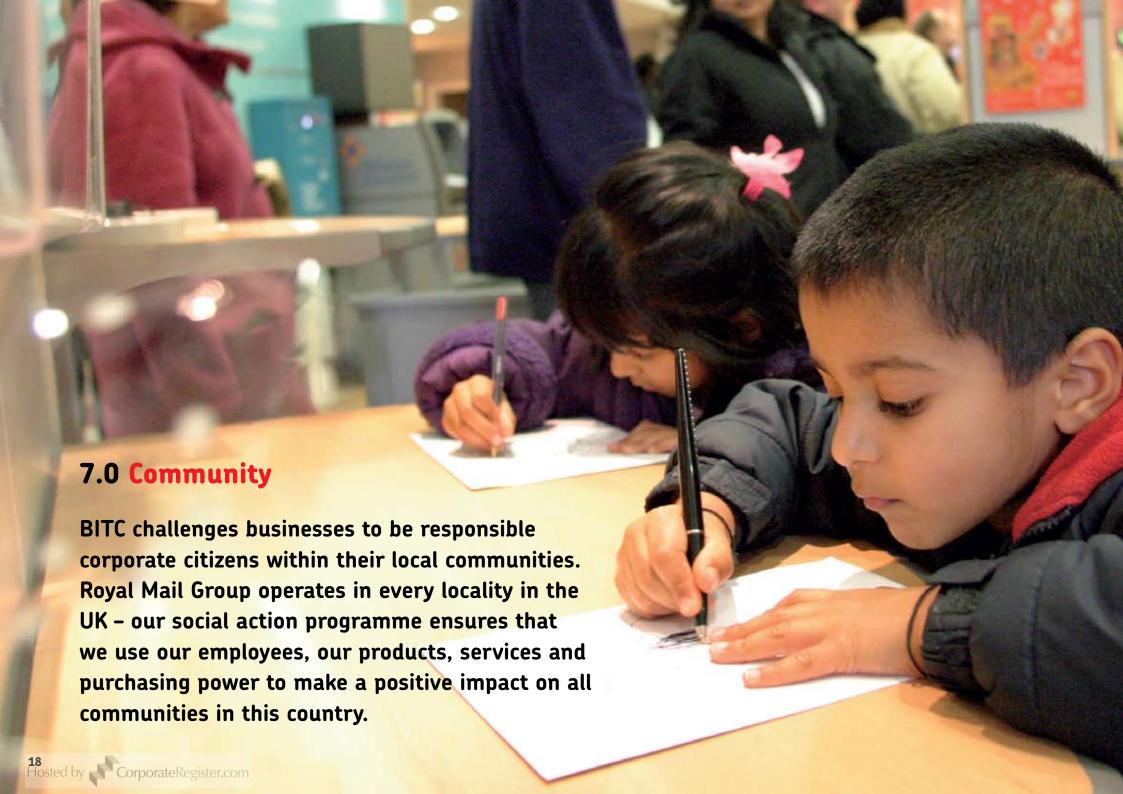
Providing sickness and rehabilitation support: Since 2006, we have developed a number of bespoke services to help our employees recover from mental and physical illness. We have established a national physiotherapy and occupational therapy service and a 24/7 National Contact Centre which acts as a medical information helpdesk for all our managers. We have also set up three Musculoskeletal Rehabilitation Centres in our London, Sheffield and Birmingham Mail Centres and are assessing the feasibility of a CBT programme to assist our people with stress-related illnesses. We have extended the HELP (Health and Wellbeing; Employment Advice; Legal Services and Representation; Practical Assistance) Counselling and Advisory Service, which provides wideranging support on legal, social, health family matters to managers, employees and their dependants 24/7.

Promoting well-being: Over the past year, we have developed a Well-being Communications Plan, and have rolled out a series of promotions across the business. These have included campaigns on smoking cessation, managing and reducing stress, increasing fitness and improving nutrition. We have also used company-wide publications and Work Time Listening and Learning sessions to promote well-being across the business, as well as using our Health Bus to reach different sites across the country. We have also trained 32 Health Trainers across the UK to facilitate Health and Well-being promotion, and act as ambassadors to engage primary care trusts and health charities.

Developing effective partnerships: We have formed a partnership with Atos Healthcare, a specialist provider of occupational health services. Together, our goal is to offer our employees a comprehensive health service and benefits which cover occupational health, counselling and health screening services. We are constantly looking for new and innovative processes and services that improve the quality or extend the range of interventions we provide to people at work or off sick.

Our experience is testimony to the adage that prevention is better than cure. We will continue to identify and control work-related health issues to meet our ongoing commitment to be a healthy "great place to work".





7.1 Social action

Our ambition

To make a positive social impact on employees, communities, customers and suppliers

We are visibly at the heart of local communities every day. Our customers expect Royal Mail Group to have a positive impact on the way they live and the way they work; and we want to respond.

Our social action programme aims to use our best asset – our people. We want to find ways for them to use their many skills to help vulnerable people thrive and grow. We believe everyone has the capacity to make a positive difference.

Having a strong brand reputation in the area of social action also has a commercial purpose: it will help us retain and win business. It will enable us to recruit talent from disadvantaged groups, develop the skills and commitment of our people and reflect the needs of our local communities more accurately. Additionally it will improve our business performance and make us a more positive force in society.

Our targets

Employee Engagement

Currently: 2163 employees have participated in volunteering activities in paid working time.

Five year target: We aim to engage 25% of our employees in fundraising and volunteering.

Stretch target: We want 35% of our workforce to be involved in our social action programme.

Connecting to Communities

Cause Related Marketing (CRM) is an untapped potential with no current measures.

Five year target: We want to have launched a successful CRM campaign which has good customer awareness.

Stretch target: We want customers to recognise Royal Mail Group as one of the leading brands associated with good causes.

Illness and Crisis

Since 2005 over 27,000 employees have raised over £1.3 million for good causes that help people in times of crisis.

Five year target: We aim to have 35,000 employees connected to good causes, raising over £3 million.

Stretch target: We want to connect 50% of employees to good causes, consistently raising over £1 million each year.

Unlocking Talent

We have generated over 100 work placements for people who are experiencing homelessness.

Five year target: We aim to generate 100 placements per year plus 100 placements for young people in Barnardo's care.

Stretch target: We want to ensure that people who are experiencing disadvantage know that Royal Mail Group can provide work opportunities.

Supply Chain Engagement

We have deployed a new ethical procurement policy and vendor engagement policy.

Five year target: We aim to have engaged 5% of our suppliers with Barnardo's.

Stretch target: We aim to have engaged 15% of suppliers raising over £500,000 for good causes.

Our strategy

We want our employees, our customers and our suppliers to share our commitment to having a positive social impact on our local communities. Our social action strategy concentrates on areas where we can harness their natural enthusiasm and determination to help others.

Developing effective partnerships: We know we can have the most impact by working with organisations which can really make a difference at a local level. We are in constant dialogue with our employees, our customers and our suppliers to understand what issues they believe are most important in the community, how we might address them, and with whom.

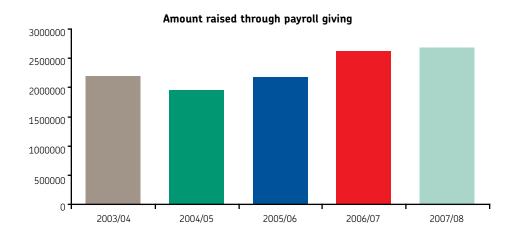
Improving volunteering opportunities: This is one of Royal Mail Group's business priorities. Our Universal Service Obligation requires us to deliver mail to all addresses within the UK. We therefore want our people to understand the need for us to care for the communities in which we live and work – we want to become a benchmark against which other businesses are measured. We are committed to re-defining volunteering to mean more than just 'done in a day' projects, so that it includes longer term initiatives which also help employees with their own personal development. It will also help us with employee retention, and help foster the conviction that Royal Mail Group is a caring, "great place to work". Our Get Involved campaign offers employees a range of volunteering opportunities at both a local and national level.

Fundraising within Royal Mail Group: Our sheer size and reach means we have an amazing capacity to fundraise. We have a clear, simple structure for giving grants to help employees get started with fundraising and are proud to have the largest payroll giving scheme in the UK. 43,000 employees regularly donate to good causes.

Engaging with our customers: We touch the lives of 60 million people every day. We want to use our scale and reach to help our customers help people in need. Our Join In programme pulls this work together, organising everything from simple collection programmes at Post Office branches, to managing our involvement with major national charities such as Children in Need. It also examines how we can use cause related marketing to help our customers make a positive social impact.

Our performance

Social	2007/08	2006/07	2005/06	2004/05
Total employee donations via our payroll giving scheme (£)	2,702,818	2,640,319	2,200,428	2,055,350
Total charitable donations	1.8m	1.2m	1.3m	2m



Over the last year, we have significantly increased Royal Mail Group's total donations to charitable causes, as well as increasing the amount our employees donate via payroll giving, and finding new and creative ways to keep in touch with our local communities. We outline below the measures we have taken to stimulate this engagement with our social action programme.

Developing effective partnerships: We believe our employees are best qualified to identify what issues really matter in their local communities. This year, they asked us to focus our attention on youth, and examine how we can help young people connect to their communities, deal with illness and crisis and unlock their talent. As a result we have established a three-year strategic partnership with Barnardo's. Together, we have been working to help free children from poverty, abuse and discrimination and have established a joint brand to demonstrate our joint commitment to improving the lives of young people in the UK.

"I am truly delighted that Royal Mail Group employees chose Barnardo's and I would like to say a big thank you to everyone who voted for us and to those who will be raising vital funds. People at Royal Mail Group have an excellent reputation for raising money for charity and I hope we can inspire you with our work with over 100,000 of the most disadvantaged children in the UK, to raise a record amount over our three-year partnership."

Martin Narey, Chief Executive, Barnardo's

Improving volunteering opportunities: Over the past year our business units have established strategies to show how volunteering can help develop core capacities for team building and personal skills. We have also set out to measure the number of people who volunteer for local and national projects and are aiming to improve the way we align volunteering activities with performance development programmes.

Fundraising within Royal Mail Group: We have established a network of Community Champions across Royal Mail Group to encourage fundraising and volunteering at each of our sites. Last year, our employees raised over £2.7 million through payroll giving. Since 2005, over 27,000 employees have raised £1.3 million for good causes that help people in times of crisis. During our three year relationship with Help the Hospices, our employees raised almost £2 million. We are determined to build on this amazing track record over 2009, and will be supporting Children in Need in November to encourage all our employees to support our social action programme's focus on youth and to beat the record £582,000 we raised last year.

Engaging with our customers: Over the past year, we have explored a number of sponsorship opportunities to demonstrate to our customers how seriously we take our social action initiatives. In addition to our work with Barnardo's, we will build on this over the next 12 months. In particular, we will continue to participate in The News of the World's national campaign to recognise Children's Champions, as well as maintaining our 30 year-long relationship with the Young Letter Writer's competition (YLWC) through our schools and education programme. We hope to build on the 6000 entries the YLWC received this year, and to help young people in the UK practice the art of creative letter writing.



8.0 Environment We share BITC's belief that climate change is the greatest environmental challenge of our time. We also think that it presents significant opportunities - in future, sustainability will be a key indicator of commercial success for any business. Royal Mail Group is determined to play its role in creating a low carbon economy, and sharing our experiences with our customers to improve their own environmental footprint. Hosted by CorporateRegister.com

8.1 Sustainability

Our ambition

To become carbon neutral by 2015 and help our customers do business in an environmentally sustainable and competitive way.

Climate change has recently emerged as one of the most significant mainstream environmental, political and social issues of recent years. As a responsible business, we acknowledge the role we should play as the UK's leading postal operator in contributing to solutions to climate change.

We have placed carbon management at the heart of our sustainability programme. We are committed to reducing our direct and indirect impact on the environment, and using the latest technologies and working practices to build a more sustainable business.

This commitment will help us compete in the marketplace. It is now common for customers to demand an effective and robust environmental policy before they award commercial contracts. By adopting a rigorous approach to managing our impacts, we also hope to disseminate best environmental practice through our supply chain.

Our targets

Currently: We have reduced our carbon dioxide emissions by 6.6 tonnes per million pounds of revenue over the last two years.

Five year target: To reduce our CO2 emissions per million pounds of revenue by 25% from our benchmarking level of 129.6 tonnes.

Stretch target: To become carbon neutral, mainly by reducing and then by offsetting.

These strategic targets are supported by a more detailed series of commitments.

By 2010...

- Reduce total CO2 emissions by 25%
- Reduce normalised* quantity of containerised solid waste sent to landfill by 25%
- Reduce fresh water use by 5%
- Reduce normalised* greenhouse gas emissions from building energy use by 10%

Bv 2012...

- Zero Carbon small Fleet in London within the London Low emissions Zone (LEZ)
- Achieve carbon neutrality across Royal Mail's Scottish operation.
- Reduce carbon emissions by 40% relative to 2009–10 levels.

Bv 2015...

- Reduce total CO2 emissions by 50%
- · Achieve carbon neutrality.

*NOTE: Where we use the word 'normalised', it is to take into account changes in volumes carried, distances travelled, number of buildings and other variables. Reductions are to be judged against baseline emissions from 2004/2005

Our Direct impacts

- Transport CO2 equivalents: the amount of carbon emissions equivalents produced by our road transport fleet in collecting, distributing and delivering our products
- Building CO2 equivalents
- Waste sent to landfill
- Reused/recycled waste: Reused and recycled waste is that not sent to landfill. This
 includes paper, cardboard, pallets, bicycles, uniforms, garden waste, furniture,
 computers, plus associated consumables and toner cartridges
- Metered water usage
- Land contamination: Fuel storage on our sites means we have a programme to manage and mitigate potential impacts
- · Environmental incidents, enforcement activities and prosecutions
- Noise

Our Indirect impacts

- Supply Chain Management: the management of the entire value added chain used by our business
- Commuting to work
- Avoided miles: Teleconference/video-conference and home-working

Our strategy

Our Group sustainability strategy can be summarised very simply – Avoid, Reduce, Replace and Offset. We have two overarching objectives: to reduce our use of energy across the business as far as possible, and to use renewable/alternative energy sources to power remaining energy requirements. Any residual emissions that cannot be avoided or diminished will be offset through tree planting schemes delivered through our partner, the Woodland Trust. We believe this strategy will significantly reduce our costs, enhance our corporate reputation, reduce risk and improve our market position. We outline below our strategy for achieving these goals.

Taking a creative approach to improving our environmental sustainability. We are committed to building our internal expertise and working with outside organisations to ensure our carbon management programme is innovative, engaging and effective.

Improving productivity – doing more for less. The effective management of our impact on the environment will save Royal Mail Group money. We have conservatively estimated our Carbon Management Programme could save the business £135 million over the next ten years.

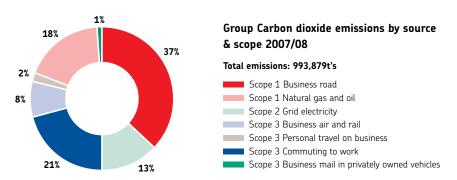
Growing our business by developing sustainable products and services. We know our customers want help to achieve their own sustainability targets – we want to provide that assistance. Such an approach will improve our competitiveness in business-to-business markets, add value to our relationships with existing customers and demonstrate to the broader community how serious we are about sustainability.

Recruiting talent. We know that the environment is of increasing concern to society at large. Adopting a robust and effective approach to sustainability will help us attract and retain motivated and talented individuals.

Demonstrating leadership. Royal Mail Group is already recognised as 'best in class' within the postal industry for its track record on the environment. We want to build on this in the future by sharing our experience with other organisations and spreading best practice through the marketplace at large.

Reporting and monitoring our progress towards our targets. Our KPIs and Data Reporting project is critical to ensuring our Carbon Management Programme meets its stated objectives.

Our performance



Environmental	2007/08	2006/07	2005/06	2004/05
Building energy consumption (gwh)2	1,085.3	1,040.8	1,151.7	1,272.7
Renewable energy (% of electricity consumption)	99.0%	98.8%	1.2%	1.2%
Renewable energy (electricity consumption in GWh)	364.0	377.6	5	5
Water usage (m3)	2,197,831	2,035,160	2,254,720	2,166,066
Road fleet fuel procured (million litres)	144.2	147.6	153.9	160.5
CO2 emissions from mail operations (CO2 kg per 1000 items) – due to increase in volume of mail items* 6%	18.1	18.0	18.7	19.9
Total CO2 emissions (tonnes)	993,879	995,336	994,235	1,047,303
Solid waste dispatch to landfill (tonnes)	34,449	42,133	47,126	48,074

NB $\,$ 2004/5 figures shown to provide baseline against which to judge our progress

Over the past year, we have made progress in reducing Royal Mail Group's total CO2 emissions. We know we can go further to minimise our impacts on the environment, and take better advantage of new technologies and working methods. We have outlined below the measures we have taken over the last 12 months to improve our sustainability.

Taking a creative approach: We are working in partnership with the Carbon Trust, Forum for the Future and the Building Research Establishment to ensure we have access to the best advice and the latest and most innovative ideas on how to improve our sustainability. We have already implemented a number of measures to help our employees improve the environmental performance of the Group as a whole. These measures include the development of a bespoke driver training module on our intranet to help employees consider the environmental impact of their driving behaviour. We have also designed and implemented a Carbon Neutral Payroll Giving Scheme for our people, delivered in partnership with the Woodland Trust. The Scheme currently has around 400 participants, and has won the Institute of Fundraising's 'Best use of payroll giving' award. We are also working on methods to remind our employees to put the environment at the centre of everything they do. For example, we have added the 'Think Before You Travel' logo and guidance on our new on-line expenses form, to help employees remember to use video conferencing, teleconferencing and webex as an alternative to business travel.

Improving productivity: We want to reduce our environmental impacts as far as possible. We are developing a carbon calculator to understand better our road transport emissions and how we can use alternative fuels to reduce them. A Fuel and Transport Strategy Group has been established to explore this area further and is already trialling a small number of alternative fuel vehicles to evaluate their performance.

We are also determined to reduce the emissions of our corporate real estate. One of the most effective methods is the use of meters which enable us to monitor and review our energy use. Our largest sites are now fitted with Half Hour electricity meters, and a second tier of larger sites will be fitted with AMR (Automated Meter Reading, which works on a weekly basis) in due course. For future sites, we have established a Future State Buildings project team to help us design and construct carbon neutral buildings through horizon scanning and future modelling. This will be increasingly important, as the Government looks to stipulate that all new buildings are carbon neutral/zero.

Minimising our existing footprint is one thing – we also want to ensure our future energy needs are met in a sustainable manner. We are proud to have already achieved our target for the procurement of renewable electricity, with 98% of our UK electricity acquired from certified renewable sources. We are currently looking at the feasibility of installing wind turbines in specific locations, and have already applied for planning permission for a 1 Mega Watt turbine at our Warrington Regional Distribution Centre.

Growing our business: We have built a bespoke carbon calculator to help our commercial customers estimate the environmental footprint of individual mail items. Our business units have used this data to develop carbon neutral products and services for their customers. Further details on how we have used our sustainability programme as a driver of business growth can be found in section 9 – Marketplace.

Recruiting talent: We are currently participating in BITC's index survey to determine our position in the marketplace on corporate responsibility issues. This will help us gauge our success in using corporate responsibility as a mechanism for retention and recruitment.

Demonstrating leadership: Royal Mail Group's supply chain is large, and we are committed to using our procurement process to encourage environmentally-sustainable practices amongst our suppliers. This will have the additional positive effect of reducing our own indirect carbon footprint. Our Supply Chain Management Project has already accurately forecast customer demand for carbon neutral products and services, and delivered training on this issue for Group procurement personnel. It has also estimated the carbon footprint of Royal Mail Group's top 80 strategic suppliers, and is developing a long-term approach to the sourcing and procurement of energy across the Group. Finally, it has delivered a biofuel feasibility study to guide the business's approach to using alternative fuels.

Reporting and monitoring: Our Key Performance Indicators (KPIs) and Data Reporting project team have developed a robust set of metrics to ensure Royal Mail Group can accurately report the progress of its Carbon Management Programme work-streams. It has established baselines against which we can measure our progress, and developed KPIs linked to general cost-reduction programmes. It has also helped us to identify best practice and recommend improvements to existing projects, as well as publishing progress updates in an easily understandable and communicable manner.

9.0 Marketplace

From this year onwards, Royal Mail Group's separate business units will report against Business in the Community's fourfold classification of impact areas.

BITC's marketplace category emphasises socially-positive business activities and outcomes. As an organisation, we are working hard to ensure that our products and services, and the way we operate within our supply chain and in the broader commercial world, all reflect our commitment to keeping in touch with the needs and demands of our customers, our suppliers and the marketplace at large.



Our ambition

To put corporate responsibility at the heart of our commercial offering, to distinguish ourselves in the marketplace.

Our ability to excel in the marketplace will be conditioned by how successful we are in meeting business objectives in a socially positive manner. As a major commercial player with an annual turnover of more than £9 billion, we regard positive relationships with our customers, both commercial and domestic, as central to our corporate responsibility approach. We want to build on our reputation as one of the UK's most trusted brands to become the leading organisation in corporate responsibility in the UK.

There is a commercial motive for this: customers are increasingly viewing a strong portfolio of corporate responsibility activities as a differentiator when choosing a carrier, particularly as part of the tender processes for major contracts.

We firmly believe that our commitment to corporate responsibility is key to our long-term business growth. We are determined to build our reputation in this area, so that Royal Mail Group is as synonymous with responsible business practice as it is with first-class service.

Our targets

Currently: We are participating in the Business in the Community index survey to establish a baseline indication of our position in the marketplace. These results will be available in early 2009.

Five year target: We will be a top quartile performer in our sector.

Stretch target: We will be the leading organisation in our sector in this area.

Our strategy

We have developed two broad streams of activity to help us achieve our marketplace ambitions:

Developing products and services that our customers need and want: We need to accurately reflect and anticipate what our commercial and domestic customers demand of their logistics company. We need to deploy the latest technologies, use the most effective working methods to remain competitive and communicate our offering in the most innovative and inspiring manner possible.

Disseminating best practice through the supply chain into the broader market. We engage with over 10,000 suppliers a year, spending a total of £2.3 billion. We have significant leverage in the marketplace which we can use to amplify our commitment to sustainable and responsible business practices.

Our performance

We are currently participating in BITC's index survey to help us establish our position in the marketplace on corporate responsibility. Next year's annual report will therefore provide a full update on what we have achieved in the last 12 months.

But in the interim we outline below what progress we have already made towards incorporating corporate responsibility into the very heart of our business.

Developing products and services that our customers need and want: We believe it is fair and right for an organisation like Royal Mail Group to support and reward good environmental behaviours in an innovative way. Across the business units, we have developed a number of products over the past year to help our customers improve their own environmental sustainability and reduce their costs. For example, Royal Mail has been working with a number of organisations to develop a new environmental standard for direct marketing – PAS 2020. This standard, developed in partnership with BSI, sets out objectives to help improve environmental efficiency in direct marketing materials. Meanwhile, Parcelforce Worldwide has developed a Carbon Free Parcel Programme to offer customers the option of offsetting the carbon associated with their parcel delivery. Royal Mail has also begun offering a Carbon Neutral Door-To-Door service, which rewards mailers who use recyclable and sustainable materials. It has also started implementing a Responsible Mail programme within the business to ensure it is using fully sustainable and recyclable materials for all communications.

How does the Carbon Neutral Door to Door service work?

At Royal Mail, we are committed to encouraging our customers to adopt an environmentally aware attitude towards mailing. Our Carbon Neutral Door to Door programme rewards mailers who use recyclable and sustainable materials. This scheme aims to minimise the environmental impact of our Door to Door service for the delivery of unaddressed items. To encourage customers to join this scheme, we help them make their mailings more environmentally friendly.

We can calculate the CO2 emissions produced by customers' individual mailings and how much needs to be offset to make their mailing carbon neutral. We then pay the amount to one of our offset scheme partners such as The Woodland Trust. Once this amount has been paid, customer mailings are carbon neutral. We help customers target their mailing more effectively to improve the efficiency of their campaigns and by adopting our Responsible Mail practices they can minimise the carbon impact of their mailing.



Disseminating best practice: Royal Mail Group is developing an Ethical Standards and Code of Conduct Statement which outlines how we expect our suppliers and partners to behave. It requires that they adhere to legal standards for the manufacture of goods or provision of services, and that they work towards the highest possible standards in their conduct towards their employees. It also promotes compliance with Royal Mail Group's Responsible Procurement Policy, which includes assurances relating to the elimination of bribery and corruption.

Over the next year, we will be working on a number of innovative projects to further improve our position in the marketplace on corporate responsibility. We will provide a full update on these activities next year, but we have outlined just a few of them below to demonstrate our commitment to responsible business practice:

Simply Drop

Royal Mail will trial a new service, called Simply Drop, in Camden and Bexley in the first half of 2009. The scheme will offer UK consumers the easiest, most accessible way to recycle electrical items for money. Residents in the two trial areas will receive pre-paid degradable polylopes into which they can place their old electrical items. A website will enable them to find out the value of their items, which they can post off to Royal Mail. Once the item has been received and verified, Royal Mail will send back a cash payment for those items. In Camden, customers will be able to access the same service over the counter at our Post Office branches.

Sustainable Mail

Over the next year, Royal Mail will develop a new product designed around three key environmental needs - waste minimisation, improved sustainability, and increased recyclability. This product will target poor environmental behaviour amongst our customers, and encourage them to adopt an environmentally responsible approach to preparing mail.

WRAF

Over the next year, Parcelforce Worldwide will work with WRAP and a group of major commercial customers to design trials of different reusable packaging options.

10 Assurance

We believe publishing an open, transparent and independently-reviewed annual CR report will encourage stakeholder confidence and trust in our business activities.

10.1 Internal Audit Assurance Statement

Our remit is to provide assurance on the alignment to supporting documentation of selected data in the 2007-08 Corporate Social Responsibility Report. Our work was planned and completed with reference to the International Standards for the Professional Practice of Internal Auditing, which provide a reasonable basis for our opinion.

Ultimately, the Report remains the responsibility of, and has been approved by, the Royal Mail Holdings plc Board.

The assurance provided is based upon the strict definitions supplied for the areas below.

In our opinion, the figures reported in the 12 areas below are aligned to supporting documentation and are therefore reliable.

Environmental

- Road fleet fuel procurement
- Electricity consumption
- Gas consumption
- Water consumption

Health

• Sick absence percentage

Social

Payroll giving

Safety

- Total number of accidents
- Total number of accidents per 1000 staff
- Total number of absence accidents
- Days lost due to accidents
- Total number of fatalities
- Number of RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Requirements) reportable incidents

Derek K Foster

Internal Audit & Risk Management Director November 2008

Operational Definitions

INDICATOR		OPERATIONAL DEFINITION
Env	ironmental	
1	Road fleet fuel procurement	Total road fleet fuel procured. 'Road' excludes personal mileage, non-operational hire vehicles and owner-drivers.
2	Electricity consumption	Total electricity consumption, as recorded via the TEAM and Utilyx systems*.
3	Gas consumption	Total natural gas consumption, as recorded via the TEAM and Utilyx systems.
4	Water consumption	Total water consumption, as recorded by the TEAM and Utilyx systems.
Saf	ety	
5	Total number of accidents	Total number of accidents reported, as recorded on the My People system.
6	Total number of accidents per 1000 staff	Total number of accidents reported per 1000 staff, as recorded on the My People system.
7	Total number of absence accidents	Total number of accidents resulting in absence from work, as recorded on the My People system.
8	Days lost due to accidents	Total number of days lost due to accidents, as recorded on the My People system.
9	Total number of fatalities	Total number of fatalities of RM employees and third parties as a direct result of our actions, as recorded on the CSR Data Warehouse system.
10	Number of RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Requirements) reportable accidents	Total number of incidents as defined by 1995 RIDDOR regulations, as recorded on the My People system.
Hea	ilth	
11	Sick absence percentage	Total reported percentage of days lost due to accidents and ill health, as recorded on the My People system.
Soc	ial	
12	Payroll giving	Value of monetary donations to charity direct from payroll, made by employees (including RM pensioners), as managed by the Charities Trust.

^{*} The TEAM contract ended on 31 August 2007, and the Utilyx contract began on 1 September 2007.



10.2 Materiality Review

This review concentrates on the extent to which the Royal Mail Group Corporate Responsibility Report 2008 ('the Report') deals with materiality and the Group's material issues. The Report defines materiality in terms of stakeholder significance. We have assumed that issues publicly known to be of significant concern to the Group's stakeholders are material.

Overall the Report covers some of Royal Mail Group's most critical material issues, such as carbon dioxide production, in some depth. There are also some material issues which are identified, but could be described in more detail.

The Workplace section of the Report addresses diversity (and non-discrimination in particular), health and safety and the promotion of well-being. Royal Mail Group is a major employer in the UK; union and labour relations need to be more fully described. It would also be welcome to see an analysis of workforce gender and ethnic balance and representation in future reports.

The Social section of the Report concentrates on encouraging the involvement of stakeholders, particularly staff, with community issues. This is an important issue for staff. As the Report states, Royal Mail Group's Annual Report covers the branch re-organisation program. It would also be helpful to understand Group's approach to direct mail.

The Sustainability section covers the material issue of Group's carbon strategy and performance in some detail. Yet organisational impact on the environment extends beyond climate change, and it is welcome to see some reporting on water use and waste. Further material areas, on which it would be helpful to see more information in future reports, concern the Group's other environmental impacts, such as emissions to air and water, especially those related to its transport operations such as land contamination.

The Marketplace section, as the Report itself makes clear is in a transitional state and not complete. In future years, therefore, the report might be expected to cover the material issues of customer service satisfaction and the Group's treatment of its suppliers.

It would be a significant advance to see a fuller analysis of the Group's stakeholders as well as the breakdown of its performance by operating company. This would enable a clearer understanding of its material impacts to be achieved.

Article 135th February 2009

11 Appendix

The view from Unite

This years report contains a mixed bag of results.

From a people perspective, the number of reported accidents has fallen slightly yet the number of accidents per 1,000 members of staff has increased by 4.2%. Similarly, whilst the number of days lost due to accidents at work has fallen dramatically (down by more than 11,000 days) the number of accidents that have resulted in absence from work has increased by 3.2%. Reported cases of Bullying & Harassment have dropped by 12.33%, which is positive, but I have concerns that this number is being masked by under reporting due to concerns over future 'reprisals'.

Royal Mail Group colleagues continue to show how generous they are with over £2.7m being donated through payroll giving.

Similarly on the environmental front, the results seem to be mixed. Despite a considerable amount of effort being put into the environmental arena, the results do not appear to be all favourable. Water usage has increased by 7.99%, building energy consumption has increased by 4.27%, and the amount of $\rm CO_2$ emissions from mail operations has increased (although this has only increased marginally per 1000 items posted). On the positive front, the road fleet has purchased 5m litres of fuel less than last year, we have sent 7,500 tonnes less to landfill and the total $\rm CO_2$ emissions have been reduced by 1,500 tonnes. The partnership with the Woodland Trust for carbon neutral payroll giving is award winning.

I am aware that much work has been undertaken to reduce the carbon footprint of the organisation, as well that of our customers, and this is to be applauded. Work has been ongoing into sourcing less polluting vehicles and trials are soon to be taking place using electric vehicles for mail delivery.

Congratulations must go to the CSR Team, whose efforts have been recognised over the past year by external organisations, and I look forward to working with them again over the next 12 months.

Phil Pinnell

Unite/CMA Sector 30 January 2009

Keeping in touch

We know we are trusted by our customers. Maintaining that trust means honest and straightforward communication.

We will be open about our failures, and proud of our successes. We are open to feedback and comments, and will be delighted to discuss with all our stakeholders how we can improve our corporate responsibility performance.

If you want to discuss our corporate responsibility impact, please contact us at:

CSR, Royal Mail, Unit 6 Ancells Court, Rye Close, Fleet, GU51 2UY

Telephone: 01252 806610

Email: steve.boorman@royalmail.com

Web: www.royalmailgroup.com

This report is available in alternative media. Please do not hesitate to contact us for further details.

Royal Mail Group





