

touching lives, connecting people

Royal Mail Group Corporate Social Responsibility Report, 2008/09

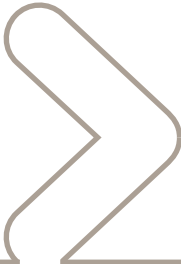


Royal Mail Group

Doing the right thing makes good business sense – building a leadership role in CSR enables us to distinguish ourselves in a competitive marketplace, reduce our bottom-line costs, and recruit and retain the best talent.

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Foreword

This is our seventh consecutive annual CSR Report and I am pleased to have the opportunity to share the progress our businesses are making across all the diverse areas reported here.

Our businesses touch the lives of millions of people every day and we contribute actively to the success of communities right across the UK. As we connect people in the course of what we do we want to ensure that the issues that matter to them are taken seriously and we take the opportunity to make a real difference, and a positive impact.

We care about corporate responsibility and are proud of the progress we have made, but realistic about the need to continue to improve. Our business faces significant commercial challenges; as we face these we believe our CSR activities will help our customers and our people benefit from the improvements we make.

In this seventh report we share the achievements from our programmes within our workplaces, communities, marketplaces and environmental areas and recognise the need to continue to deliver successful change in the future.

Adam Crozier



Our businesses touch the lives of millions of people every day and we contribute actively to the success of communities right across the UK.



Corporate Social Responsibility at Royal Mail Group:
Summary of performance

			2008/09	2007/08
Economic		External turnover	9,560	9,388
		Operating profit before exceptional items	321	162
		Exceptional items:	-138	-383
		profit/(loss) before taxation	183	-77
		taxation credit/(charge)	-278	212
		profit/(loss) after taxation	-229	135
Workplace	Health and safety	Total number of RIDDOR reportable accidents	4595	4887
		Total accidents	26,724	23,310
		Total accidents per 1,000 staff	149.9	128.8
		Absence accidents	8264	7108
		Days lost due to accidents	123,313	138,635
		Days lost due to accidents per 1,000 staff	691.72	762.4
		Total number of fatalities (all non-employees)	6	10
		Sick absence (%)	4.50%	4.86%
		Medical severance cost (£million)	12.6	11.16
	Equality and fairness	Total number of bullying and harassment cases received	708	775
Community	Social action	Total employee donations via payroll giving scheme (£)	2,689,730	2,702,818
		Total charitable donations	2,000,000	1,800,000
		Number of colleagues involved in volunteering and fundraising	20,597	14,769
Environment	Carbon emissions	Total CO2 emissions (tonnes)	810,301.7	993,879
		CO2 emissions from mail operations (CO2 kg per 1000 items)	20.3	18.1
	Building energy	Building energy consumption (GWh)	1012.6	1085.3
		Renewable energy procured (% of electricity consumption)	98.7	99
		Renewable energy procured (electricity consumption in GWh)	368.2	364
	Road fuel	Road fleet fuel procured (million litres)	138.3	144.2
	Water	Water usage (m³)	1,713,558	2,197,831
	Waste	Solid waste dispatched to landfill (tonnes)	23,226	34,449

Who we are

Royal Mail Group is a unique organisation: through our Royal Mail, Post Office® and Parcelforce Worldwide™ businesses, we serve every single person in the United Kingdom. The scale of our operations helps keep the UK connected:

Royal Mail collect, process and deliver over 75 million letters and packages to 28 million addresses every working day, in line with our unique Universal Service Obligation (USO). We are also responsible for designing and producing the UK's stamps and stamp products. This year, we achieved a 93% 1st Class Stamp & Meter Quality of Service, as opposed to 85.2% the previous year. Our customer complaints fell from 1.44 million in 2007/08 to 1.32 million in 2008/09.

Over 24 million customers visit our **Post Office®** branch network each week. The Post Office's national network of branches is at the heart of communities across the country. Our branches provide a trusted access point for everyday products, services and information in postal services, financial services, travel, banking, telephony, bill payments, Government information, retail and the secure transportation of cash. In 2008/09, the Network Change programme, which implemented the Government's decision on the closure of some 2,500 branches, was completed. We now have a network of c.11,500 branches along with 500 new Outreach services, which include mobile Post Offices and services that visit village halls or churches.

Parcelforce Worldwide™ is a leading provider of collection and delivery services for express packages and parcels within the UK and throughout the world. It handles some 404 million parcels each year, providing both business and private addresses with a full range of timed delivery options. Last year, Parcelforce Worldwide™ delivered 97.5% of parcels on time and with an electronic proof of delivery.

The scope of this report

This report relates to the UK activities of Royal Mail Group through its three principal brands – Royal Mail, Post Office® and Parcelforce Worldwide™. It covers activity during the 2008/09 financial year.

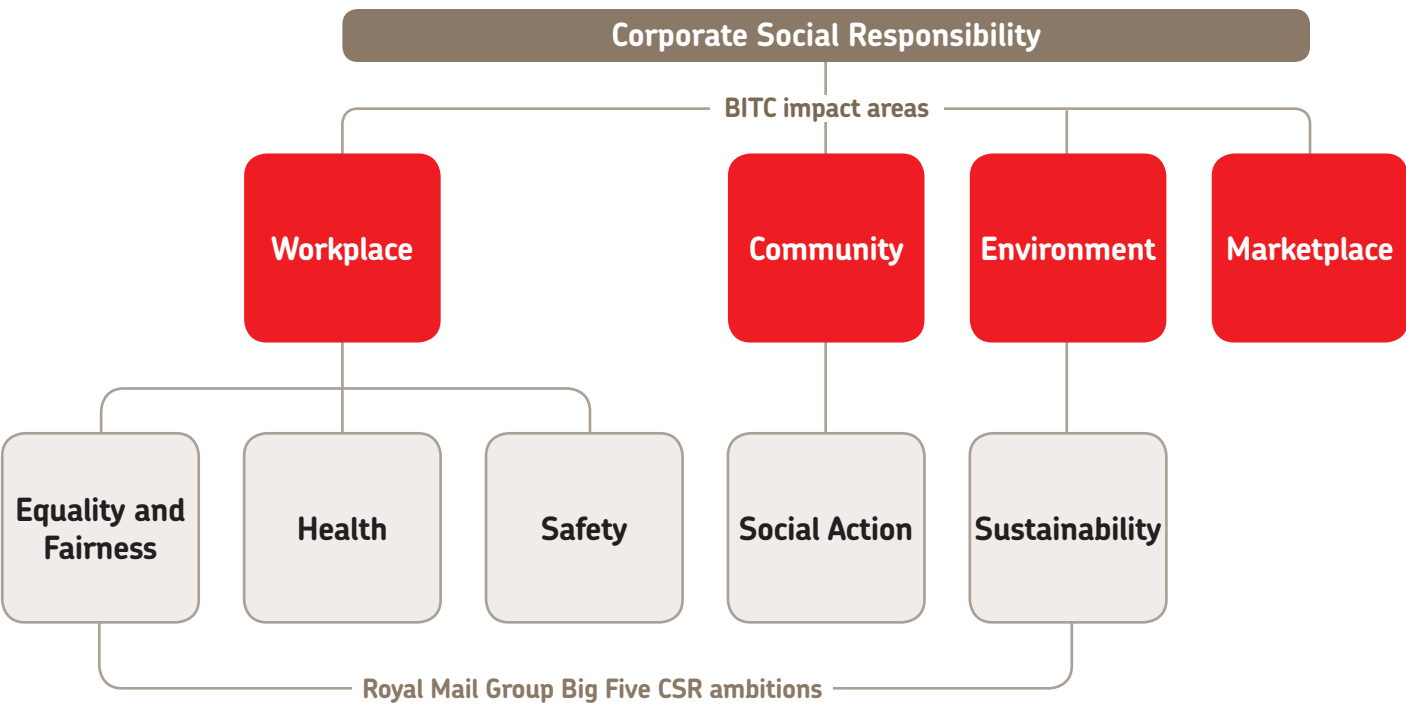
The report does not cover:

- General Logistics Systems, our European parcels arm (with one exception, the Economic data on page 6/7, more details available 2008/09 AR&A page 5).
- Agency-managed Post Office® branches run by subpostmasters and several major retailers. Directly managed Crown branches are included (except within the Community and the Equality and fairness sections of the report).
- Associate companies or joint venture arrangements (these are listed in the 2008/09 AR&R report page 13)

Our reporting structure

2008/09 represents the seventh year that we have published an external Corporate Social Responsibility report and the second successive year that we have reported on our activities using Business in the Community's four-fold classification framework.

Our reporting structure, reflected in the structure of this report, is as follows:



Our big five CSR ambitions

Our Big Five CSR ambitions are a product of our partnership approach.

Through these ambitions, we want to demonstrate our commitment to doing the right thing: for our customers, employees and suppliers.

Doing the right thing makes good business sense – building a leadership role in CSR enables us to distinguish ourselves in a competitive marketplace, as well as enabling us to reduce our bottom-line costs, and recruit and retain the best talent.

We aspire to become the leading organisation for CSR in the UK. This report provides an overview of our progress so far.

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 colleagues

4 Make a **positive social impact** on colleagues, communities, customers and suppliers

5 Become carbon neutral by 2015 and help our customers do business in an **environmentally sustainable** and competitive way

Engaging with our stakeholders

We've been working with our stakeholders to identify the issues where our organisation and its operations have the greatest impact, and where our CSR programme can deliver the greatest benefits.

This process of engagement has taken many forms, from formal strategic partnerships with charities like Barnardo's, to consultation with expert stakeholders like Forum for the Future. Our CSR programme is a product of this dialogue, the main elements of which are described in the following pages.

Stakeholder group and example	What they expect from us	How we talk to each other
Government Department for Work and Pensions (DWP) Department for Business, Innovation and Skills (BIS)	<ul style="list-style-type: none">• Manage our risks.• Consider our CSR impact.• Royal Mail Holdings is a plc 100% owned by the Government. The Shareholder Executive (within BIS) manages the shareholder relationship with the Royal Mail Group as a commercial shareholder. Royal Mail Holdings Plc is the parent company of Royal Mail Group.	While management of the Group lies with the Company's Board of Directors, the Shareholder is kept up-to-date through quarterly performance reviews and is asked to approve the Group's strategic plan. Any new funding required by the Group (apart from short term borrowings of less than one year) can only be approved by Government if it meets commercial principles.
Our people All employees	<ul style="list-style-type: none">• Provide a safe and healthy environment to work in.• Be treated with dignity and respect.	<ul style="list-style-type: none">• Weekly Work Time Listening sessions.• Have Your Say surveys.• InTouch programme.• Disability Action Group.
Trade unions The Communications Workers Union (CWU) represents non-managerial staff, with Unite the Union – Communication and Managers' Association (CMA) sector representing managerial staff.	<ul style="list-style-type: none">• Treat their members with respect and in a fair manner.• Consultation on CSR issues.• Responsible operations.	<ul style="list-style-type: none">• The Group's policy is to work with the CWU and CMA to engage staff in the development and execution of business decisions.
Corporate customers Top customers Account managed customers SMEs Downstream access partners	<ul style="list-style-type: none">• High quality and consistent service.• Good value for money.• Secure mail.• Minimal environmental impact.	<ul style="list-style-type: none">• Feedback on supplier questionnaires and invitations to tender.• Formal engagement on strategies.
Retail customers Members of the community	<ul style="list-style-type: none">• High quality and consistent operations.• Positive social and environmental impact.	<ul style="list-style-type: none">• Customer service.• On the doorstep and in local communities.• Through our branch network.• Through our website.



Stakeholder group and example	What they expect from us	How we talk to each other
The regulator: Postcomm (the Postal Services Commission)	The independent regulator for the postal market, Postcomm, set up by the Postal Services Act 2000, is responsible for setting a framework for Royal Mail's prices – the Price Control – in the form of a cap on the average price of a basket of products. The price increases or reductions allowed by Postcomm through the Price Control have a very material impact on the likely levels of cash flow the Company can generate. Postcomm also investigates compliance with Licence conditions and has broad powers to reprimand publicly or fine Royal Mail if it finds us in breach of those conditions.	Key to the relationship with the Postal Services Commission is the close involvement of the Chief Executive and Managing Director of Group Strategy. Control of the day-to-day relationship and all contact with the PSC is managed by the Regulation Department.
The consumer body: Consumer Focus Consumer Focus (replacing PostWatch)	Consumer Focus is the new statutory organisation campaigning for a fair deal for consumers in England, Wales, Scotland and, for postal services, Northern Ireland. Consumer Focus wants to ensure postal consumers throughout the UK are receiving a fair deal. It has strong new legislative powers.	The relationship is managed by the Company Secretary's Office with the involvement of the Chief Executive, Group Managing Directors, Unit Managing Directors and their teams, together with the Heads of External Relations. Control of the day-to-day relationship and all contact with the national body will be managed by Consumer Focus.
Partners CENEX, Fuel Cell Europe, Post Europe, BIFFA, Global Action Plan	<ul style="list-style-type: none">• Constructive engagement and input.	<ul style="list-style-type: none">• Co-operation on a range of CSR issues through working groups and meetings.
Charities, community groups and NGOs Barnardo's, Children in Need, Forum for the Future, Business in the Community	<ul style="list-style-type: none">• Behave in a socially responsible manner.• Be a good corporate citizen.• Partnership approach.	<ul style="list-style-type: none">• Consultation on CSR programmes.• Formal strategic partnerships.
Global community United Nations	<ul style="list-style-type: none">• Act as a good corporate citizen.	Report against the UN Global Compact (our most recent COP can be viewed at www.royalmailgroup.com/csr)

Stakeholder group and example	What they expect from us	How we talk to each other
Suppliers For example, CSC for IT support, ATOS Origin for Health services	The Group has a wide range of suppliers, with our primary reliance on those relating to outsourcing of non-core services, such as IT support. We work in partnership with our suppliers to ensure the right products and services are delivered at the right time at competitive costs.	A Group purchasing team monitors compliance to Group policy in awarding contracts or new business and adheres to agreed credit terms and CSR standards through our ethical procurement policy.
Subpostmasters The National Federation of SubPostmasters (NFSP) Major retailers	The vast majority of Post Office® Limited's c.12,000 Post Office® branches are operated by subpostmasters, franchise and multiple partners. The National Federation of SubPostmasters (NFSP) represents the interests of its members (typically independent subpostmasters). There are also several major retailers who are significant Post Office® partners – operating around 1,500 Post Office® branches across the country.	<p>The Post Office® conducts annual remuneration negotiations with the NFSP whilst also working closely with relevant aspects of the Post Office's five year strategy – designed to deliver a viable physical network by 2010/11.</p> <p>For CSR issues we work with the NFSP to roll out initiatives to the network. A quarterly community working group is held with NFSP representation.</p> <p>The Post Office® liaises directly with these major retailer partners as well as deploying senior account managers and business development managers to maintain successful working relationships at all levels. It is through the combination of effective partnership with the NFSP, as well as with the National Multiple Partners, that Post Office® Limited is able to take an overall view of the interests of the majority of agents, as we wrestle with the challenges associated with the longer term viability of the network.</p>

Materiality determination

We have tried to include issues that our stakeholders will want to read about within the scope of this report – based on feedback from our engagement processes. The independent assurance element of the report comments on the extent to which we have achieved this. We are reporting on progress against the principles of Business in the Community and using this to determine material issues.



Governance and reporting

Our Chief Executive and each of our Managing Directors have made CSR one of their top priorities, helping us integrate corporate social responsibility into our strategic management process.

The Royal Mail Group CSR Governance Committee is chaired by the Chief Executive and comprises the business unit Managing Directors as well as key senior internal stakeholders.

Our Group HR Director has day-to-day responsibility for CSR policies and activities. In turn, management is supported by a team of experts providing specialist support and advice to develop policies and approaches across the CSR agenda. Each business unit also has an appointed lead responsible for ensuring that operational plans deliver against Royal Mail Group's CSR objectives.

Reporting

This report has been assured according to the AA1000AS standard by Two Tomorrows, a leading sustainability consultancy. This level of assurance goes beyond previous reports, and demonstrates Royal Mail Group's commitment to communicating the progress of our CSR programme in a credible, transparent and independently verified manner.

We also continue to provide Communications on Progress (COP) as members of the UN Global Compact. The most recent COP can be found at www.royalmailgroup.com/csr.



Workplace

Aim

Royal Mail Group wants to become a world-class organisation.

To achieve this goal, we need to demonstrate equality and fairness throughout our operations, secure unrivalled standards of safety for our suppliers, employees and customers, and provide excellent support to maintain the health and well-being of our workforce.

Over the last year, we have made significant progress in these three areas. Highlights include:

- the re-launch of a disability helpline to provide case management for disabled employees
- the creation of a new governance structure to improve our Group-wide safety programme
- the development of an online health screening programme.

This section of our report provides an overview of what we have achieved during 2008/09 to create an environment in which our employees can flourish.

Approach

Royal Mail Group's Workplace programme comprises three of our Big Five CSR strands – Equality and Fairness, Safety, and Health.

Whilst each strand's strategy is set, administered and managed separately across the Group, our approach across all three has been to:

- identify and manage the key risks in our business to secure a safe and productive environment for our customers, employees and suppliers
- ensure effective monitoring and reporting of progress. We have made significant progress this year in tightening and refining the ways in which we define and measure progress against our CSR targets
- engage with internal and external stakeholders to make sure we can build on existing successes and identify and work on areas for improvement.



- Awards**
- BITC Example of Excellence**
(Healthy Workplace Award)
 - Shortlisted for Personnel Today Awards**
2009 – Award for Health at Work
 - Royal Society for the Prevention of Accidents Awards**
2009 – Gold Award, Safety
 - Royal Society for the Prevention of Accidents Awards**
2009 – Highly Commended, Occupational Health Award
 - Royal Society for the Prevention of Accidents Awards**
2009 – Managing Commended, Occupational Road Risk Trophy

Equality and fairness

Ambition

To demonstrate equality and fairness throughout our workplace.

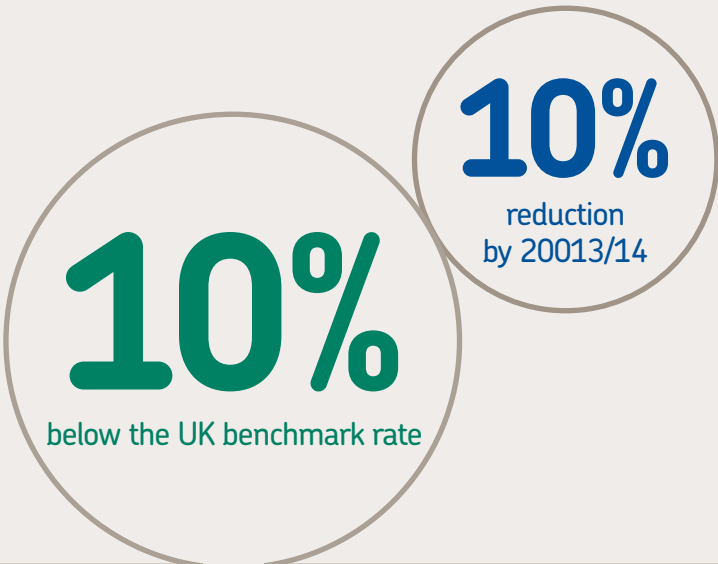
Why?

People have the right to be treated fairly and equally at work and have the opportunity to fulfil their potential. It is imperative that we reflect this by putting fairness, dignity and respect at the centre of our operations.

Our emphasis on equality and fairness will enable us to draw on the widest possible pool of talent, and maintain our competitive edge in a crowded marketplace.

Target

By 2013/14, Royal Mail Group aims to achieve an absolute reduction of 10% in the rate of discrimination claims, whilst ensuring our rate is at least 10% below the UK benchmark rate.



Equality and fairness (continued)

Internal monitoring improved

Over the past year our data reporting system has been modified so it can capture more comprehensive data on equality and diversity issues. In addition, we now ask for equality data on our internal Have Your Say survey, which gives employees the opportunity to disclose whether they have been bullied or harassed at work.

We have also taken steps to improve customer service in this area. We have put measures in place to monitor how accessible our buildings are, and provide assistance to help our customers use our services. We have also established a customer complaints process for people with disabilities.

Access improved

It is vitally important that our workforce reflects the diversity of our society. In the last year, we have conducted a review of the Group's recruitment processes to identify and remove barriers to working for us, particularly where these affect women and ethnic minorities.

We also want to remove physical barriers to using our services. During 2008/09, Post Office® developed a partnership with Direct Enquiries to monitor the accessibility of all our branches. Direct Enquiries conducted telephone assessments with all branches, and visited them to ensure that subpostmasters had the understanding and resources to improve their operations. From summer 2009, all members of the public have been able to view these audits. To further improve awareness of this issue within the business, Post Office® has also produced a film to spread best practice on how to identify and meet the needs of our customers with disabilities.

But our efforts to improve our accessibility do not stop there. With a growing number of customers using our website to access our products, we have also conducted a detailed assessment of how easy our online services are to use, and have developed an action plan to improve them.

Flexible working extended

In the last 12 months, we have extended flexible working hours to carers and parents. This brings us into line with recent changes to Government legislation.

Quality part-time work initiative

In 2007 Royal Mail Letters was given the opportunity to apply for Government matched funding to support the development of quality part-time work (QPTW).

The QPTW initiative was aimed at encouraging women into organisations that could offer them quality part-time roles, with hours that enabled genuine work/life balance.

Royal Mail committed to the development of nine part-time operational management roles (at the time there were no part-time operational manager roles available).

In early 2008, 21 new part-time manager roles were advertised internally and externally across three pilot areas, far exceeding the original commitment.

Key Features:

- 341 people expressed an initial interest in the roles.
- 231 of these subsequently completed applications.
- 101 of these were from women (47%), representing a significant increase on the 18% of female applicants in the previous 12 months for all operational roles.
- Every role attracted potential candidates.
- 53% of the roles were offered to women (five roles had no suitable applicants and one was declined upon offer).

Business Action on Homelessness

During 2008/09 Royal Mail Letters continued its support of the Business Action on Homelessness Scheme. The Royal Mail Field Operations Director sits on the National Board to provide strategic support to the campaign, and colleagues around the country support the Ready for Work placement scheme. During the year, 75 previously homeless people completed a two week work placement at Royal Mail with 47 of them progressing into employment with either Royal Mail or other organisations. At 62%, this is higher than the national campaign average of 55%.

Remploy

The Assisted Recruitment Scheme to attract disabled employees to the business has been operating this year in partnership with Remploy. 109 disabled people were placed across the Letters business and provided with support to integrate them back into the workplace. 65 of the people placed progressed into permanent employment with Royal Mail and 37 remained on temporary Remploy contracts. In addition, Remploy provided 117 temporary staff to cover the Christmas period. Royal Mail is now the number one provider of jobs for disabled people through Remploy.

Springboard

Royal Mail continues to deploy the Springboard Development programme for non-management female employees. The programme enables women to take more control over their own lives by identifying clear, practical and realistic steps that they want to take, and developing the skills and confidence to take them. This year 11 programmes involving 172 women were completed, bringing the total number of participants to 535. During 2009/10, the Spring Forward programme for junior female managers will be piloted to encourage participants to consider their next steps as Managers.

Commitment to business ethics extended

We are committed to fair practices throughout our supply chain. Last year, we established an ethical procurement policy to ensure our suppliers upheld the high standards of conduct we enforce within Royal Mail Group. Since 2008, we have built on these foundations to establish a supplier diversity framework. This framework is designed to open up our procurement processes to small suppliers representing minority and disadvantaged groups.



Equality and fairness (continued)

Corporate security

The security of mail is of paramount importance to Royal Mail Group. Consistent focus on our ‘mail integrity’ procedures will continue to deliver a positive downward trend in losses.

Attacking postal workers, stealing, delaying or tampering with the mail are criminal offences and any person involved in such activities is likely to be prosecuted. Royal Mail has its own internal security team to investigate any such allegations. Fortunately, this type of occurrence is rare and we operate a zero tolerance towards any failure to deliver mail by any of our postmen and women.

Responding to the challenges of a changing network

The last year has been a challenging one across Royal Mail Group’s operations. Throughout the last 12 months we have endeavoured to implement changes to our business that will help it modernise and respond to a dynamic commercial environment – all whilst ensuring that our employees and our customers understand and have a chance to engage with the process.

Network changes

In the last year, Royal Mail Group has drawn up a Code of Practice, which explains to customers how the Post Office® network is likely to change. This Code was agreed with Consumer Focus, the national consumer organisation, and was launched in April 2009. In accordance with the Code, before we finalise our plans we conduct a public consultation in the community. This enables Post Office® Ltd to fully engage with the local community directly affected by the changes and have due regard to local issues as part of the final decision-making process. For example, we conducted a consultation on the re-opening of a Post Office® service in Claverham in Bristol. Thanks to the feedback from local residents we were able to change the opening hours so that they no longer clashed with other village activities. Further details are available at www.postoffice.co.uk

Industrial relations

During 2008/09, Royal Mail worked with the CWU on implementation of the 2007/09 Pay and Modernisation Agreement. The focus was on developing local flexibility plans and implementing new working practices and equipment to modernise the business and improve efficiency. Despite the challenges of ongoing mail centre reviews and introduction of new working practices during the year, industrial relations remain a challenging area for the business, especially as the decline in the postal market makes modernisation increasingly important.

Pension arrangements

Royal Mail Group operates two defined benefit pension plans for employees – Royal Mail Pension Plan (RMPP) and Royal Mail Senior Executive Pension Plan (RMSEPP).

Both RMPP and RMSEPP are funded by the payment of contributions to separate trustee administered funds. The latest full actuarial valuations of both schemes have been carried out as at 31 March 2006. For RMPP, this valuation has been concluded at £3.4bn deficit. For RMSEPP, the valuation has been concluded at £43m deficit. Actuarial valuations as at 31 March 2009 are ongoing at present for both plans.

Deficit recovery payments are planned for RMPP over the 17 years from the date of the latest full actuarial valuation. These payments will be made before each 31 March. Over the 16 years from 31 March 2007, planned deficit payments for RMPP are £260m per annum, increasing in line with RPI (base year is 2006/07). For RMSEPP, deficit recovery payments will be £5.1m per annum from 1 April 2007 to 31 December 2015.

Payment of £290m was made during the 2008/09 financial year to fund the deficit in the plans, with £285m relating to RMPP.

Case study

Here is an example of how improvements in accessibility can have a local impact.



“Two years ago, Ronaldo and his wife moved into sheltered accommodation near the Post Office®. Ronaldo only has one leg and is dependent on his mobility scooter to get around.

He is a charming gentleman who takes an interest in our store and staff, but due to access problems has never been able to enter the shop.

When we had the go-ahead for the alterations, I told him that he would soon be able to come into the shop and Post Office®, but he doubted that his mobility scooter would fit.

Our alterations were recently completed, and when Ronaldo entered the shop he became very emotional. He will now be able to do his own shopping and Post Office® business. This is the only shop in the village he can enter: the grocers, butchers and chemist are inaccessible to him. He is now looking forward to the official opening where he will be the guest of honour.”

Carolyn Dixon,
Newton Ferrers, Devon

Safety

Ambition

To build an unrivalled safety culture within our organisation.

- Why?**
- As we are one of the UK’s biggest employers, it is our priority to ensure our employees, our suppliers and our customers are kept safe.
 - Establishing a positive safety culture makes good business sense: poor standards can adversely affect our operations, leading to increased costs, poor service and low staff morale.

Target

By 2013/14, we want to reduce our Lost Time Accident (LTA) rate per 100,000 hours worked to below 1.0.

- To achieve this ambition, we have commitments to:**
- equip staff with the necessary skills and knowledge to deliver more effective health and safety training
 - reduce the number and severity of injuries associated with slips, trips and falls
 - reduce the prevalence of Musculoskeletal Disorders (MSDs) within Royal Mail Group
 - equip operational managers with the skills to assess risk to a competent level.

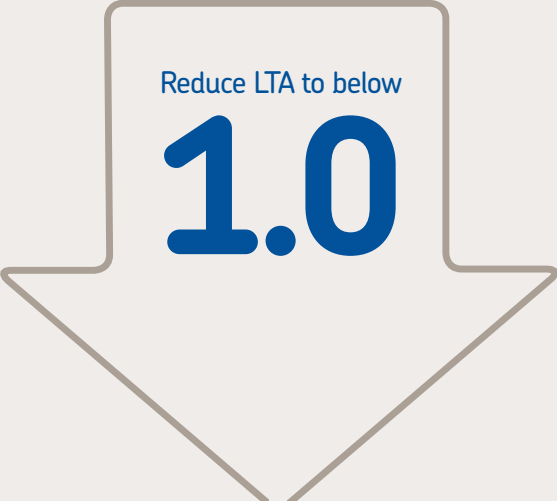
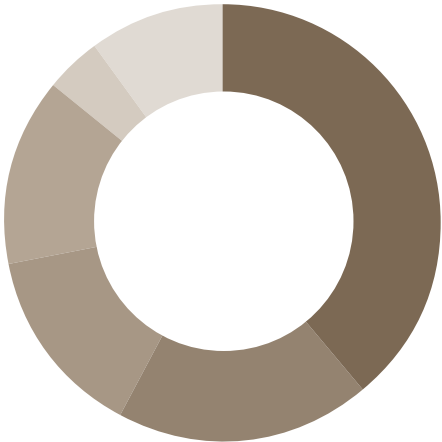


Chart showing the top five accident causes for 2008/09



10,073 (39%)	Slips, trips & falls
5,086 (19%)	Animals
3,746 (14%)	Lifting & handling
3,694 (14%)	Stepping on/striking against
1,067 (4%)	Cycles
2,555 (10%)	Other

New safety governance structure created

Over the last year, we have developed the governance structure in place to manage, monitor and improve our safety programme (www.royalmailgroup.com/csr). We have looked at issues such as accountability, reporting lines, training, internal and external engagement, as well as closely defining the roles played by internal stakeholders on safety. As part of this work, we have evaluated how we develop policy, plan and execute initiatives, measure, review and audit our performance. In the future, this work will ensure that we can better deliver on our safety commitments and spread best practice throughout the business units and Group.

The business units have now taken the policy and developed their own targeted plans to meet the needs of their particular operations. Once these business unit plans are complete, we anticipate that the Group’s safety goals will be reviewed and updated. For the time being, however, we will continue to report against our target of reducing the Lost Time Accident rate to below 1.0 by the end of 2012/13.

Targeting the serious hazards within our business

Our top five hazards by frequency are slips, trips and falls; animal attacks; stepping on/striking against; lifting and handling, and bicycle accidents.

Last year, we began the process of developing specific driver risk assessments as this was identified as another serious hazard within the business. These tests look at the threats affecting our drivers, assess their behaviour, and reduce their exposure to risk. We have continued this process this year.

Dealing with our hazards by severity

We have also developed measures to tackle workplace transport and poor safety within our yards. To reduce these risks, we have developed MARY (Management and Assessment of Risk in Yards) – an Excel-based platform that calculates the hazards in yards and identifies the necessary measures to reduce them. It also generates a site action plan automatically to reduce risk. So far, MARY has been carried out in more than 1,830 sites across the UK.

Safety *(continued)*

We have also addressed the hazards that arise from construction work on our estate. We have integrated the Construction Design and Management Regulations (CDM) into our operations, working with our suppliers and stakeholders to ensure we benchmark other business's approaches to construction safety and share best practice. We have also developed a 'CDM Platform' – a web resource that contains information about our sites, how we manage them, our design standards, procedures, and health and safety files. This platform is available to all project team members, provides training on the CDM regulations, and ensures they can plan and execute work in a safe manner.

Improved compliance

The changes we have made to our Group Safety Policy provide clearer guidance to Post Office®, Royal Mail and Parcelforce Worldwide™ about how to develop their safety management systems. We have also adopted a defined management system, HSG65, for benchmarking purposes.

Reporting mechanisms between the business units and the Group have also been improved. Safety is now a standing item on the Royal Mail Group Holdings Board agenda, and we now require the submission of annual assurance reports by the business units and Group Head of Safety.

Greater consistency of standards

Where hazards and conditions are similar across the business units, Group Safety Standards have been developed to reduce accidents and improve the consistency of hazard removal or risk reduction. Examples of these are:

- yard risk assessment: completion of our MARY risk assessment tool is measured centrally, with sites reporting back at each key milestone on their action plan. Managers are given a deadline to complete the assessment, with an annual national audit ensuring compliance and the implementation of any necessary control measures.
- Construction Design and Management (CDM) compliance: in order to ensure compliance with our regulations on construction work, we have created a Group Safety Standard on CDM. This will help us drive consistency and best practice.

Deepened our partnerships on safety

It is important that our safety strategy reflects the input of our key external stakeholders, such as the HSE, the CWU, and our suppliers, as well as our employees and managers. Our Senior Safety Practitioners Forum, which identifies trends, reviews policy, and provides guidance to the rest of the business on safety issues, also offers us a forum to do this.

Following on from the Large Organisation Partnership Programme (outlined in previous CSR reports), we continue to work in partnership with the Health and Safety Executive and local authorities to improve hazard removal on issues like delivery routes and accident reduction. From April 2009, Regional Safety Events led by the HSE were held throughout the country. These covered the following subject areas:

- Slips, trips and falls.
- What changes behavior?
- What does 'good' look like?
- Safety culture.
- Champions and leaders.
- Overcoming objections.

Training our employees

It is important to give our employees suitable learning and development opportunities to improve their awareness of safety issues and methods of dealing with them. This year, we are reviewing the internal training provided in the following areas:

- Persons in Control.
- PIC Essentials.
- Fire Safety Management.
- A Safe Place to Work.

In addition, we are reviewing the competency skills of those who deliver our in-house training.

Allan Holt Memorial Lecture



The progress we have made on safety issues this year is testimony to the hard work and commitment of our employees and the health and safety practitioners within the organisation.

There is one very important such person whose work we commemorated this year – Allan Holt. Whilst he was Group Head of Health and Safety at Royal Mail, Allan helped reduce accidents by half.

This year, we established the Allan Holt Memorial Lecture to remember his contribution to the speciality and to the organisation, and to promote debate on professional standards. The event had very high attendance from across the safety profession and the country, and John Rimington, a former Director General of the Health and Safety Executive, was the keynote speaker.

Health

Ambition

To provide first class support to improve and maintain the health of our employees.

Why?

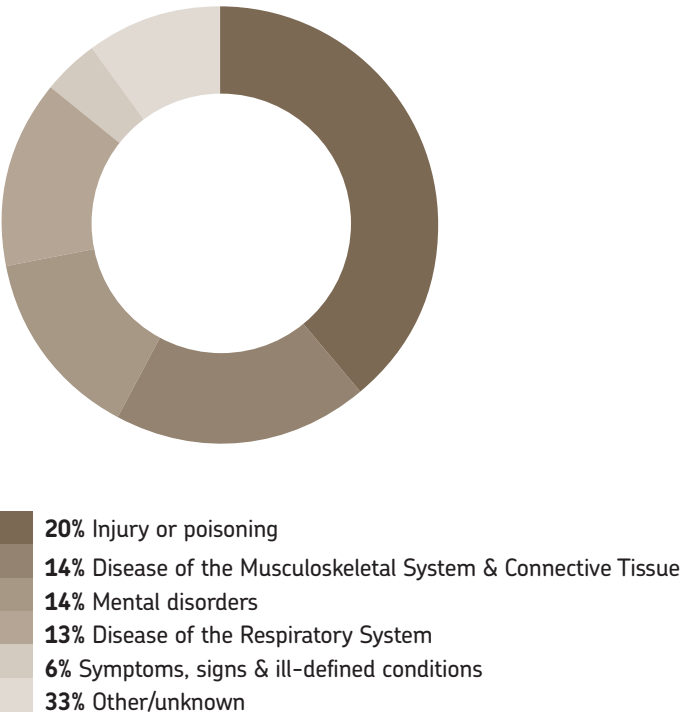
We recognise and acknowledge our responsibility to promote healthy lifestyles amongst our employees and help them manage whatever issues they might face. This is now more important than ever, with longer shifts and later retirement increasingly common in our workforce.

Promoting health and wellbeing makes business sense: we want to reduce sickness absence and boost workplace morale to improve our commercial performance.

Targets

- To reduce absence from illness by 10% per year.
- To improve colleague participation in Feeling First Class health promotion programmes by 20%.
- To reduce the cost of ill health to the business by 15%.
- To increase our colleagues' basic first aid skills base by 20%.
- To review and focus our network on five health partnerships and initiatives that can deliver a quantifiable business benefit. We will aim for these partnerships to achieve a 50% benefit, year-on-year.

Chart showing the top five sick absence causes by percentage for 2008/09



Sickness and rehabilitation support extended

Over the last year, we have improved the sickness and rehabilitation support offered to our employees. Working with our suppliers, we have made provision for all referred employees to receive a telephone call from a nurse within three days of a call made to Atos Healthcare. For people suffering from musculoskeletal injuries, we have offered one-day referrals to occupational health, physiotherapy and functional restoration programmes. These interventions have resulted in a 71% reduction in this form of sickness absence, and 76% success rate in returning employees to full duties.

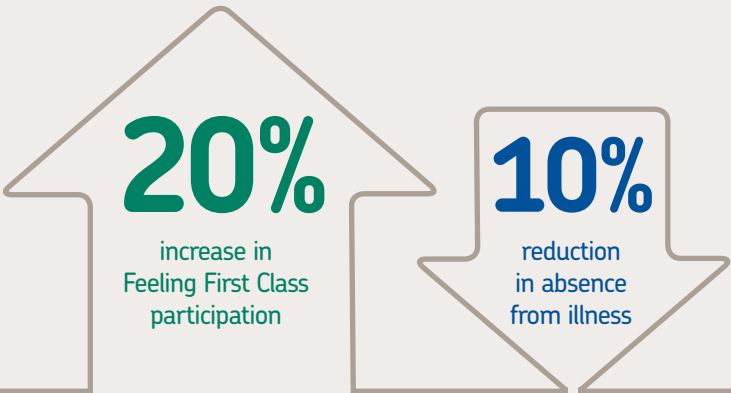
Measures to promote well-being improved

We continue to use a variety of media to promote health and wellbeing to our 170,000 employees. In June 2008, we held a Men's Health Event to raise the profile of men's health issues across Royal Mail Group, with a similar women's event in October last year. We received excellent employee feedback from these events.

Improved health risk management

We believe that preventing sickness is better than curing it. During 2008/09, we have continued our programme of health screenings for employees, enabling them to meet a trained nurse to discuss issues such as weight and diet, blood pressure, and cholesterol. We have also developed an online screening programme that is being rolled out across the UK. In 2008, we invested roughly £550,000 in health screening services, with employees providing overwhelmingly positive feedback.

"I had a few health concerns before I went... but the nurse gave me useful information which has helped"



Health *(continued)*

As a result of our women’s event, we were also able to identify specific interventions to improve the health of our female employees. For example, we found evidence of higher levels of obesity amongst our workforce than the national average. This data has helped us plan more intensive drives to promote healthy living, including diet and exercise, in the future.

Royal Mail Group also recognises that absence is not always caused by physical sickness – family issues and stress can be equally important factors. We have extended access to our HELP confidential helpline via a dedicated website. Costing £2.2 million a year, the service is available 24/7 and has supported over 15,000 people in 2008/09. It is available to all employees across the Group and their dependants. We ensure that management teams are regularly updated on issues of concern in their area so they can take action.

In 2008/09, we also piloted a stress programme at our London site, where participants were shown ways of using physical exercise to manage their stress levels. Overall results showed exceptionally high levels of satisfaction with the service, with 73% of respondents reporting they were very satisfied. 82% indicated that they would continue with an exercise programme and 91% noted they would recommend a friend. Importantly, early indications also show a notable reduction in sickness absence, improved Clinical Outcome scores, and significant cost savings.

Building effective partnerships

We have continued our work with Atos Healthcare, a specialist provider of occupational health services. We have also worked with local Primary Care Trusts, which have taken part in delivering health fairs, and provided us with free Quit Smoking promotions, seminars and training. Over time, we intend that these health fairs will replace the health bus programme we have previously used. Our catering and fitness centre providers have also been an integral part of our health promotion programme, offering services to develop our resources on nutrition and helping us host wellness days on sites.

“Excellent idea. I don’t normally get time to get to the doctors for a check-up”

“Talking to someone outside of my work environment helped me to relax and open up more”

“I think it’s a great thing to have done. Every workplace should do this for all employees”

“I didn’t realise that exercise could help me to relieve stress”

“As a result of having a health check, the nurse identified that I have high blood pressure. She strongly advised me that I should make an appointment to visit my local surgery to investigate more. I wouldn’t normally have bothered... but I am now having an operation that will, among other things, prevent me from having kidney stones and osteoporosis and reduce the likelihood of a stroke or heart attack. Without the health check, I would be none the wiser.”

“I am still using techniques learned to support me in my role as a manager”

Community

Royal Mail Group is active in every single community in the UK.

We want to use this unique reach to make a positive impact wherever we can. Our social action programme helps us harness our employees, products, services and purchasing power to address important community issues, and help the people whose lives we touch.

Award

Institute of Fundraising Awards
2008 – Winner, Best Use of Payroll Giving Award

Approach

We want our employees, our customers and our suppliers to share our commitment to having a positive social impact on our local communities. We have focused our community strategy on areas where we can unlock the natural enthusiasm of our employees and customers to help others, and where we can use partnerships with community organisations to focus and direct our efforts to assisting those in greatest need. Our approach to community has been informed by our commitment to:

- working in partnership with organisations who make a difference at a local level. Over the past year, we have established a strategic partnership with Barnardo's, and engaged with Business in the Community, and Children in Need to develop opportunities for our employees to engage with local issues
- improving volunteering so it means more than just 'done in a day' projects. We fervently believe that greater engagement with community issues will help our people in their day-to-day work, as well as helping them develop important skills for our business. It will also facilitate employee retention
- increase fundraising within Royal Mail Group by providing structures and mechanisms to help our 170,000 employees raise money for good causes
- engage our customers by offering imaginative products and services to help them make a positive social impact.

Social action

Ambition

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

Why?

Our scale and depth give us a unique insight into the particular issues affecting local communities. We consider it our duty to provide support where we can. Our customers expect us to have a positive impact on the way they live and work. Having a strong brand reputation on social issues will help us retain and win business.

Targets

- By 2013/14, Royal Mail Group aims to achieve the following:**
- Engage 25% of our employees in fundraising and volunteering.
 - Launch a successful Cause Related Marketing (CRM) campaign which has good customer awareness.
 - Have 35,000 employees connected to good causes, raising over £3million.
 - Generate 100 work placements for people who are experiencing homelessness, as well as 100 placements for young people from Barnardo's community projects.
 - Involve 5% of our suppliers with Barnardo's.



Social action (continued)

Increased volunteering

Our strategic partnership with Barnardo's was established last year after an employee vote. They voted for us to focus our attention on youth, and examine how we can help free children from poverty, abuse and discrimination. Throughout 2008/09, we have been promoting the Barnardo's partnership, through a variety of platforms. These have included toolkits, which contain instructions on how to volunteer as a team or as an individual, support grants, and money for project start-ups. Across Royal Mail Group, we have seen a 69% increase in volunteering projects, and a 122% increase in volunteers taking part in projects.

Our Community Champions scheme has also proved immensely popular. The scheme provides practical guidance on how employees can help volunteer with and fundraise for any charity of their choice, including Barnardo's, and is intended to inspire and motivate employees to get involved.

In 2008/09, employees from Royal Mail Group:

- refurbished a Barnardo's young person's drop-in zone in Wrexham, and supported their local Barnardo's store by encouraging people to buy their party outfits for the grand opening there
- assisted Barnardo's with a series of challenges when, over a weekend, 20 Parcelforce Worldwide™ teams redecorated a young carer's flat and helped Barnardo's retail shops with summer to winter stock changeovers, amongst other things.

In addition to our work with Barnardo's, our Get Involved! campaign continues to offer employees a range of opportunities to volunteer in small local projects and nationally organised events.

School volunteering pilot

Over the last year, Post Office® has worked in partnership with Business in the Community (BITC) to develop a school volunteering pilot. The programme, which ran in four regions, aimed to offer schools the benefit of extra resource, whilst giving our employees the chance to volunteer and develop their skills.

124 employees participated in team challenges in schools, and 36 people helped with reading sessions and skillsbank sessions with children and teachers. The feedback from this pilot has been outstanding – in the London pilot 100% of participating employees said their perception of Post Office® had improved because of the experience, with 60% saying that the experience made them feel more committed to Post Office® as an employer:

“This is a brilliant idea. The Post Office® is already well respected but this is more about our people and less about the brand. I loved every minute and would do it all again!”

Record fundraising through our branch network

Our Join In! programme looks at ways we can use our branch network to engage customers with good causes. For example, to help raise money for Barnardo's, our Post Office® branches now have partnership-branded collection tins. In one month alone, these tins generated £8000 of funding for the charity. Post Office® has also developed an Automated Payment process to enable Barnardo's to receive donations automatically over the counter.



Children in Need

2008 saw Royal Mail Group raise over £600,000 for Children in Need – a new record for the company.

Activities during this campaign ranged from the simple (placing buckets in all Post Office® branches – this alone raised over £360,000) to the innovative (Post Office® donated 10p per foreign currency transaction to Children in Need, raising £155,000).

Cause Related Marketing

We recognise that we still need to fully develop our CRM strategy and realise the commercial potential offered by the scale of our services. We will be focusing on developing a more robust CRM plan in 2010/11.

Improved fundraising for illness and crisis

We have ambitious targets for fundraising within RMG, particularly on issues relating to illness and crisis. Over the last year, we have produced a booklet to explain what support is available to employees – 4,000 have been given out already. We have seen a 215% increase in the number of applications received for matched funding, with 36% more employees taking part in fundraising across the Group.

Rowland Hill Fund

The Rowland Hill Fund is an independent charity offering financial and practical support to Royal Mail Group colleagues, pensioners and their dependants. The assistance it offers is varied, and ranges from help with budgeting, to respite breaks, home modifications, and practical guidance and help when crisis occurs.

For example, Peter's four-year-old son is disabled, and unable to sit, stand or move on his own. He needed a special frame, which would give him the mobility and independence to start special school, and to join in activities with the other children. The Rowland Hill Fund were able to help the family with a contribution that allowed them to purchase the equipment.

Engaging with our suppliers

We have not yet developed formal metrics to measure our success for promoting take-up of our social action programme amongst our suppliers. This will be a focus of our work in 2010/11.

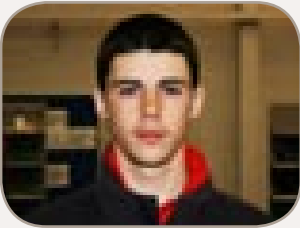
Measures taken to unlock talent

Our partnership with Barnardo's is already bringing young people from disadvantaged backgrounds into the business.



“I had previously found it hard to find work, but it was great working in the Mail Centre. I learned a lot and really enjoyed it.”

Sarah Dunn,
Barnardo's supported employee



“Since joining Royal Mail, everyone in the office has been very friendly and my manager has been really helpful. It is a physical job, but I'm really enjoying it.”

Daryll Brennan,
Barnardo's supported employee



Environment

Climate change is the greatest environmental challenge facing our generation.

As a large logistics company with 170,000 employees and 60 million customers, we believe that Royal Mail Group must take responsibility in helping deliver a low carbon economy.

This also makes commercial sense. A sustainable business is a competitive and more profitable business, because it can distinguish itself from others in its marketplace, reduce its costs and assist customers and suppliers in reaching their own sustainability goals.



Awards

Winner – Quality in Print Media Environmental Award, Quality in Print Awards 2008

Winner – Corporate Social Responsibility category for Carbon Management Programme, World Mail Awards 2008

Winner – Chartered Institute of Logistics and Transport Environmental Improvement Award 2007

Approach

Royal Mail Group’s Sustainability Strategy adopts the following principles:

Avoid and Reduce, Replace and Offset (ARRO), as recommended by Forum for the Future.

The strategy is managed through Royal Mail Group’s Carbon Management Programme (CMP)*.

Our approach to sustainability is also governed by our key business principles:

- Taking a creative approach to improving our environmental sustainability through the deployment of internal and external expertise.
- Improving productivity through effective management of our environmental impacts.
- Growing our business by developing sustainable products and services, and supporting customers in achieving their own sustainability aims.
- Recruiting talent by demonstrating that we are a responsible employer.
- Demonstrating leadership both within the postal sector and across industry.
- Reporting and monitoring our progress towards our ambitions and targets.

Our primary focus in recent years has been to reduce our direct environmental impacts. We now recognise that we should also be adapting our operations to the inevitable impacts of climate change. We are therefore looking into the development of an adaptation programme to manage the emerging risk to our assets and activities.

Ambition

We aspire to be the lowest carbon postal operator in Europe.

Why?

As one of Europe’s largest logistics companies, Royal Mail Group has a considerable direct impact on the environment through – but not limited to – emissions from our vehicle fleet and buildings, waste, water use, noise, and land contamination.

Becoming a sustainable business, and taking our customers and suppliers with us, will help reduce not only our direct impacts but also indirect emissions, such as those of our supply chain or of our employees as they commute to work. These measures will allow us to play our part as the United Kingdom makes its transition to the low carbon economy.

Being a leaner, more sustainable business will also boost our bottom line – not only by reducing operating costs but by making us more attractive to customers, who are increasingly demanding an effective and robust environmental policy before awarding commercial contracts.

Targets

During 2008/09, we began a process of reaffirming our approach, in order to deliver substantial reductions in carbon emissions, water use and waste production.

An overview of our revised approach, ambitions and targets will be presented in the 2009/10 report. Revised targets will take account of the recently introduced UK Climate Change Act and Scottish Climate Change Act, which have committed the United Kingdom to achieving legally-binding reductions in greenhouse gas emissions.

Royal Mail Group has also joined the 10:10 campaign, which aims to reduce national carbon emissions by 10% during 2010.

Our total greenhouse gas emissions have been reduced by **12%** since 2004/05†**

One of the first companies to be certified under the Carbon Trust Standard



*Membership of Royal Mail Group’s Carbon Management Programme (CMP) Board can be found at www.royalmailgroup.com/csr. The CMP Board includes representation from the Carbon Trust, Forum for the Future, and Cenex.

**Consistent with recent Defra guidance, we have calculated carbon dioxide equivalent (CO2e) figures for 2007/08 and 2008/09, and carbon dioxide (CO2) only for the remaining years back to 2004/05. Figures relate to scopes 1, 2 and 3 including private cars on delivery, owner drivers and employee commuting to work. Whilst we have continued to measure and report employee commuting to work within our footprint, our main focus is upon our larger impacts which are within our control. We are taking guidance on the role of employee commuting to work within our footprint, targets and performance reporting from 2009/10 onwards.

†2004/05 is our baseline year.

Environment (continued)

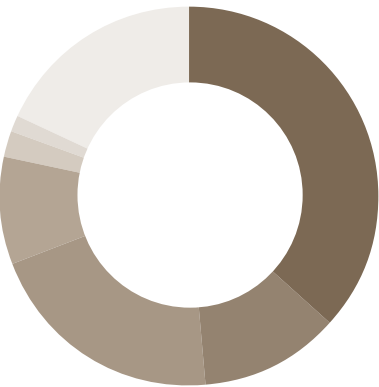
Performance

Absolute greenhouse gas emissions reduced by 12% since 2004/05.

Royal Mail Group achieved a reduction in its greenhouse gas emissions of 26,797.1 tonnes in 2008/09.

As demonstrated below our main impacts are related to transport and buildings. Our progress in reducing greenhouse gases associated with these areas, as well as waste and water usage reduction are reported below.

Group greenhouse gas emissions in tonnes by source and scope 2008/09



Scope 1 Business road (mail)	361,630.9
Scope 1 Natural gas and oil	119,356.4
Scope 2 Grid electricity	202,940.8
Scope 3 Business air and rail (mail)	902,18.1
Scope 3 Personal business travel	20,053.6
Scope 3 Mail in private vehicles	16,101.6
Scope 3 Employee commuting work	175,556.4

Transport-related greenhouse gas emissions reduced by 9.8% since 2004/05

Royal Mail Group recognises that transport-related impacts form the majority of our footprint, and therefore also represent the biggest opportunity for significant greenhouse gas reduction. We focus upon avoiding and reducing fuel consumption, through behavioral change and the replacement of existing technology and vehicles with low or zero carbon alternatives.

Measures implemented in 2008/09 have included the introduction of route-mapping technology to reduce mileage, reviews of material-handling equipment to reduce size and weight, promoting the use of teleconferencing and webex facilities as a substitute for business travel, and continuing to introduce double-deck trailers to the fleet.

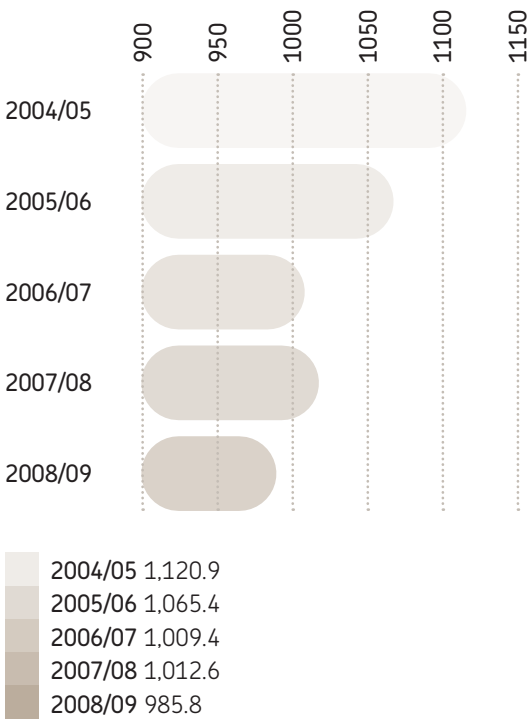
With a fleet of over 30,000 vehicles, Royal Mail and Parcelforce Worldwide™ are in a good position to push the development of low and zero carbon vehicles. Royal Mail is supporting the development of the hydrogen sector through universal design specifications for hydrogen fuel cell postal vehicles in conjunction with CENEX, Fuel Cell Europe and Post Europe, and are introducing the first internal combustion engine hybrid vehicle, which runs on petrol and hydrogen to the Royal Mail fleet. Parcelforce Worldwide™ will soon be introducing a new van fleet consisting of 1100 Mercedes Benz vans equipped with the ECO-Start System, which reduces engine idling. This is Mercedes Benz’s first major contract for this system.

During 2009/10 we will be developing our future vehicle roadmap, which will look to maximise opportunities for low and zero carbon alternatives.

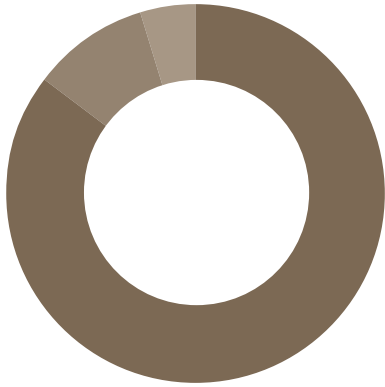
“Cenex is very pleased to be working with Royal Mail on developing and implementing carbon reduction measures for the Royal Mail postal vehicle fleet. Royal Mail has taken a highly proactive stance, wanting to understand what all of the new and emerging low carbon vehicle technologies offer in terms of near term carbon reductions.”

Robert Evans, Chief Executive, Cenex

Group greenhouse gas emissions in kilotonnes between 2004/05 and 2008/09



Business unit split in tonnes



Royal Mail	85.4	842,611.6
Parcelforce Worldwide™	9.8	96,856.5
Post Office Limited	4.7	46,390.0
		985,858.2

Building-related greenhouse gas emissions reduced by 16.3% since 2004/05

Our approach to avoiding and reducing building energy is to encourage efficient behaviors and replace existing building technology with low carbon alternatives.

Royal Mail is tackling behavioral change by recruiting and training a network of environment champions at site level, with the aim of raising awareness of, and involving colleagues in, energy saving measures. This pilot programme has been developed with guidance from Global Action Plan, the independent charity engaging people in practical solutions to environmental and social problems. The champions’ work has been informed by a Climate Change Pack, offering simple advice and tools to help each site to reduce its impacts. Parcelforce Worldwide™ are also implementing a champions programme in the coming year.

Technical solutions contributing to reduced energy consumption can be demonstrated by the installation of Automatic Meter Reading (AMR), efficient heating, lighting and ventilation systems across large energy-consuming sites. AMR enables improved energy management and will help our performance under the Carbon Reduction Commitment.

Case Study Double-Deck Trailers

We have continued, during 2008/09, to introduce double-deck trailers to our fleet. This approach helps deliver increased efficiency within our operations, particularly in a category of vehicles not benefiting from alternative fuel vehicle replacements.

Double-deck vehicles increase the capacity of each vehicle by 53%-87%, depending on size. This leads to reduced road runs, fuel use, and emissions. It is estimated that the first fifty trailers deployed reduced annual mileage by 1.98 million miles, saving 3,175 tonnes of CO2 each year and making a large contribution towards our reduced transport-related emissions during 2008/09.

Environment (continued)

Across our portfolio we are focusing on increasing the efficiency of our existing building estate and adopting strategies to deliver new low carbon buildings.

Our approach prioritises the reduction of greenhouse gas emissions in our building stock and in our operations. The delivery of the new South Midlands Mail Centre represents the shift towards lower carbon buildings for Royal Mail.

The measures employed included a high performance building envelope, the installation of a solar array, biomass boiler, a solar collector wall and efficient lighting with smart controls.

The South Midlands Mail Centre is now a benchmark that Royal Mail will seek to improve upon with any future Mail Centres. We are working with Inbuilt Design to develop future concepts for low and zero carbon buildings. The images below outline these concepts.



Recycling levels have increased to 16% since 2004/05

Whilst our data shows a 51.7% reduction in waste sent to landfill since 2004/05, we recognise that a large proportion of this reduction is due to poor historical data. In recent years, a change in waste collection partner (from 2007) and an improvement in data management and reporting have enabled us to calculate our levels of waste more accurately. In the last five years, our recycling levels have increased by 16%, and a number of further initiatives have helped us drive down the volume of waste sent to landfill during the last year.

Royal Mail Group are currently working with waste collection partner, BIFFA, on a plan to roll out mixed recycling across the estate over the next eighteen months. This will enable each location to recycle plastics, drinks cans, mail consumables such as bag ties, office paper and mixed paper. This scheme could divert an additional 25-30% of waste from landfill, thereby further reducing our own waste disposal costs.

Post Office Limited, meanwhile, has introduced recycling facilities in its Head Office, whilst improving cardboard facilities in the Crown and Agency network.

And, during 2009, Parcelforce Worldwide™ will pilot activity that sees a key customer replace conventional packaging with reusable packaging. This measure will extend the lifetime of its materials considerably. In conjunction with WRAP, this and further activities will look to offer customers the opportunity to move away from disposable packaging and instead explore the latest available options in reusable and recyclable packaging.

“Royal Mail are to be commended for their strategic approach to sustainability. This is exemplified by their pioneering assessment of the potential offered by hydrogen in meeting their medium/long term energy requirements and in the way they are implementing a comprehensive strategy to reduce their current carbon footprint”.

Dr David Strong, Chief Executive, Inbuilt

Water use reduced by 20.9% since 2004/05

Similar to waste, we recognise that part of the reduction in water use against a 2004/05 baseline has been achieved through improvements in data management and reporting. Royal Mail’s facilities management team has taken a range of initiatives to curb water use, which was the equivalent of 44 litres a day per employee in 2007/08, or an annual total of 2,197,831m³. Initiatives include working with our catering providers Quadrant to reduce water use in our kitchens and bathrooms. They have also replaced defunct twist taps with percussion taps, and fitted automatic vehicle wash machines with water reclaim units.

The new Northampton Mail Centre is also setting the standard for water management in new builds, as it is the first building in our estate to use rainwater harvesting and smart water metering.

Environmental Management

Parcelforce Worldwide™ has achieved ISO14001 accreditation at a number of sites and aims to achieve accreditation across its entire network.

Case Study
Cardboard Back-hauling

Cardboard represents up to 30% of waste emanating from Royal Mail, accounting for around 34,000 tonnes each year. Royal Mail has therefore piloted the concept of cardboard back-hauling – where distribution drivers return flat packed waste cardboard from delivery offices to the mail centre once they have distributed the post. The Manchester mail centre pilot alone resulted in the recycling rate increasing from 21% to 40%, whilst a similar project in South London, between March 2008 and February 2009, led to a 14.75% increase in recycling. We will be looking to roll out cardboard back-hauling over the next 24 months.

Case Study
Carbon Trust Standard



Royal Mail Group has become one of the first companies in the UK to win certification under the Carbon Trust Standard, launched in 2008 to encourage organisations to measure, manage and reduce their carbon footprints through real reductions in CO2 emissions, rather than offsetting only.

Marketplace

As a large service provider, employer and purchaser of goods and services, Royal Mail Group has a high profile in the marketplace.

This, in turn, leads to expectations when dealing with our supply chain and our customers. We are committed to spreading best practice amongst our suppliers, and using our purchasing power to drive up standards across industry.

Our Simply Drop pilot, launched in Camden and Bexley, resulted in over 7000 electrical items being returned for recycling.



Award

Winner – Quality in Print Media Environmental Award, Quality in Print Awards 2008

- Approach**
- Royal Mail Group has chosen to focus its energies on products and services, customers, and managing our supply chain.
- 2008/09 saw the continuing development of our strategy across these areas, which looks to:
- manage the impact of products and services through both innovation and the promotion of sector-wide initiatives
 - provide customers with carbon-friendly products and services and encourage environmentally sound methods of disposal
 - work in partnership with our suppliers to foster corporate social responsibility practices throughout our supply chain.

Ambition

We want to place CSR at the heart of our commercial offering and of our commercial relationships.

Why?

Royal Mail Group wants great products and services at great prices, but not at the expense of the people who make or provide them. We are committed to doing business in a manner that ensures everyone in our supply chain benefits from trading with us.

We believe high workplace standards, good health and safety, fair pay and employment conditions are all elements of a successful, professionally-run business and contribute to its efficiency and productivity.

Incorporating CSR into our business operations helps to distinguish us from others in the marketplace.

Targets

Royal Mail Group aims to become a top quartile performer in our sector, as ranked by Business in the Community, within five years.



Marketplace *(continued)*

Performance

Environmental impact of products and services reduced.

The emphasis with respect to products and services has been, and remains, to manage their environmental and social impact.

This management of impacts has four elements:

- ‘Designing out’ impacts during the product or service development process.
- Identifying unintended impacts arising when the product or service is used.
- Seeking opportunities for new products or services to address social and/or environmental impacts.
- Addressing the impact of products or services when they reach end-of-life.

A range of initiatives has been deployed over the past year in accordance with these themes:

- Royal Mail has worked with the Department for Environment, Food and Rural Affairs (DEFRA) on the implementation of Government recycling targets relative to direct marketing material, including securing the establishment of a more robust system for measuring recycling rates. These targets follow from an agreement signed between the Direct Marketing Association (DMA) and DEFRA in July 2003, and aim to achieve a 55% recycling rate for direct mail and door drop material by 2009, rising to 70% by 2013.

- In association with the DMA, ISBA (the representative body for advertisers), Acxiom and Royal Mail, BSI British Standards have developed a new environmental standard for direct marketing, PAS 2020, which was launched in January 2009. The standard focuses on establishing a set of environmental objectives, performance levels and indicators for different environmental aspects of a direct marketing campaign. They will be reviewed at least biannually.
- Royal Mail operates a Mailing House Scheme that offers a service fee to mailing agents for high standards of mail addressing and presentation. The scheme, which will disburse up to £2m over the next twelve months, aims to enhance standards and thereby drive quality across the board. Further rewards are available for those providing evidence of a certified environmental management system (EMS) – 25 customers have achieved that standard to date.
- Through Parcelforce Worldwide™, we have continued to offer our customers the option of offsetting the carbon associated with their parcel delivery through the planting of new woodland in the UK. Online take-up of this option was 25% in 2008/09, and 1% for orders through the Post Office®, with four new customer contracts won.
- Parcelforce Worldwide™ is continuously improving its carbon neutral parcel service in line with government guidance and developments in carbon offsetting best practice.

Carbon Neutral Door to Door

The Carbon Neutral Door to Door service was introduced to help businesses reduce the environmental impact of their unaddressed mailings, and has continued to grow in popularity. According to Ruth Pickup, part of the new business team at the organic and natural foods wholesaler and distributor Suma, ‘We’ve never done a door drop before. The whole thing ran smoothly, with Royal Mail helping us each step of the way’. Royal Mail advises users of the Door to Door service on reducing carbon production, then calculates and pays to offset remaining emissions at no extra cost to the customer.

Environmental customer initiatives launched

Several measures have been introduced during 2008/09 to help us raise the profile of environmental issues with our customers. For instance, the Recycle Now logo has featured on all types of mail (via stamp cancellation marks) since December 2008, to both encourage recycling and raise awareness.

Supplier Code of Conduct launched

Royal Mail Group has now introduced its Ethical Standards Statement and Associated Code of Conduct, which outlines how we expect our suppliers and partners to behave. The Code of Conduct sets out our expectations on areas such as exploitation of labour, freedom of association and collective bargaining, health and safety, working hours, and environmental standards.

As a result, we now set and assess workplace standards for our suppliers’ factories, work with our suppliers, government and non-governmental organisations to address challenging issues within our supply chains, and provide guidance to those factories making our products to help them achieve the required standards.

Each of these measures makes sure we work only with suppliers who share our aims and values.

Case study
Simply Drop



Royal Mail has developed and is trialling a new service – Royal Mail Simply Drop® allowing consumers to recycle their old and unwanted mobile phones, digital cameras and MP3 players for cash for themselves or for charity. This service also lets consumers do their bit for the planet by sending in their old ink jet cartridges so they can be disposed of in an environmentally sound way by Royal Mail.

Simply Drop has been piloted across London since January 2009 resulting in almost 50,000 devices being recycled to date. Londoners were sent prepaid envelopes which show them how easy it is to find out the value of their unwanted gadgets online at simplydrop.co.uk where they can then register for the service and simply send them back to us in exchange for cash or a charity donation. In addition to this, as an alternative to using the prepaid envelope, the option to recycle at participating London Post Office® branches was offered.

Royal Mail is hoping to launch the service nationally in 2010.

Internal audit assurance statement

Our remit is to provide assurance on the alignment to supporting documentation of selected data in the 2008/09 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 Board.

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

In our opinion, the figures reported in the 20 areas below are aligned to supporting documentation and are therefore reliable.

The review focused on the following key areas:

Environmental

- Total CO2 equivalent emissions
- CO2 equivalent emissions from mail operations
- Building energy consumption
- Renewable electricity procured (%age of electricity consumption)
- Renewable electricity procured (electricity consumption)
- Gas consumption
- Road fleet fuel procurement
- Water consumption
- Waste to landfill

Health

- Sick absence percentage
- Medical severance

Safety

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

Social

- Payroll giving
- Employee donations

Derek K Foster
Internal Audit & Risk Management Director
November 2009

Operational definitions – internal audit assurance

Indicator	Operational definition
Environmental	
1 Total CO2 equivalent emissions (tonnes).	Total CO2 equivalent emissions in line with v2 30/09/09 Guidelines to Defra/DECC's GHG conversion factors for company reporting.
2 CO2 equivalent emissions from mail operations (CO2 kg per 1000 items).	Total CO2 equivalent emissions from mail operations (CO2 kg per 1000 items) in line with 2009 Guidelines to Defra/DECC's GHG conversion factors for company reporting (V2 30/09/09).
3 Building energy consumption.	Total energy consumption, as recorded by the Utiyx system including natural gas, heating oil and electricity.
4 Renewable electricity procured kwh (%age of electricity consumption).	Total renewable electricity procured kwh (% age of electricity consumption) as provided by EDF Energy and Airtricity using Carbon Trust conversion factor of 1lt = 11.69kwh.
5 Renewable electricity procured kwh (electricity consumption).	Total renewable electricity procured kwh (electricity consumption) as provided by EDF Energy and Airtricity using Carbon Trust conversion factor of 1lt = 11.69kwh.
6 Gas consumption.	Total natural gas consumption, as recorded by the Utiyx system.
7 Road fleet fuel procurement.	Total road fleet fuel procured using ESFS system. 'Road' excludes personal mileage, non-operational hire vehicles and owner-drivers.
8 Water consumption (m³).	Total water consumption (m³) as recorded by the Utiyx system sourced from manual meter readings provided by meter reading companies. End of year figure calculated by either extrapolating or interpolating the last two actual meter readings.

Internal audit assurance statement (continued)

Indicator	Operational definition
Environmental	
9 Waste to landfill (tonnes).	Total weight of non-hazardous trade waste disposed to landfill sites reported by Biffa (48kg/m³).
Safety	
10 Total number of accidents.	Total number of all accidents reported on the Group electronic Reporting System (ERICA). All accidents include: RIDDOR reportable accidents, Road Traffic Accidents, and incidents where our people have been injured or have suffered verbal assaults, as recorded on the MyPeople system for RM and Parcelforce, and SAPHR system in Post Office Ltd (POL).
11 Total number of accidents per 1000 staff.	Total number of accidents reported per 1000 staff, as recorded on the MyPeople system for RM, and SAPHR system in POL.
12 Total number of absence accidents.	Total number of all accidents resulting in absence from work, as recorded on the MyPeople system for RM and Parcelforce, and SAPHR system in POL (POL exclude absences due to trauma).
13 Days lost due to accidents.	Total number of days lost due to accidents, as recorded on the MyPeople system for RM and Parcelforce, and SAPHR system in POL.
14 Days lost due to accidents per 1000 staff.	Total number of calendar days lost due to accidents per 1000 staff, as recorded on the MyPeople system for RM, and SAPHR system in POL. The first day of absence is the date the accident occurred (assuming the employee is absent for the day or part thereof) or the first day the employee is absent as a result of the accident.
15 Total number of fatalities.	Total number of fatalities of RM employees and third parties as a direct result of our operations as recorded on the CSR Data Warehouse system.

Indicator	Operational definition
16 Number of RIDDOR reportable incidents.	Total number of incidents as defined by 1995 RIDDOR regulations, and recorded on the MyPeople system for RM and Parcelforce, and SAPHR system in POL.
Health	
17 Sick absence percentage.	Total reported percentage of calendar days lost due to accidents and ill health, as recorded on the MyPeople system for RM and Parcelforce, and SAPHR system in POL, beginning with the first day of sick absence.
18 Medical severance costs.	Total cost of enhanced pension plus medical severance costs through employees leaving the business due to medical requirements, as recorded on the MyPeople system for Royal Mail and Parcelforce, and SAPHR system in POL.
Social	
19 Payroll giving.	Value of monetary donations to charity direct from payroll, made by employees (including RM pensioners), as managed by the Charities Trust.
20 Employee donations.	Value of employee donations as reported in the annual report and accounts 2008/09.

Independent assurance statement

Scope and objectives

Two Tomorrows (Europe) Limited has undertaken independent assurance of the pdf version of the Royal Mail Group 2008/09 CSR Report.

The assurance process was conducted in accordance with AA1000AS (2008). We were engaged to provide Type 2 assurance, which covers:

- evaluation of adherence to the AA1000APS (2008) principles of inclusivity, materiality and responsiveness (the Principles)
- the reliability of the following specified sustainability performance information
- all data and key claims in the report

and excludes the following data sets as these have been covered by separate audit processes:

- Financial information in CSR report as taken from annual report.
- Energy and greenhouse gas emissions data.

We used the Global Reporting Initiative (GRI) Quality of Information Principles of Balance; Clarity; Accuracy; Timeliness; Comparability; Reliability as suitable criteria for evaluating performance information.

Responsibilities of the directors of Royal Mail Group and of the assurance providers

The directors of Royal Mail Group have sole responsibility for the preparation of the report.

We were not involved in the preparation of any part of the report. We have no other contract with Royal Mail Group. We have previously provided assurance to Royal Mail Group during the period 2003/05 and prior to that period we conducted various consulting assignments.

Our statement represents our independent opinion and is intended to inform all of Royal Mail Group's stakeholders including management.

Our team comprised Dave Knight, Sini Forssell and Thomas Krick. Further information, including individual competencies relating to the team can be found at www.twotomorrows.com

Basis of our opinion

Our work was designed to gather evidence with the objective of providing moderate assurance as defined in AA1000AS (2008). We undertook the following activities:

- Review of the current sustainability issues that could affect Royal Mail Group and are of interest to stakeholders.
- Interviews with selected directors and senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed.
- Review of Royal Mail Group's approach to stakeholder engagement and evidence providing detail of the outputs of engagements.
- Review of information provided to us by Royal Mail Group on its reporting and management processes relating to the Principles.
- Site visits to Sheffield Delivery Office, Earls Court Road Crown Post Office® branch and Parcelforce Depot in Camden to review process and systems for preparing site level sustainability data and implementation of sustainability strategy.
- Review of supporting evidence for prioritised claims in the report.

- Review of the processes for gathering and consolidating data and, for the data defined below, checking the data consolidation. We did not have full access to the Post Office Limited HR data systems.
 - KPIs relating to diversity.
 - Days lost due accidents per 1000 staff.
 - Safety impacts (breakdown of main accident causes).
 - Main causes of sick absence.
- We reviewed and provided feedback on drafts of the report.

Our opinion

On the basis of the work undertaken, nothing came to our attention to suggest that the report does not properly describe Royal Mail Group's adherence to the Principles or its performance, with the following exceptions:

- Clearer information should be provided on the materiality determination process.
- More detail should be provided on stakeholder views on the business modernisation programme and its implications on industrial relations.
- More detail should be provided on Royal Mail Group's response to these stakeholder concerns.

Observations

Without affecting our assurance opinion we also provide the following observations.

The report would benefit from providing a clearer picture on the content of the five-year action plans for the 'Big Five' strands that form the Royal Mail Group CSR strategy and progress against these plans.

We recommend that Royal Mail Group details how it will measure progress against its aspiration to become the UK's leading organisation for CSR and shows more clearly how its CSR strategy is an integral part of its business strategy. The report would benefit from improved clarity on how the strategy drives change through the business and the key challenges that remain.

The report currently excludes the agency Post Office® branches which are not directly owned and managed by Royal Mail Group. We would welcome discussion in the future about their impacts and what opportunities Royal Mail Group has to influence them in matters relating to CSR.

Inclusivity concerns the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability. We looked for evidence that this was happening across the business.

Royal Mail Group systematically engages with its stakeholders through a range of processes as outlined in the report, providing the company with an understanding of key stakeholder concerns.

The CSR report also provides links to more detailed information on stakeholder views in relation to material changes to the business such as engagement with local communities and customers during the Post Office® branch closures programme.

Evidence of how engagement has informed decision making was generally but not always available and examples, such as with regards to the development of safety policy and practice, are provided in the report. We recommend this approach be expanded in other areas of the report including for some of the challenges faced by Royal Mail Group, such as business modernisation and industrial relations and the impact of the pension fund deficit on pensioners.

Independent assurance statement (continued)

We recommend that an overview of employee feedback, such as that gained through the ‘Have your Say’ survey is provided in future CSR Reports.

Material issues are those which are necessary for stakeholders to make informed judgments concerning Royal Mail Group and its impacts. We looked at the processes Royal Mail Group has in place for understanding material issues and how well these are communicated in the report.

Royal Mail Group has identified a range of CSR issues from a wide variety of sources and has covered its material issues in the report, although some issues including road safety and industrial relations would benefit from greater coverage

The report does not clearly explain how the company systematically evaluates and prioritises these issues, taking into account their relevance and significance to the business and wider stakeholders.

We recommend strengthening the materiality process and reviewing materiality on an ongoing basis to take into account the changing sustainability context. The report would benefit from clearer reporting on materiality determination, enabling stakeholders to understand how RM prioritised the issues raised by stakeholders and decided on what to include and what to exclude from the CSR Report.

The report would gain from a clearer description of the purpose of the ‘Big Five’ ambitions – do they represent the key challenges for the business or are they the most material issues for internal and external stakeholders?

Responsiveness concerns the extent to which an organisation responds to stakeholder issues. We looked for evidence of an adequate response.

We recommend that Royal Mail Group review the publication timeline for the report to ensure stakeholders are provided with timely information.

We welcome the links to information on the consultations process relating to the Post Office® Network Change programme which was finalised in 2008/09.

Road safety is a material issue for Royal Mail Group which has been covered in depth in previous reports. We recommend outlining in more detail or improved referencing to information on the progress that has been made in relation to improving road safety.

Royal Mail Group should include more in-depth discussion in the report about the causes of the fatalities reported in the summary KPI table.

In light of recent industrial action that is outside of the reporting period, we look forward to seeing more detailed reporting about industrial relations in future reports.

Royal Mail Group indicates in the report that data systems have been modified to capture a wider range of equality and diversity information. We recommend that the company consider reporting on a wider range of diversity indicators such as gender and ethnicity at different levels of the organisation.

Performance Information

In terms of data accuracy, nothing came to our attention to suggest that these data have not been properly collated from information reported at operational level, nor that the assumptions utilised were inappropriate. We are not aware of any errors that would materially affect the Group data.

The use of process flows and clearer protocols for gathering data, together with improving data owners’ awareness of the CSR report, data collection ownership flows and how data is used would be of benefit. Cut-off dates for data provision can influence the completeness of data sets from real time reporting systems although no variations of material importance were identified.

Targets and KPIs in the Equality and Fairness, Safety and Health sections cover mutually different aspects. This makes it difficult to assess the company’s progress against targets. We also recommend making clear what baseline the targets are set against.

Royal Mail Group is providing useful performance information in the section on Health, but we didn’t receive evidence to substantiate all of the claims.

There are additional diversity KPIs relating to the handling of bullying and harassment cases which were difficult to calculate accurately due to unclear data protocols. These were removed from the report. We recommend Royal Mail Group confirm the data protocols and include these KPIs in future reports.

It is unclear whether the data breakdowns for accident causes and reasons for sick absence included data from Post Office Limited.

We welcome the revision process to provide clearer greenhouse gas emissions performance information and targets.

Steps have been taken to successfully improve the usability of the ERICA data system used in reporting accident data at site level which should further improve data reliability in future reporting.

Two Tomorrows (Europe) Limited
London
30 November 2009



Dave Knight
Director



Sini Forssell
Consultant

Two Tomorrows (Europe) Limited trading as Two Tomorrows was formed from the merger of Csrnetwork and Sd3 in January 2009. Two Tomorrows is an international consultancy that helps companies to perform better and create value by doing business in a sustainable way. www.twotomorrows.com



Keeping in touch

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

We welcome feedback and would be delighted to discuss how we can improve our corporate responsibility performance with all our stakeholders.

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

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

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