



Forward together

Our journey towards a more sustainable future

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At Royal Mail Group, CSR is an increasingly integral part of the way we do things. It's also something our people, partners, customers and colleagues can engage in – and together, we're moving towards a more sustainable future.

This report aims to explain who we are, where we are – and where we're aiming to get to.

How we're doing

			2009/2010	2008/2009
Economic		External turnover	9,349	9,650
		Operating Profit before exceptional terms	404	321
		Exceptional Terms	-291	-138
		- profit/(loss) before taxation	118	183
		- taxation credit/(charge)	-58	-278
		- profit/(loss) after taxation	-320	-229
Workplace	Health and Safety	Total number of RIDDOR reportable accidents	4,098	4,595
		Total accidents	24,842	26,724
		Total accidents per 1,000 staff	144.9	149.9
		Absence accidents	6,574	8264
		Days lost due to accidents	116,494	123,313
		Days lost due to accidents per 1,000 staff	679.1	691.72
		Total number of fatalities (all non-employees)	4	6
		Sick absence (%)	4.8	4.50
		Medical severance cost (£million)	11,101,163	12.6

How we're doing

			2009/2010	2008/2009
Workplace	Equality and Fairness	Total number of bullying and harassment cases received	797	708
Community	Social Action	Total employee donations via payroll giving scheme (£)	2,642,525	2,689,730
		Total charitable donations	2,503,410	2,000,000
		Employee donations	893,742	506,663
		Number of colleagues involved in volunteering and fundraising	17,287	20,597

How we're doing

2009/2010

2008/2009

Environment	Carbon Emissions	Scope 1 Natural Gas, Heating Oil and F-Gas emissions	122,22.30	*
		Scope 2 Grid Electricity	197,983.6	*
	Water	Water usage (m3)	1679,213	1,713,558
	Waste	Solid waste dispatched to landfill (tonnes)	20,643	23,226
		Total waste recycled (tonnes)	4,310	*

*Unable to compare as new environment indicators selected for 2009/10.

Who we are

A photograph of two women in an office environment. The woman on the left, with dark hair, is wearing a blue and white striped shirt under a dark blazer. The woman on the right, with blonde hair, is wearing a red top. They are both looking down at a document or folder held by the woman on the left. The background is slightly blurred, showing office shelves and equipment. The entire image is overlaid with a semi-transparent red filter.

Royal Mail Group is a unique organisation. Through our three business units we touch everyone in the UK and employ over 155,000 people – so the way we do things really does make a difference.



Who we are

Every working day Royal Mail processes and delivers around 71 million items to 28 million addresses, for prices that are amongst the lowest in Europe. Every week our network of around 12,000 Post Office® branches serves around 20 million people. And every year our domestic and European parcels businesses – General Logistics Systems and Parcelforce Worldwide™ – handle some 400 million parcels.

We design and produce the UK's stamps and special philatelic products to celebrate important occasions. But we've come a long way since the Penny Black, and these days we also offer electronic stamps and other eye-catching promotional aids for businesses.

Over the last five years, Post Office Limited has expanded its range of financial services and signed up more than two million customers. We now have about 700,000 car and home insurance customers and have installed over 2,000 free-to-use ATMs. We are also the UK's leading supplier of foreign currency with a 25% market share, and we issue around one million travel insurance policies every year. In addition, the Post Office® offers credit cards, savings, mortgages and access to cash to over 60% of debit card holders in the UK.

Parcelforce Worldwide™ continues to be a leading provider of collection and delivery services for express packages and parcels providing both business and private addresses with a full range of timed delivery options. GLS, our European partner parcels business, has 13,000 employees and handles over a million parcels a day, through its network of 665 depots, 38 hubs, and around 17,000 delivery vehicles. Its core operation is business-to-business parcel deliveries and it has 220,000 customers in 36 states across Europe.

Every working day Royal Mail
processes and delivers around

71 million

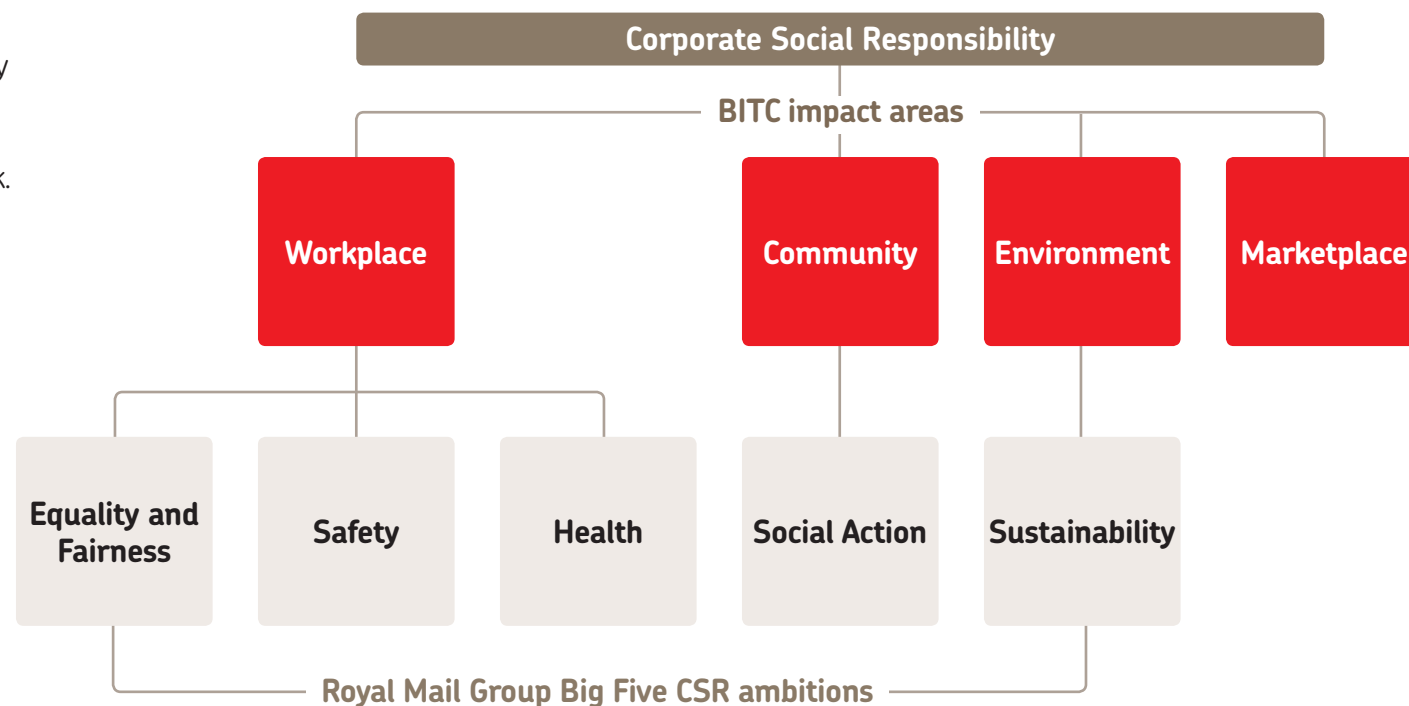
items to 28 million addresses, for prices
that are amongst the lowest in Europe.



How we report

20010/11 represents the eighth year that we have published an external Corporate Social Responsibility report and the third successive year that we have reported on our activities using the Business in the Community (BITC) four-fold classification framework.

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



Our Big 5 ambitions

We know that doing the right thing is increasingly important to our customers, employees, suppliers and stakeholders. That's why all our business units are united in the following ambitions – and moving forward, towards them, together.

- 1** To demonstrate **equality and fairness** throughout our workplace
- 2** To ensure unrivalled standards of **safety** in our workplace
- 3** To provide first class support to improve and maintain the **health** of our colleagues
- 4** To make a **positive social impact** on colleagues, communities
- 5** To deliver world class, sustainable products and services by putting **sustainability** at the heart of everything we do, and helping our customers and suppliers to do the same.

We believe that leading CSR practices will also have business benefits. Doing the right thing, and doing it well, will help us differentiate our business in a competitive and changing marketplace, and a difficult time for the postal sector.

We continue to aspire to be a leading CSR organisation.

Engaging with our stakeholders

Gathering the needs and expectations of our people, partners, customers and colleagues is a key part of our CSR philosophy.



Engaging with our stakeholders

This year we've continued to engage a broad range of stakeholders to identify areas where our operations have the greatest impact, how we can manage and improve our performance, and where CSR can deliver the greatest benefits.

This process has taken many forms, from employee surveys and customer feedback to official strategic partnerships such as the one we have with Barnardo's, and consultations with experts like Forum for the Future and RADAR.

The main elements are highlighted in the following table.

Stakeholder	What they expect from us	How we gather their views
Government Royal Mail Holdings is a plc 100% owned by the Government. The Shareholder Executive within Department for Business, Innovation and Skills (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.	<ul style="list-style-type: none"> • risk management • consideration of our CSR impact • an informed response to proposed statute consultations 	The Company's Board of Directors manage the Group. Shareholders are kept up to date through quarterly performance reviews and are 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	<ul style="list-style-type: none"> • safe and healthy workplaces • to be treated with dignity and respect 	Several different channels are available: Weekly Work Time Listening and Learning (WTLL), Have Your Say Staff Surveys (HYS), the In-Touch programme, Disability Action Group, Social Action Groups, Dignity and Respect at Work Group (DRAW), and others available to specific teams including regional newsletters, daily huddles, and the staff intranet channel.
Trade unions	<ul style="list-style-type: none"> • fair and respectful treatment of members • consultation on CSR issues • responsible operations 	The Group's policy is to work with the Communication Workers Union (CWU) and Unite's Communication and Managers' Association (Unite/CMA) to engage staff in the development and execution of business decisions.

Engaging with our stakeholders

Stakeholder	What they expect from us	How we gather their views
Corporate customers	<ul style="list-style-type: none"> • high quality and consistent service • good value for money • secure mail • minimal environmental impact 	Views are gathered through feedback on supplier questionnaires and invitations to tender, formal engagement on strategies and engagement approaches.
Retail customers	<ul style="list-style-type: none"> • high quality and consistent operations • a positive social and environmental impact • disability accessibility 	Views are gathered through customer service in branches, on the doorstep and in local communities, and a dedicated feedback site for disabled customers.
Postcomm – the Postal Services Commission (PSC) Postcomm is the independent regulator for the postal market, set up by the Postal Services Act in 2000. It's 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. Price increases or reductions allowed through the Price Control have a 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.	<ul style="list-style-type: none"> • compliance with Price Control and licence conditions 	Key to the relationship with the PSC 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 Royal Mail Group Regulation Department.

Engaging with our stakeholders

Stakeholder	What they expect from us	How we gather their views
Consumer Focus Consumer Focus is the new statutory organisation with legal powers that campaigns for a fair deal for consumers in England, Wales, and Scotland and, for postal services, Northern Ireland.	<ul style="list-style-type: none"> • a fair deal for postal consumers throughout the UK 	The relationship and all contact with Consumer Focus 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.
Partners For example, CENEX, Post Europe, BIFFA, Inbuilt Design, Romec, Carbon Trust, Environment Council, Utiylx, EDF Energy, SHFCA, Disability Leadership Panel and RADAR.	<ul style="list-style-type: none"> • constructive engagement, consultation and input 	We cooperate on a range of CSR issues through working groups and meetings, collaborative projects and consultation on strategy development.
Charities, community groups and non-governmental organisations (NGOs) For example, Barnardo's, Children in Need, Forum for the Future, Business in the Community, and Woodland Trust.	<ul style="list-style-type: none"> • socially responsible behaviour • good corporate citizenship • a partnership approach 	We consult on CSR programmes and formal strategic partnerships such as the one we have with Barnardo's.
Global community	<ul style="list-style-type: none"> • good corporate citizenship 	We report against the UN Global Compact. Our most recent COP can be viewed at www.royalmailgroup.com/csr

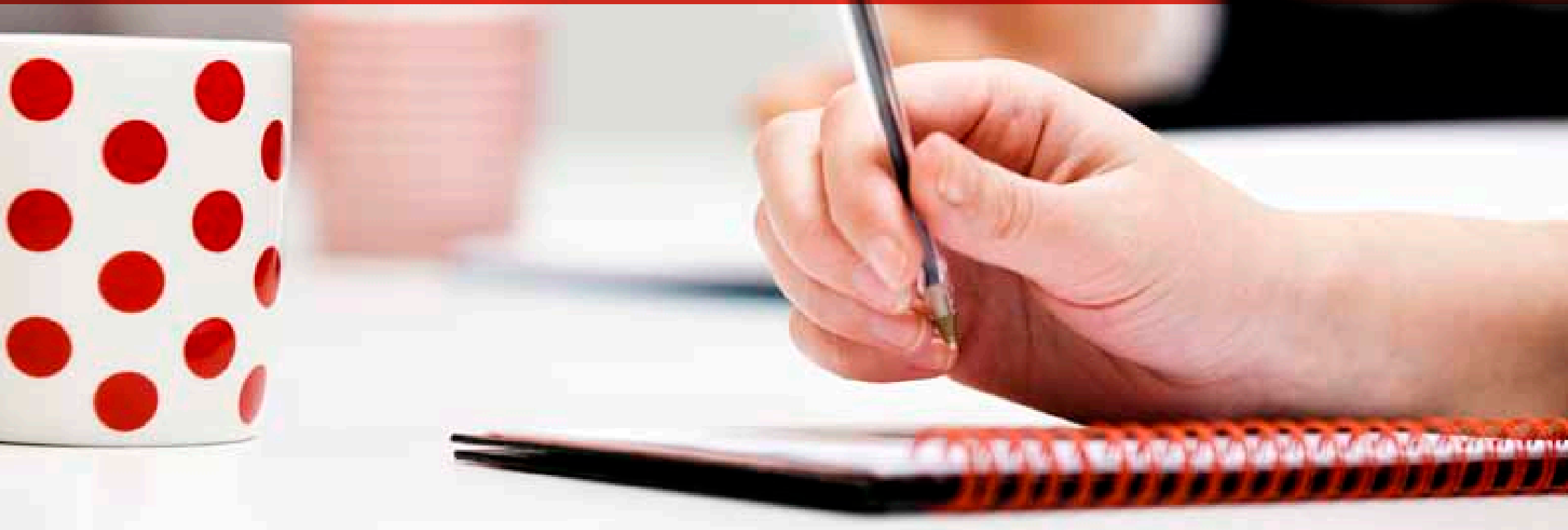
Engaging with our stakeholders

Stakeholder	What they expect from us	How we gather their views
Suppliers The Group has a wide range of suppliers. Our primary reliance is on those relating to outsourcing non-core services, such as IT support from CSC and ATOS Origin for health service.	<ul style="list-style-type: none"> • working in partnership to ensure the right products and services are delivered at the right time at competitive costs 	The Group Procurement team monitors compliance with Group Policy in awarding contracts or new business, including adherence to agreed credit terms and to the CSR standards set out in the RMG Responsible Procurement Policy.
Subpostmasters	<p>The vast majority of Post Office Limited's c.11,500 branches are operated by subpostmasters, franchise and multiple partners.</p> <p>The National Federation of SubPostmasters (NFSP) represents many of these branches (typically independent subpostmasters).</p> <p>There are also several major retailers who are significant Post Office® franchise and multiple partners – operating around 1,500 branches across the country.</p>	<p>The Post Office® meets regularly with NFSP representatives to discuss operations, sales initiatives and other business change activity including CSR initiatives.</p> <p>A special periodical and intranet site for Sub Postmasters – Subspace – is also produced.</p> <p>The Post Office® also liaises directly with its major retailer partners, deploying senior account managers to manage the company-to-company relationship and sales development activity for branches.</p>

Materiality determination

We've tried to cover the issues we believe will interest our stakeholders in this report – specifically how we have improved our performance in certain key areas identified during the engagement process. The independent assurance statement comments on the extent to which we have achieved this. The report measures our progress against the principles of the Business in the Community key areas, and these have also been used to determine the material relevant to our business operations.

Governance and reporting



CSR is now an established and integral part of our strategic management and we're committed to sharing our aims, processes and progress in a clear and transparent way.

Governance and reporting

Governance

Our management processes ensure CSR issues remain a priority.

The Royal Mail Group CSR Committee comprises our Business Unit Managing Directors and key senior stakeholders, and is chaired by our Chief Executive. It is the Committee's role to monitor progress and identify actions.

Accountability for CSR policies and activities rests with our Group HR Director, who is supported by a small team of experts responsible for ensuring policies and approaches are developed and improved. Each business unit also has a key figure accountable for ensuring that operational plans and actions deliver the agreed CSR objectives.

Reporting

This is the second Royal Mail Group CSR report formally assured according to AA1000 AS (2008) by Two Tomorrows. Two Tomorrows is a leading sustainability consultancy who have continued their assurance activities to ensure the communication of our CSR progress remains transparent. We appreciate this independent verification of our reported activities and also ensure our own audit of material presented.

We remain committed to the UN Global Compact and continue to provide Communications of Progress (COP). The most recent COP can be found at **www.royalmailgroup.com/csr**

It is important to us that we focus on the most vital CSR issues. We are committed to undertaking a formal materiality review to determine our key CSR impact areas and establish our priorities.



Workplace

A blurred office scene. In the foreground, a person's hand is visible, holding a pen and writing on a document. To the right, there is a red and white striped mug. In the background, two people are seated at a table, and a man in a suit is standing and holding a red object. The overall image is out of focus, emphasizing the foreground action.

We want to be one of the UK's leading organisations.

Workplace

To create a working environment where people can really flourish, we must support our employees, promote equality and fairness throughout our operations, ensure safety is a number one priority and provide a comprehensive occupational health service.

Over the last year, we've taken significant steps towards these goals. The following sections provide a more detailed overview of our progress.

Our approach

Our workplace programme comprises three of our Big Five CSR strands – equality and fairness, safety, and occupational health. Group experts provide advice and strategic direction for each strand, with support from business unit managers, to ensure the following approach is taken.

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

Equality & Fairness

We want to ensure equality and fairness remain at heart of our decisions, and all aspects of our business are accessible.

Why it matters

We serve a broad range of customers who deserve and expect to be treated with respect, and we owe it to them to accommodate any reasonable adjustments. Being accessible is one of the cornerstones of equality legislation, and removing barriers has been a key focus this year. Effective reporting and consultation is also crucial, so our stakeholders can stay updated.

How we'll get there

The following core themes will provide our strategic focus for the next five years:

- 1.** Effective monitoring
- 2.** Removing barriers
- 3.** Doing work differently
- 4.** Business ethics
- 5.** Effective reporting and consultation

Our targets

We have set ourselves a series of five-year objectives, which we are continuing to work towards. Significant progress has been made already, and highlights are detailed on the following pages.

Equality & Fairness: *our progress so far*

Royal Mail Group

Improved web access

In 2009 we set a five-year target to conform to the Double A Standard as set out by the worldwide web consortium (WC3). We achieved this target ahead of schedule and received accreditation from Shaw Trust in January 2010.

We also launched a new set of web guidelines, and embarked on a programme to engage our suppliers with issues surrounding disability and web access. We are now confident we have a robust process in place for ensuring web access across all our sites.



During 2010/11 just over

850 units will have physical site visits and nearly 500 telephone audits will be conducted.

Reducing physical barriers

In 2008 we set ourselves a two-year target to gather accurate data on physical access to all our sites to identify areas where barriers exist. Since 2008, 10,879 branches received an audit, with 7,720 branches audited in 2009. A significant proportion of these received a physical follow-up to put in place plans to improve accessibility.

Streamlined access to work claims

During 2009 we focused on ensuring quick and easy access to alternative equipment, and on streamlining the access to work (ATW) process.

Scrutinising our approach

We have established a Disability Leadership Panel, made up of several leading disability experts. They will scrutinise and challenge our approach to disability equality.

Improving web accessibility

We have embarked on a two-year plan to achieve the following ambitions:

- educate and engage the third party suppliers responsible for delivering our web pages with accessibility issues.
- Write a new easy-to-use set of guidelines for our web designers.
- Ensure any new websites we create are accessible.
- To solve all outstanding easy-to-fix issues.
- To address longer term barriers.

Equality & Fairness: *our progress so far*

Personal development

Our Springboard Development programme for non-management, female employees continues to go from strength to strength. We now have 14 female managers trained as facilitators.

In July and September 2009 we piloted Springforward, a personal development programme aimed at women in junior and middle management and senior clerical roles. Following feedback from participants this is being amended to address the needs of those in operational fields. It will be rolled out from 2010/11.

Post Office Limited

Improving accessibility

We recognise that Post Offices® play a uniquely important role in the lives of millions of people and thousands of communities. Improving accessibility continues to be a big issue on both the frontline and top level of the business. We have audited all of our branches and details of accessibility are available both on our website and on the Direct Enquiries website, the nationwide disability access register.

Of the 7,720 branches audited in 2009, a significant proportion of these received a physical follow up to put in place plans to improve accessibility.

Crown Post Offices®

A £40 million refurbishment programme to improve accessibility to 370 Crown Post Offices® is ongoing. We consulted widely on this process and all our access audits are available in the public domain.

The aims of the programme are to ensure each branch offers a good range of hearing induction loops, good colour contrast at all key points, dual hand rails whenever possible, good, clear, inclusive signage, textured flooring and ramps where required.

During 2009/10 of the 1,516 Crown Post Offices®, around 732 received funding for hearing loop equipment.



A £40 million

refurbishment programme to improve accessibility to 370 Crown Post Offices® is ongoing.

Equality & Fairness: *our progress so far*

Sub-Post Offices®

98% of Post Office® branches are owned by subpostmasters, not the Post Office®. These branches operate in a huge variety of buildings, from Chinese restaurants to front rooms. The vast majority of subpostmasters also run other retail businesses from their branches.

This creates a complex picture when it comes to accessibility, but since April 2009 we have been working with Direct Enquiries to audit over 10,000 branches. Over 50 full-time Disability Programme Advisors (DPAs) have also visited approximately 7,000 branches.

A specially designed Audit Pack has been created, and subpostmasters can apply for up to £1,500 in matched funding from the Post Office® to make any

changes. We also offer up to £100 in immediate assistance for equipment such as hearing induction loops and door bells.

Staff training

The right attitude can be as important as the right access. Working with organisations such as Changing Faces and the RNID we have produced a video to raise awareness of the needs of disabled customers. It is now being distributed to all our subpostmasters and Crown Office colleagues.

The video won the Gold Award for Best Motivational Film and was highly commended in the Induction Category at the International Visual Communications Association awards in March 2010.

Customer awareness

For these changes to bring the maximum benefits people need to know about them, so we have listed the accessibility details of our network on the Direct Enquiries website. The site receives eight million hits a month, and also offers customers a chance to comment on accessibility issues.

Online access

We have completed a full review of our website following an audit from the Shaw Trust and in February 2010 were given the AA Web Accessibility Accreditation from the Shaw Trust. The Post Office® website is now fully accessible to disabled customers and a new process has been put in place to ensure accessibility is maintained.

55 full-time Disability Programme Advisors (DPAs) have also visited approximately

7,000 branches.

Equality & Fairness: *our progress so far*

Disability framework

A disability equality framework was developed in 2009 demonstrating our commitment to achieving equality in the workplace.

Key facts and figures

- Over 50 full-time Disability Programme Advisors.
- £1.2 million spent on Disability Programme staff through an auditing programme completed by a combination of Direct Enquiries and PO staff.
- Over £437,000 spent on adjustments to Crown Post Offices®.
- £136,392 to fund improvements to sub-Post Offices®.

over £437,000
spent on adjustments to Crown Post Offices®

Safety

We want to build an unrivalled safety culture within our organisation.

Why it matters

As one of the UK's biggest employers, the safety of our employees, suppliers and customers is paramount. Establishing a positive safety culture also makes good business sense: low standards can lead to increased costs, poor service and low morale.



How we'll get there

We are committed to:

- equipping staff with the necessary skills and knowledge to deliver more effective health and safety training;
- reducing the number and severity of injuries associated with slips, trips and falls;
- reducing the prevalence of Musculoskeletal Disorders (MSDs) within Royal Mail Group;
- equipping operational managers with the skills to assess risk to a competent level.

Specific targets

We're aiming to reduce our total accidents per 1,000 staff in post.

Safety: *our progress so far*

Royal Mail Group

A new governance structure

Safety management now starts at Board level, and engaging the workforce is a key focus. As part of the restructure, the following improvements have already been made and will continue to improve safety and reduce accidents:

- Revised safety training for Board members;
- Regular Group Safety consultation meetings with Trade Union Safety Reps considering corporate safety issues and initiatives;
- Safety auditing for each business units, to provide support on safety management systems, and identify good practice and compliance with Group policy.

The first Royal Mail Group guidance note has been also been issued.

Safety policies

Business unit safety policies have been implemented and underpinned by a responsibilities matrix outlining the requirements for employees, managers and directors.

Monitoring our performance

The holdings Board and Group Executive Team have implemented monthly safety performance reports. This helps to ensure safety receives the high profile and support necessary to drive improvements, while demonstrating safety leadership and Board commitment.

Each business unit is required to report to the Group Executive Team on its top five hazards and what's being done to tackle them.

Targeting hazards by unit

Each business unit is now tracking its individual hazard and risk profile and identifying the appropriate control measures. As a minimum each business unit is required to report to the Group Executive Team on its top five hazards and what's being done to tackle them.

Yard management

We have developed measures to tackle poor safety within our yards. Management and Assessment of Risk in Yards (MARY) is an Excel-based platform that calculates the hazards in yards, identifies measures to reduce them and generates an automatic site action plan. MARY continues to be implemented across all sites in the UK.



Safety: *our progress so far*

Royal Mail

Continued progress

Work has continued on the Large Organisation Partnership Plan (LOPP) and Local Action Plans (LAPs), as agreed by the Health and Safety Executive (HSE), Unite/CMA and the CWU. The LOPP has nearly concluded and once the LAPs are complete, we will revert to the Royal Mail Group Safety Action Plan.



World Class Mail

The World Class Mail (WCM) programme has made a significant contribution to the improvement in safety performance in 2009/10.

It includes a 'pillar' of safety activities which employees can take responsibility for: spotting what to do better themselves, doing it, and – as a result – helping shape national, integrated safety programmes.

There are now 11 Mail Centres and three Distribution Centres fully involved in the programme.

Reported injuries

The main Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) categories remain unchanged with slips and trips, manual handling, stepping, striking against or trapping, animal attacks and cycling.

Key achievements

- Implementation of new health and safety policy.
- Appointment of Safety Vision and Objectives team.
- Development of Vision statement and objectives.
- Introduction of central five-year safety plan.
- Testing and development of the electronic Walk Risk Assessment Platform (WRAP) and standard.
- Consultation and testing of dog attack and pouch weight standards.
- Introduction of site visits to underperforming units, to advise on safe ways of working and best practice.
- Corporate manslaughter presentations to all operational managerial grades.
- Revised Fire Evacuation Plan system introduced.



Safety: *our progress so far*

Post Office Limited

Safety governance

During 2009/10 a dedicated safety, environment and wellbeing team was put in place. Part of their role is to develop a long term safety strategy to tackle issues, raise standards and reduce accidents and injuries. A Board Health, Safety and Environment sub-committee was also established, to provide leadership and improve awareness.

Key achievements

- Implementation of new business unit health and safety policy.
- Development of a three-year safety ambition.
- Introduction of safety and ergonomic considerations into vehicle design and specification.
- Face-to-face training and coaching for poorer performing units.
- Development of a health and safety audit tool to support a two-year audit programme.
- Safety calendar in place to reduce accidents and boost compliance.
- Health and safety rep structure reorganised to provide dedicated professionalised, co-ordinated support.
- Health and safety training gaps identified and training modules developed and deployed.

Parcelforce Worldwide™

Organisational restructure

Health and safety has been a priority throughout 2009/10. A restructure at the start of the year brought in a team of three health and safety professionals, providing expert advice that has strengthened our health and safety processes and procedures.

Improved health benefits for our people

Free dental care has now been added to our benefits package for non-managers, which already included membership of Benenden and access to free eye tests and spectacles to the value of £25 for single vision and £95 for varifocals. Some of these benefits are also available to our managers.



Safety: *our progress so far*

Parcelforce Worldwide™ Safety Achievements

- A reduction in the number of RiDDORs.
- Introduction of new manual handling training at our processing hubs, now rolling out across our depots.
- Introduction of an Annual Safety Award to encourage good practice and safety improvements.
- Improved reporting arrangements on safety performance and investigation quality.
- Introduction of a new accident investigation process to drive accountability.
- Collaboration with unions to improve the risk management process.
- Formalised and standardised Area Safety Committee structure and meetings with CWU and Unite/CMA reps.



Parcelforce Worldwide™ Helping our people stay safe

Manual handling is one of the biggest causes of injuries within Parcelforce, so when we established a dedicated safety team last year, one of its biggest priorities was to help workers lift and carry items safely.

Working with managers and the Area CWU rep, the team decided to trial a new approach to manual handling training in the hubs. The training provider, Pristine Condition, trains staff using visual aids and real work situations to teach simple but effective manual handling techniques tailored to the jobs staff carry out.

It's an approach that has helped national hub operative Paul Young. "I've been here nine years and I used to injure my back almost every six months, but I haven't had a single problem since the training," said Paul. "It's about working smarter and it's the little things that have helped me, such as turning around to put down a parcel rather than twisting my body."

Following the success of the pilot, we are now planning to roll the new training out across our depots.

Health

We want to provide excellent occupational health support and maintain a healthy and productive workforce.

Why it matters

We recognise the increasing mental and physical demand on our employees, arising from both the workplace and from busy and complex lifestyles, and we want to show them that they are valued by the business.

It also makes good business sense – by giving employees the support to manage the issues they face, we aim to ensure more rapid return to work after illness or injury.

Our targets

This year we will:

- continue to reduce absence due to illness;
- develop ways of extending our health promotion activities to more of our workforce;
- implement the first aid arrangement changes identified in last year's review;
- focus on the major causes of ill health in our workforce and critically evaluate the relevant programmes;
- improve the strategic integration of our activities with the business objectives.



Health: *our progress so far*

Our progress so far

Royal Mail Group

Business continuity

In summer 2009 a new swine flu strain emerged, increasing the possibility of a pandemic, confirmed by the World Health Organisation (WHO) in July.

Throughout this period we monitored the situation nationally and internally, generating weekly health updates to keep staff informed. Clear, consistent messages encouraging good personal hygiene were issued and continued throughout autumn, and ineffective and expensive measures were avoided.

Special arrangements, such as the Flu Helpline, ran until in February 2010. Thankfully the pandemic strain turned out to be mild, but our approach

helped minimise impacts on the business, and the number of reported cases within Royal Mail Group remained below seasonal norms.

Legislative changes

In March 2010 the government announced that the existing system of medical certification – the ‘sick note’ – would be replaced with a ‘fit note’ in April. Although widely anticipated, the introduction was sudden.

We reviewed our procedures to establish where changes would be necessary and over a very short period produced information for managers and employees about how to deal with new certificates. We also made changes to monitor the impact of the new arrangements.

First aid

We conducted a thorough examination of our arrangements and found we have over 4,500 trained first aiders across the business with an overall ratio of one to every 30 employees. In the process, we found out that we lacked a way of assessing site-specific first aid requirements, so we have now developed a system to do so.

Our existing first aid training is delivered in-house by St John Ambulance. Following new regulations from the HSE, course duration will now move to three days. We are also developing a mandatory full day refresher course for every first aider, in excess of the HSE recommendation of three hours.



Health: *our progress so far*

Royal Mail

Strategic direction

We recognise that integrating health issues into the business is an important issue, so a Health and Wellbeing Board was established in late 2009, comprising operational business managers and specialist support. This group has developed a clear strategy for health to support the business during 2010/11, monitor progress and evaluate the impact of initiatives to ensure effectiveness and value.



Attendance management

Sickness absence peaked during the second half of the year, although our tracking of the flu pandemic suggests it did not play a significant role. However the industrial unrest and frequent actions during the later part of 2009 probably had an adverse impact.

The new Health and Wellbeing Board will help us to increase our understanding of the drivers for sickness absence, and develop specific programmes to address them.

Post Office Limited

New leadership

During 2009/10 a dedicated safety, environment and wellbeing team was put in place. Part of their responsibility is to develop a long-term wellbeing strategy to tackle Post Office®'s material issues,

improve health and increase attendance rates through active and reactive interventions.

Parcelforce Worldwide™

Promoting healthy choices

Two one-day health fairs have been held at our national and international hubs, in partnership with local healthcare practitioners. This gave people the opportunity to talk about their health in an informal environment and get advice on introducing, maintaining or improving healthy lifestyles.

Community



We want to make a positive impact wherever we can.

Community

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

Our social action programme helps us harness our people, products, services and purchasing power to address important issues and touch lives all over the country.

Our approach

We want our employees, customers and suppliers to share our commitment to making a positive social impact on local communities. Our community strategy is focused on unlocking the natural enthusiasm of our employees and customers to help others, and using our partnerships with other community organisations to help those with the greatest need.

The following commitments will continue to shape and inform our approach.

1. Working with organisations that make a difference at a local level. Over the past year we have established a strategic partnership with Barnardo's and worked with BITC and Children in Need to give our employees the opportunity to engage with local issues.
2. Improving volunteering so it means more than 'done in a day' projects. We believe that greater engagement with community issues will help our people develop important skills for our business, and their day-to-day work, while increasing employee retention.
3. Increasing fundraising by providing structures and mechanisms that will help all of our 170,000 employees raise money for good causes.
4. Engaging our customers by offering imaginative products and services to help them make a positive social impact themselves.

Social action

We want to have a positive social impact on employees, customers and suppliers, and retain our place at the heart of the community.

Why it matters

The size and breadth of our organisation means we have the potential to really make a difference. By harnessing the collective enthusiasm of our colleagues across the business, we can have a positive impact on individuals and communities across the country, benefiting both our customers and our business.

This year's target

We have already made significant progress towards our longer term objectives and by 2013/14 we aim to:

- engage 25% of our employees in fundraising and volunteering;
- launch a successful Cause Related Marketing (CRM) campaign with good customer awareness;
- have 35,000 employees connected to good causes, raising over £3 million;
- generate 100 work placements for people who are experiencing homelessness and 100 placements for young people from Barnardo's community projects;
- involve 5% of our suppliers with Barnardo's.

Social action: *our progress so far*

Royal Mail Group

Engaging our employees

We know that our people are our strongest asset when it comes to social action, and employee engagement continues to be a key strategic priority. This year we're aiming to get over 10% of colleagues actively involved. We already have a great base to build on. In 2009/10, 46,493 of our colleagues took part in fundraising and volunteering activities raising £2,642,525.

Working with Barnardo's

2009/10 was another successful year for the partnership. 62 employment opportunities have been provided, with 48 paid and 14 unpaid placements.

We have also increased the prominence of Barnardo's in our communications. Flagship employee events in London and Leeds were well supported, and we have held a number of 'Making Connections' tours with Regional Letters Teams and other manager groups.

Interactive Work Time Listening and Learning (WTLL) resource packs have been sent to all operational units and colleagues at Post Office Limited and Parcelforce Worldwide are being engaged.

Christmas stamps

Royal Mail issued its first special Christmas stamp in 1966 and has done so every year since, varying between secular and religious design themes. For our

2009 set, the stamps featured stained glass windows from seven churches in the UK, showing characters from the nativity, and 1p from every book of First Class stamps sold was donated to Barnardo's.

Connecting with communities

We have been involved in numerous projects at local level. 132 of our colleagues volunteered for work projects through our partnership with Barnardo's and other collaborations. We have also set up a new website which colleagues can visit to learn about our partnership with Barnardo's and how they can get involved: www.royalmailgroupcharity.com

We will continue to encourage our colleagues to find and work with local community projects in the year ahead.

This year we're aiming to get
over 10%
of colleagues actively involved.

Social action: *our progress so far*

Illness and crisis

We know that looking after our people is crucial if we want to harness and encourage their enthusiasm for social action. We constantly strive to be there for our colleagues at moments of difficulty.

Unlocking talent

Our work with Barnardo's and Business Action on Homelessness (BAOH) continues to provide positive experiences of work for disadvantaged people, to help them find a path out of worklessness and poverty. We have also been actively involved with BITC in the Work Inspiration Campaign, which aims to unlock the talents of young people through work experience.

Children's Champions

Royal Mail Group supported Children's Champions for the first time in 2008. In 2009 we joined forces with The News of the World and Barnardo's again, to honor people doing great work for kids across the UK with a special awards ceremony.

There were seven categories in total, designed to reward people from different industries and walks of life. One of the categories, supported by the Post Office®, was for colleagues across the whole of Royal Mail Group working hard to help young people.

Engaging our supply chain

We have successfully involved some of our key suppliers in our Children's Champions programme, and raised over £50,000 from table sales at the awards event. We have also engaged several key suppliers with our charity partner Barnardo's, and the results of this will be detailed over the coming year.

Royal Mail

Building on our success

Royal Mail has been working hard to encourage those who are already active in social action and open up opportunities to those who aren't yet involved. Over the year ahead we want to demonstrate how much we value the contributions made by our people, and increase awareness of the practical and financial support available.

**We have successfully involved some
of our key suppliers in our Children's
Champs programme, raising**

over £50,000

Social action: *our progress so far*

New roles and structures

An Engagement and Social Policy Manager role has been created. Social Action Groups are now active in most regions and a Royal Mail Steering Group for Barnardo's has also been created to drive the partnership forward, and build on the successes detailed above.

Improving educational links

We received hundreds of entries for 2009's Young Letter Writers Competition, and all winners received a 'goodie box' of writing materials to share with their class, along with a presentation set of stamps. We are now planning to promote 'Institute of Education Business Excellence' partnerships across the organisation, to encourage more of our people

to form relationships with schools and give young people a positive introduction to the world of work.

Local initiatives

Our regional teams have also continued to hold their own fundraising events for a wide variety of charities. For example, staff at the Northern Ireland Mail Centre raised £838 for the Ulster Cancer Foundation when they 'dared to wear pink' on National Breast Cancer Awareness Day as part of a host of fundraising activities for Women's Health Week.

Post Office Limited

Children in Need

As well as playing a part in the Group activities, Post Office Limited has played a crucial role in our work for Children in Need. In 2009, subpostmasters from both Crown Offices and sub Post-Offices® raised the majority of the £464,000 total raised by Royal Mail Group for Children in Need.

Our activities helped raise

£25,000

for Barnardo's.

Social action: *our progress so far*

Parcelforce Worldwide™

Volunteer work

Parcelforce employees have been volunteering their time to a variety of good causes. For example, staff from Poole recently spent a day painting the adventure playground of local special needs school Winchelsea while colleagues from Gloucester pulled together to help give the Cirencester Barnardo's store a makeover, as part of Royal Mail Group's partnership with the charity.

Customer participation

In addition to getting our people involved with Barnardo's, we have also encouraged our customers. During the run up to Christmas 2009 we ran a campaign based on a tie-in with Disney's seasonal film release A Christmas Carol. As well as donating 10p from every parcel sent to the charity, we also ran a competition with a grand prize of a holiday to Lapland, and promoted it with a special direct mail pack. These activities helped to raise £25,000 for Barnardo's.

Royal Mail: How our partnership with Barnardo's is improving lives

In 2007 Barnardo's approached us looking for a work experience opportunity for an unemployed 18 year old man. The individual in question was struggling with serious confidence issues, but showing potential. We worked with Barnardo's to identify a suitable solution: a one month placement in the local Mail Centre.

With the help of regular support meetings and work logs, the young man's confidence, responsibilities and working relationships slowly grew. Since then he has gained a permanent position in the Mail Centre, and embraced the larger work area and workforce that come with it. His second application for a coveted spot on our apprenticeship scheme was successful, and he is now working towards an NVQ.

In March 2010 he represented our partnership with Barnardo's at a two-day event in London. He said:

"Royal Mail has provided me with a fantastic opportunity and I have had so much support along the way, I am so lucky, I dread to think where I would be now if I had not been given this chance. I feel I have so much more independence and look forward to getting up each day unlike before."

Environment



We want to deliver world-class, sustainable products and services by putting sustainability at the heart of everything we do, and helping our customers and suppliers to do the same.

Environment

Why it matters

We are committed to being a responsible business – one that understands and manages its impacts, and embeds sustainability principles into the way we do business. As the leading postal operator in the UK we also recognise that we have a significant role to play in the broader sustainability agenda, and the search for the solutions on a local and global scale.

How we'll get there

Our approach is built on five key objectives:

- 1.** Ensure an effective governance structure is in place to drive us towards our ambition.
- 2.** Develop partnerships and engage with our people, customers and stakeholders to deliver lasting change.
- 3.** Avoid and reduce the negative impacts across our value chain and add environmental, economic and social value.
- 4.** Adapt our businesses to the impacts of climate change.
- 5.** Continually improve our approach to sustainability by reviewing our strategy.

Our next target

We continue to maintain our commitment to reducing our CO2e emissions and are currently reviewing our targets.

We will confirm our waste to landfill and water consumption targets later in the year.



Environment: *our progress so far*

Royal Mail Group

Interim targets

We set ambitious interim targets for 2009/10. Our main focus was on energy efficiency, mileage reduction and the introduction of double deck trailers. However, we believe there is still a lot we can achieve in this area – through better management of buildings, behavioural change, and safer and more efficient driving.

We are yet to see the anticipated shift vehicle emissions, our biggest impact area.

Our targets

- Reduce absolute CO₂e emissions by 25%
- Reduce building energy related CO₂e emissions by 10%
- Reduce transport related CO₂e emissions by 20%
- Reduce waste sent to landfill by 25%
- Reduce water use by 5%
- Procure 50% of electricity from renewable sources

Reviewing our approach

During the past year we have conducted a full review of our approach to sustainability. Our sustainability strategy now sets out our vision, objectives and targets for all business units. We are working on detailed strategies to tackle specific issues including energy use, waste management and water consumption.

We are continuing to review our approach to carbon neutrality in partnership with Forum for the Future. It may no longer be an appropriate aim if it prevents us from supporting an environmentally, economically and socially sustainable business. We will confirm our approach later this year.

Developing partnerships

Royal Mail Group is chair of the Sustainable Development committee for PostEurop and Vice-Chair of the Sustainable Development Working Group for the Universal Postal Union (UPU). We have been taking a pro-active stance on off-setting within the international community, and chair a working group to study the feasibility of a postal-specific offsetting system.

We also continue to be actively involved in sustainability disclosure in sector-specific programmes such as the International Postal Corporation's Environmental Measurement and Monitoring System (EMMS) and both the PostEurop and UPU programmes.



Environment: *our progress so far*

Adapting to climate change

Climate change has been recognised as an emerging risk by our Corporate Risk Committee. In February we began to work with the UK Climate Impacts Programme (UKCIP), funded by DEFRA, to follow their Adaptation Wizard programme, which guides businesses through the development of an adaptation strategy.

We have now assessed our past and current vulnerability to weather events, to get an indication of our susceptibility. We will continue to work with UKCIP over the next year to identify further risks and opportunities and to develop an adaptation strategy.

Avoiding and reducing impacts

Waste and recycling

A survey of our employees in 2009 told us that nearly everyone would support compulsory recycling. We also conducted a test tipping exercise at 15 sites across all business units, and found out that over 50% of our waste could be recycled.

As a result, and through our partnerships with Biffa and Romec, we set up a trial to test mixed recycling at 89 Royal Mail Group sites across the UK, with all test sites provided with two types of bins – one for dry recyclable waste and the other for all residual waste.

Cardiff Mail Centre went from an average of 6.63% recycling in the six months between July and December 2009, to 25.84% when the trial began.

The results were impressive: Cardiff Mail Centre went from an average of 6.63% recycling in the six months between July and December 2009, to 25.84% when the trial began. A further increase to upwards of 50% is expected, and mixed recycling is now being rolled out nationally.

Water

There is growing concern around the footprint of our water usage, and its future availability in a changing climate. We will be developing a water strategy during 2010/11 to ensure we improve the measurement, reporting and reduction of our consumption.

Environment: *our progress so far*

Royal Mail

Effective governance

During 2009/10 we undertook a thorough review of our approach to environment. As a result, Royal Mail has endorsed its own contribution to Royal Mail Group's carbon reduction target.

Sustainability has also been embedded into our accountabilities and decision making processes, as follows:

- Accountability for environmental issues is held by the Royal Mail Logistics Director on behalf of the Managing Director. Targets are then set for the 11 operational regions and other logistics and international functions. Regional Functional and Logistics Directors are responsible for delivering against these targets.

- All business cases which are likely to have an impact on our emissions are expected to go through an environmental concurrence process. This enables us to have a good understanding of the emissions changes occurring across the business over the next five years.

Environmental management

In 2008 Royal Mail launched a world-class mail programme. This aims to drive out inefficiency from operations and ensure effective management systems are in place. The 'environment pillar' of the programme aims to make sites more proactive about managing their environmental impacts.

As part of the programme sites can also pursue ISO14001 accreditation. Two sites are expected to achieve the accreditation by the end of 2010/11.

Carbon-saving investments

Working with Utliyx and Inbuilt Ltd we have developed a new software tool to help us prioritise investments with Marginal Abatement Cost (MAC) curves. We will use the MAC curves to identify projects with the greatest emissions savings per £ of investment, so we can generate the maximum carbon savings.

Working with our supply chain

We asked 66 of our key suppliers to participate in the Carbon Disclosure Project. This required them to demonstrate that they are measuring and managing emissions, and anticipating the risks and opportunities associated with climate change. The findings will help us share best practice, work with suppliers to reduce impacts and develop our 'scope 3' indirect emissions reporting.

Environment: *our progress so far*

Avoiding and reducing impacts

Transport

We are continuing to identify opportunities to avoid and reduce transport emissions. Telemetry technology is being used to identify improvements in vehicle use. Our South West region removed over 71 vehicles in 2009/10 by using driver behaviour technology data and ensuring our journeys take the most efficient routes. This saved around 463 tonnes of CO₂e.

We are also developing our future vehicle roadmap, which will look at opportunities for low emission vehicles where commercially and operationally viable. In order to build our understanding of electric and hybrid options Royal Mail has purchased 16 vehicles as part of the Government's Low Carbon Vehicle Procurement Programme, due to be in operation in West London during 2010/11. We will report on the progress of these vehicles in next years report.

Buildings

The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme is a new cap and trade scheme for building emissions. It provides us with a great opportunity to raise the profile of carbon management across the estate and drive energy efficiency across our operations.

A working group has been set up to prepare for registration, participation and full compliance with the scheme, and all relevant stakeholders, subsidiaries and technical experts have been consulted and actively involved.

Royal Mail has purchased

16 vehicles

as part of the Government's Low Carbon Vehicle Procurement Programme, due to be in operation in West London during 2010/11.

Environment: *our progress so far*

Post Office Limited

Strategy and governance

During 2009/10 a dedicated safety, environment and wellbeing team was put in place. Part of their responsibility is to develop a long term sustainability strategy to support the Group's ambitions and objectives, and tackle Post Office®'s material issues.

Carbon reduction and recycling

We continue to actively support Royal Mail Group initiatives on carbon reduction and recycling.

Parcelforce Worldwide™

Aims and targets

We want to improve our environmental performance, increase efficiency and support our customers in their environmental initiatives. Our targets are currently being revised to ensure they're suitably robust and in line with contemporary thinking. The following activities were undertaken in 2009/10.

Environment: *our progress so far*



Avoiding and reducing impacts

Energy consumption

We have initiated a smart lighting trial at two of our depots in Birmingham and London, and the attached transport hubs. This meant installing more efficient lights with linked motion and twilight sensors, and led to a 64% reduction in electricity used for lighting. We are now reviewing further opportunities.

Transport

During 2009/10 we replaced 1,100 vehicles with Mercedes Eco-Starts. Eco-Start engines cut out when the vehicle is stationary and in neutral, which should help to reduce the associated emissions by up to 5%.

ISO14001 accreditation

51 Parcelforce Worldwide sites are now ISO14001 accredited. 50 are depots and one is Parcelforce Worldwide headquarters.

Carbon-saving investments

We have started to develop a MAC curve to highlight which environmental investments would be the most economically viable. This will be finalised and progressed during the year ahead.

Reviewing our Woodland Carbon option

We are revising our Woodland Carbon option (which gives customers the chance to invest in the Woodland Trust when sending a parcel) to ensure the calculations provided offer enough detail and the product meets both customer needs and new government best practice guidance.

Trialling reusable tote boxes

Together with WRAP and Post Office® Swindon we are trialling a new reusable tote box system, to replace the polylopes and cardboard boxes currently used to sent communications to other Post Office®s. The new system has been in place since December 2009 and is expected to reduce the associated waste significantly.



During 2009/10 Parcelforce replaced

1,100

vehicles with Mercedes Eco-Starts

Environment: *our progress so far*

Parcelforce Worldwide™: Environmental Champions

After a successful Environmental Champions pilot in 2008/09, Parcelforce has now recruited, trained and rolled out an Environmental Champions network across the business.

The Champions have been focusing on improving energy efficiency and recycling through behavioural change and systems optimisation. The programme has involved best practice conference calls and the development of local opportunities, based on feedback from colleague surveys and a workshop run by PeopleProfitPlanet. This included sessions on awareness and action on climate change, influencing and action plan development, as well as providing a forum for sharing best practice.

The Champions will continue to raise awareness of environmental issues, identify opportunities and help to reduce energy consumption and increase recycling in 2010/11.

Marketplace



We recognise that businesses and consumers want to improve the environmental performance of their mailings, and we want to provide them the products and services to do so.

Marketplace



We recognise that businesses and consumers want to improve the environmental performance of their mailings, and we want to provide them the products and services to do so.

We're also committed to improving the environmental performance of mail in general, and helping the industry meet the government's environmental targets for direct marketing activity.

How we'll get there

To help us achieve these ambitions, we've developed our first ever environmental marketing plan. It's divided into four areas of activity:

- **Solutions** – delivering products and services that help customers and the mail industry meet their environmental sustainability goals and targets.

- **Leadership** – developing standards with stakeholders that support the UK's long-term environmental ambitions.
- **Research** – providing insight and analysis to support solution development and measuring the environmental performance of mail against agreed targets.
- **Communications** – ensuring our own communications meet environmental standards and helping our people to talk about sustainability with customers.

Our target

We have one key performance indicator – to achieve a minimum recycling level of 55% for direct marketing materials in 2009. This refers to UK household recycling.

Marketplace: *our progress so far*

Royal Mail Group

Sustainable solutions

We currently offer our customers the following low-carbon and sustainable mail solutions:

Sustainable® Mail

We created Sustainable® Mail in April 2009 so that our customers can meet their environmental commitments and keep on marketing in a way that works. The service rewards companies who reduce waste, use sustainable resources and materials, and ensure their mailings are easy to recycle, with a lower price on every item that meets the criteria.

The criteria are based on new industry standard, PAS 2020, which we created together with DMA, ISBA, Acxiom, and BSI British Standards.

Over 80 customers are using Sustainable® Mail and it currently makes up 10% of our Mailsort volumes.

Simply Drop

Simply Drop was launched in the London area in June 2009, allowing customers to get cash for their unwanted MP3 players, digital cameras and mobile phones. By visiting the Simply Drop website, users can even have their items 'valued' in advance.

The launch was supported by an extensive advertising campaign on local radio stations such as Magic, Heart and Capital, and by a massive Door to Door mailing to around 3.2 million homes, which included an envelope for customers to return their items in.



to Door mailing to around 3.2 million homes, which included an envelope for customers to return their items in. The scheme had already proved itself in a pilot in Bexley and Camden, and if successful in across London, it will be rolled out across the country.

Carbon Neutral Door to Door

We continue to offer our Carbon Neutral Door to Door product, an offsetting scheme for unaddressed advertising mailings that meet our environmental specification (currently under review). In 2009/10 the total volume of mail delivered through Carbon Neutral Door to Door was 4,540,589. The customers that used this included: West Sussex County Council, North Yorkshire County Council, Inverclyde Council, Mazuma Mobile (via TNT), SCS (quilted velvet toilet tissue via TNT).

A massive Door to Door mailing to around

3.2 million

homes, which included an envelope for customers to return their items in.



Marketplace: *our progress so far*

Mailing house scheme

Our mailing house scheme pays a service fee to mailing houses for high standards of mail addressing and presentation. Mailing houses with a certified environmental management system (for example ISO 14001), are rewarded with an additional service fee.

The current membership includes 53 mailing houses with an environmental accreditation.



Marketplace: *our progress so far*

Researching ISO14001

We undertook a market research assessment to review the commercial drivers for obtaining ISO14001. This included an analysis of the adoption of ISO14001 in the wider postal market, and a review of customer needs relating to environmental management systems.

Recycling our equipment

Worn Again is an up-cycling company that transforms unwanted fabrics into modern, wearable clothes and accessories. We worked with them to find out what we could do with the 3% of our uniforms (made up of high visibility storm proof jackets) that weren't already being recycled. They discovered that a single jacket could be turned into a laptop bag and up to four document pouches.

Leading the Direct Marketing sector

In 2003 the direct marketing industry agreed to tough voluntary recycling targets, set in conjunction with Defra, to significantly reduce waste material over the next decade. We are pleased to report that last year, 76.5% of direct marketing material was recycled – outstripping the 2009 target of 55% and the 70% goal set for 2013.

This is no small achievement, and the outcome of the combined efforts of the entire industry. Contributing factors include improved education, better targeting techniques, an increase in kerbside recycling facilities, and joint initiatives such as PAS2020 and Sustainable® Mail. And the approach is also benefiting businesses, with improved response rates from consumers since 2003.



76.5%

of direct marketing material was recycled last year – outstripping the 2009 target of 55% and the 70% goal set for 2013.

Marketplace: *our progress so far*

However, as encouraging as the statistics in this report are, we know that all stakeholders in the direct marketing industry must continue their efforts to maintain and improve sustainable practices.

Our 10:10 commitment

While we are well placed to help UK achieve its long term sustainability ambitions, our short term focus is on encouraging our employees and customers to sign up to the 10:10 initiative, and working together to reduce the UK's carbon emissions by 10% in 2010.

Creating clear, responsible communications

'All together greener' is our sustainability communications strategy. It's about positioning Royal Mail as a collective facilitator and an environmental leader in the postal market. It sets out our role as a partner to consumers,

businesses, government and industry, and our ambition to help grow a more sustainable future. It also helps our employees and communications teams talk about sustainability in an open and clear way.

Applied across all of our activity, to all of our audiences, the sustainability communications framework creates consistency and coherence, while providing our people and partners with a rallying call we can all unite in.

Royal Mail Group: providing small businesses with sustainable solutions



Natural foods wholesaler Suma is the largest equal-pay co-op in Europe. It's using Carbon Neutral Door to Door to support and highlight its ethical status.

"We've never done a door drop before," explains Ruth Pickup, part of Suma's new business team. "It seemed a cost-effective way to reach a wide range of people in different areas – plus we could track responses."

Suma wouldn't have undertaken the mailing without the Carbon Neutral Door to Door option, which helps businesses reduce the environmental impact of their unaddressed mailings. They also say that being able to highlight their association with the scheme on their mailing has further strengthened an already highly ethical brand.

Internal Audit Statement

Our remit is to provide assurance on the alignment to supporting documentation and / or systems of selected data in the 2009-2010 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. Based on our review we can confirm:

- the figures reported in the six areas below are aligned to supporting documentation:

Environmental	<ul style="list-style-type: none">• Scope 1 Natural gas, heating oil and F-Gas emissions• Scope 2 Grid electricity• Water consumption• Waste to landfill• Waste recycled
Social	<ul style="list-style-type: none">• Payroll giving

Internal Audit Statement

- the figures reported in the nine areas below are aligned to Royal Mail's business reporting system (MyPeople):

Safety	<ul style="list-style-type: none">• Total number of accidents• Accidents per 1,000 staff• Total number of absence accidents• Days lost due to accidents• Days lost due to accidents per 1,000 staff• Total number of fatalities• Number of RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Requirements) reportable incidents
Health	<ul style="list-style-type: none">• Sick absence percentage• Medical severance

The reported data noted above does not include GLS.

Derek K Foster
Internal Audit & Risk Management Director
November 2010

Internal Audit Statement

Environmental	
Scope 1 Natural gas, heating oil and F-Gas emissions	Gas, heating oil and F-gas consumption as reported by Utiyix Limited and / or Royal Mail Logistics shown as CO2 equivalent tonnes in line with the v2 30/09/09 Guidelines to Defra/DECC's GHG conversion factors for company reporting.
Scope 2 Grid Electricity	Grid electricity consumption as reported by Utiyix Limited shown as CO2 equivalent tonnes in line with the v2 30/09/09 Guidelines to Defra/DECC's GHG conversion factors for company reporting.
Water Consumption	Total water consumption as reported by Utiyix Limited shown as Cu Metres (m3).
Waste to Landfill	Total waste to landfill, Materials Recovery Facility or transfer station as reported by Biffa shown as 48kg/m3.
Waste Recycled	Total waste recycled as reported by Biffa shown as 30kg/m3.

Internal Audit Statement

Social

Payroll giving	Value of monetary donations to charity direct from payroll, made by employees (including RM pensioners), as managed by the Charities Trust.
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Safety

Total number of accidents	Total number of all accidents as recorded on the MyPeople system. All accidents includes: RIDDOR reportable accidents, road traffic accidents, incidents of work absence due to a workplace accident and incidents where our people have been injured or have suffered verbal assaults.
Total number of accidents per 1000 staff	Total number of accidents reported per 1,000 staff as recorded on the MyPeople system.
Total number of absence accidents	Total number of all accidents resulting in absence from work as recorded on the MyPeople system. (Post Office Limited excludes absences due to trauma).

Internal Audit Statement

Safety	
Days lost due to accidents	Total number of calendar days lost due to accidents, as recorded on the MyPeople system. 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.
Days lost due to accidents per 1000 staff	Total number of calendar days lost due to accidents per 1,000 staff, as recorded on the MyPeople system. 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.
Total number of fatalities	Total number of fatalities of Royal Mail employees and third parties as a direct result of our operations as recorded on the Master Serious Fatal Accident Tracker.
Number of RIDDOR reportable incidents	Total number of incidents as defined by 1995 RIDDOR regulations, and recorded on the MyPeople system.

Internal Audit Statement

Health	
Sick absence percentage	Total reported percentage of calendar days lost due to accidents and ill health as recorded on the MyPeople system.
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.

Independent Assurance Statement

Scope and objectives

Two Tomorrows (Europe) Limited has undertaken independent assurance of the pdf version of the Royal Mail Group 2009/10 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) and the reliability of data and key claims in the report with the following exceptions as these have been covered by separate audit processes:
 - financial information in CR 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 for the 2008/09 CSR report and for the period 2003–2005 and prior to that 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, Vicky McAllister and Elvin Ozensoy. Further information, including individual competencies relating to the team can be found at: www.twotomorrows.com

Independent Assurance Statement

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 South Midlands Mail Centre, Birmingham ParcelForce Depot and Birmingham Crown Post Office 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 working with Internal Audit and, for the data defined below, checking the data consolidation
 - building energy consumption (gwh)²
 - bullying and harassment indicators
 - sick absence %
- We reviewed and provided feedback on drafts of the Report.

Limitations

- We have been unable to verify bullying and harassment data due to restructuring and changes to relevant personnel.

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 information should be provided on the planned privatisation of Royal Mail Group and the implications for industrial relations along with pension deficits and subsequent impacts on those drawing a pension.

Independent Assurance Statement

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

Considerable progress has been made in ensuring there is a coherent CSR strategy for the Group and its business units. The Report would benefit from improved clarity of this strategy, how it relates to the 'Big 5' ambitions and how it drives performance improvements. Do these reflect the key challenges for the business, the most material issues for internal and external stakeholders or the strategic priorities?

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 through a range of formal and informal processes as outlined in the report, providing the company with an

understanding of key stakeholder concerns.

Evidence of how engagement has informed decision making was generally available. Examples of how this approach has had a direct impact on policy, such as selection of a new charity partner and safety partnership are provided in the report and substantiated by our research.

We recommend that this approach be developed and that further insight on how the outcomes of engagement have resulted in changes be provided. As per last year's statement we recommend inclusion of an overview of employee feedback, such as that gained through the 'Have your Say' survey

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.

As per our findings last year, 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.

However, based on our own assessment of stakeholder and business concerns, Royal Mail Group's material issues are generally properly reflected in the report. We recommend coverage of the business modernisation/privatisation programme and the impact on employees, industrial relations and the impact of the pension fund deficit on pensioners.

Removal of bicycles from post delivery is an issue of stakeholder interest and we recommend an explanation of the safety and efficiency logic behind this decision in next year's report.

Independent Assurance Statement

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

We recommend that greater emphasis is provided on how Royal Mail is involving its stakeholders and in particular employees and unions, in the business modernisation programme.

Improvements have been made to enable stakeholders to more easily see business unit management approaches and performance. For example, reporting on the Post Office, including for franchise Post Offices is clear.

The implications of Royal Mail Group's CSR programme extend up and down the value chain. As a large procurer of goods and services, we recommend improved coverage of how CSR issues are managed in the supply chain,

particularly with regards to sustainable paper consumption.

The revision process to provide clearer greenhouse gas emissions performance information and targets demonstrates how Royal Mail Group has responded to the increasing sophistication of this issue and associated stakeholder demands.

With the absence of the leadership statement, it's difficult for readers to understand the extent to which strategy is supported at the senior level. We therefore recommend that the report includes a CEO statement to demonstrate this commitment.

Performance Information

Key findings on our review of performance information are as follows:

- We are satisfied that the process used by Internal Audit to check CSR data is robust and that the findings outlined in the statement are accurate.
- We were only able to verify the following KPIs: Water consumption, Waste to landfill, Waste recycled, Payroll giving.
- Of the three KPIs that we chose to look at in more detail, we concluded the following:
 - we were satisfied that the methodology used to collect Building Energy Consumption data was robust and nothing came to our attention to indicate that material errors were likely.
 - we were unable to speak with the data owner for the bullying and harassment data so were unable to verify this further.

Independent Assurance Statement

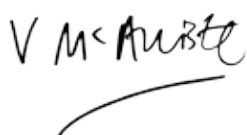
- a data accuracy risk was detected when assessing sickness absence statistics, due to late reporting of employee absences.

Evidence has been provided to substantiate all material claims.

Two Tomorrows (Europe) Limited
London
November 2010



Dave Knight
Director



Vicky McAllister
Senior Consultant



Elvin Ozensoy
Consultant

 **Two Tomorrows**TM
Towards sustainable business



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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.