



Our Responsibility

to our colleagues, customers and communities





Welcome

Royal Mail Group Corporate Responsibility Report 2010/11



Our Financial Performance

We face significant challenges which are being urgently addressed.

During the year, Royal Mail Group changed the structure of its internal organisation which has resulted in a change to the composition of its reportable segments.

The Group's operating segments – UK Letters & Parcels and International (UKLPI), Post Office Ltd. (POL), General Logistics Systems (GLS) and our smaller other companies, such as Romec Limited – are organised and managed separately according to the nature of the products and services provided.

We have also changed the emphasis of our profit reporting. Our performance is now reported after costs associated with modernising the business. This provides a better understanding of our performance against our strategic aims.

Revenues

- Group revenues of £9.2bn. Inland addressed volumes down by 4% with UKLPI revenues falling by £121m.
- GLS underlying revenues grew by around 4% at constant exchange rates.
- Post Office Ltd. core volumes continue to decline. Revenues down £62m.

Profits and cash flow

- Operating profit after modernisation costs of £39m¹ is £141m lower than last year, driven by the reported revenue decline.
- Disposal of assets of £237m comprises property sales of £164m and the sale of a 20% investment in Camelot of £73m. As a result, free cash outflow of £213m is £332m lower than last year, of which some £400m (2010 £500m) relates to modernisation.



Royal Mail and Post Office represent two out of the top three most highly regarded brands in the UK.¹

¹MORI Corporate Image Survey Autumn 2011.




Balance sheet

- Net liabilities of £3,107m are lower than £6,281m last year primarily because of the reduction in the pension deficit.
- The accounting pension deficit has decreased from £8.0bn in 2010 to £4.5bn in 2011, driven by an actuarial gain of £3.4bn. Cash payments of around £300m were made in the year to fund the pension deficit.
- The accounting pension deficit has reduced by £3.5bn mainly as a result of the announcement by Government to use CPI rather than RPI as the inflation measure (CPI is now the statutory minimum indexation for pensions in deferment and in payment) and an increase in asset values due to market conditions.
- Pension payments of £771m are £96m lower than last year's £867m mainly because of the reduction in ongoing contributions as a result of lower pensionable pay and a reduction in the employer cash contributions rate.

Modernisation

- Modernisation programme is delivering cost savings and efficiency:
 - Reduction in hours of 2.4% to partially offset volume decline.
 - 554 new/upgraded machines, walk sequencing rates of nearly 34%.
 - 24 World Class Mail Centres.
 - 117 delivery offices using new delivery methods.

	External revenue		Operating (loss)/profit after modernisation costs ²	
Business unit	2010-11 £m	2009-10 £m	2010-11 £m	2009-10 £m
UKLPI	6857	6,978	(120)	20
POL	776	838	21	33
GLS	1485	1,487	118	112
Other	38	46	20	15
Group	9,156	9,349	39	180



over 11,500
Post Office branches serve around
20 million customers every week.

² All references to operating profit/(loss) after modernisation costs are before other exceptional items. The operating loss for 2010-11 was £49m (2010 profit of £113m).



About Royal Mail Group

Royal Mail Group is unique in reaching everyone in the UK through our mails, Post Office and parcels businesses.

We are a key component of the UK's economic and social infrastructure, providing services to and connecting customers, companies and communities.

We are the sole provider of the UK's six-days-a-week, one-price-goes anywhere Universal Service. On average, every working day, we process and deliver around 59 million items covering almost 29 million UK addresses.

Each year, our European and UK express parcels businesses – General Logistics Systems (GLS) and Parcelforce Worldwide – handle over 400 million parcels. In over 11,500 Post Office branches, we serve around 20 million customers every week.³

Our core product, mail, is in decline. The business is therefore having to change fast. Like every other postal operator, we are modernising our core letters business to make it more efficient, effective and customer responsive. The Post Office is transforming its branch network in response to changing customer needs and the demands of a modern and dynamic business.

This process of change is about ensuring a sound, secure and sustainable Royal Mail Group. We face significant financial challenges which are being urgently addressed. Our management team, supported by the Board, has a clear plan. Please see the 'Our Business Strategy' chapter for more detail.

59m

items on average are delivered to almost **29 million** homes and businesses every working day.

4

million

GLS & Parcelforce Worldwide handle over **400 million** parcels every year.

³ This figure is based on quarterly research.
The most recent quarter was July – September 2011.



Royal Mail Group is organised into three businesses:

- UK Letters & Parcels and International (UKLPI) processes and delivers letters and packets in line with Royal Mail's unique Universal Service Obligation (USO). It is also a leading provider of collection and delivery services for express packages and parcels through Parcelforce Worldwide, providing both businesses and consumers with a range of timed delivery options.
- The Post Office is part of everyday life in communities throughout the UK. It provides many different services and products spanning financial services (including savings, mortgages and credit cards), Government services; telephony; foreign currency; travel insurance and mail services.
- GLS is one of the biggest ground based parcel service providers in Europe today. GLS provides network coverage of 42 countries through wholly owned and partner companies and is globally connected via contractual agreements.



87% of our mail bag is business mail; just **13%** is for social use.





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CEO Statement

Royal Mail Group is changing.
Corporate responsibility is integral to this change.

Our Transformation

Royal Mail Group is changing. Corporate responsibility is integral to this change. For us, corporate responsibility is now as much about how we generate our revenues as how we spend the cash that we earn.

Our foremost responsibility – to all of our stakeholders – is to return Royal Mail Group to financial viability on a sustained basis. This will ensure that:

- We continue to deliver the six-days-a-week, one-price-goes anywhere Universal Service – one of the highest quality service specifications in the European postal market.
- We continue to be an integral part of the UK economic and social landscape, connecting customers, companies and communities across the country.
- We continue to offer secure employment to as many of our people as possible.
- We are no longer reliant upon the UK taxpayer.

In October 2011, outside of the relevant financial year, we launched our new corporate scorecard for all managers.⁴ Our new scorecard is focused on delivering sustainable business performance and it emphasises the integration between our corporate responsibilities and our business strategy. Four key areas are measured by our new scorecard.

- 1 What our customers think of us and how we deliver for them.
- 2 What our people think of our company.
- 3 How well we are modernising our operations.
- 4 The financial health of the business.

The Past Year

The 2010/11 financial year was challenging. The mails market is in significant decline. We anticipate that total mail volumes will continue to decline by around 5% a year for the foreseeable future. We have to adapt to this changing market.

Whilst we have made some good progress, as demonstrated by our interim results which were

Our people are committed and highly valued. Every day, they help connect customers and communities across the UK.

I am committed to ensuring that Royal Mail Group is a corporate responsibility leader. This report is just the start.

Moya Greene
Chief Executive

⁴ Bonuses for Royal Mail managers will be linked to the achievement of these scorecard metrics.



published in November 2011, much remains to be done to improve our financial position. We must continue to modernise our operations. This involves significant investment in new equipment and processes and in improving the working conditions of our people. We must continue to innovate to meet the needs of our customers and generate additional revenues to offset the decline in earnings. We need to attract private capital in order to invest in our future.

Good Foundations

As this report sets out, despite the financial challenges that we face, our commitment to corporate responsibility continues. We can do better but we have good foundations on which to improve our record.

Our people are committed and highly valued. Every day, they help connect customers, companies and communities across the UK. Our economy and society both rely upon these connections. Both would be weaker without them. This report promotes and celebrates the great efforts of our people.

Royal Mail Group has a good corporate responsibility track record. We achieved Gold status for the first time in the 2011 Business in the Community (BITC) Corporate Responsibility Index. We are a signatory to the United Nations Global Compact and are working to meet its principles. We use the principles of the Global Reporting Initiative (GRI) to guide our reporting.⁵

Many of the measures that we are taking to address the challenges we face also enhance our corporate responsibility. For example:

- Our continued focus on resource efficiency is positively benefitting our bottom line, as well as reducing our negative environmental impact.
- Our continued investment in health and safety for our people helps save costs, in addition to ensuring that our people feel well looked after and valued.
- Our enhanced focus on learning and development is helping address the company's skills gaps, whilst also improving staff retention rates.

Our Governance

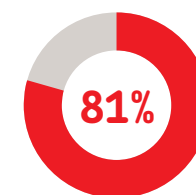
We have strengthened our corporate responsibility governance arrangements. Whilst these changes occurred within the relevant financial year the benefits will be fully realised over the next 12 months.

I chair the Chief Executive's Committee (CEC), Royal Mail's executive committee. Amongst a range of other key business activities, the CEC is responsible for reviewing our corporate responsibilities strategies and how we implement them.

Shane O'Riordain, Director of Communications, is responsible for shaping and implementing our corporate responsibility strategy and reports directly to me. The Audit and Risk Committee (ARC), one of the main Board committees, has reviewed this report in detail.

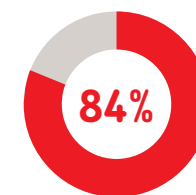


We achieved **Gold status** for the first time in the 2011 Business in the Community (BITC) Corporate Responsibility Index.



Community

of our customers think we are an important part of our **local community**.⁶



Economy

of our customers think we are important to the **UK economy**.⁶

⁵ Two Tomorrows use the GRI Quality of Information Principles as criteria for evaluating Royal Mail Group's Corporate Responsibility Report.

⁶ MORI Corporate Image Survey Autumn 2011



Our Changing Agenda

We know that there remains a great deal of work to do to improve our corporate responsibility record. Royal Mail occupies a unique position in the UK society and economy. We need to leverage this for the benefit of Royal Mail Group and all of its stakeholders.

This is why we have recently completed a major review of our corporate responsibility and community investment strategies. These strategies now reflect the fact that our corporate responsibility activity must be focused on improving our financial performance, as well as our social and environmental impact. These strategies are also much more aligned to and integrated within our overall business strategy. They will inform all corporate responsibility activity in the financial year 2011/12.

Our new strategies were approved by the CEC in October and November 2011, outside this reporting period. However, the review process informed the content and focus of this report.

We will continue to use the Business in the Community (BITC) impact area framework – workplace, marketplace, communities and environment – to guide our corporate responsibility strategy and reporting. This will ensure that there is continuity between this and our former corporate responsibility strategies.

Our New Strategy

Our five new corporate responsibility objectives are:

- 1 Deliver a market-leading corporate responsibility programme.
- 2 Drive up colleague advocacy for our corporate responsibility programme, including community investment.
- 3 Be seen by our external stakeholders to be one of the best corporate citizens in the UK.
- 4 Ensure our corporate responsibility strategy is integral to our business strategy and corporate narrative.
- 5 Ensure that our reporting and data collection is of the same standard as a major PLC.

A feature of future corporate responsibility reporting, including this year's report, will be that we will be more explicit about the areas in which we need to improve and what we are doing to address these.

A full list of our current and future corporate responsibility activities is provided in the 'Our Corporate Responsibility Strategy' chapter of this report.

Summary

I am committed to ensuring that Royal Mail Group is a corporate responsibility leader. This report sets out how we are beginning to improve but it is just the start.

Stakeholder engagement will be an important focus. In the near future, I plan to host an event which brings together all Royal Mail Group stakeholders with an interest in corporate responsibility. In particular, I wish to continue to engage with Royal Mail Group colleagues and unions.

If you have any further thoughts on Royal Mail Group's Corporate Responsibility Strategy, please do get in touch. I would be delighted to hear from you.

In summary, Royal Mail Group plays a role in the lives of almost every UK resident. Our people live and work in almost every UK community. We occupy a privileged position in UK society. We are conscious of our responsibilities to our colleagues, customers and communities.

Moya Greene

Group Chief Executive
January 2012





CWU Statement

Postal workers are Royal Mail Group's greatest asset. As their trade union, we make sure their voice is heard by management.

Our Union

Having a strong, independent trade union is good for the businesses within Royal Mail Group. It brings a collaborative and informed approach to business change and gives credibility to corporate responsibility work.

The people who work in Royal Mail Group are our main focus. They care about their customers and the quality of service they provide. There are no people who understand deliveries, mail processing, Post Office services, parcels, logistics and other mail services, better than postal workers themselves.

The work that CWU reps at all levels carry out is crucial to the employment and wellbeing of the workforce. This in turn brings benefits to the company. Whether that is helping members achieve good pay, terms and conditions, promoting equality, providing individual representation or negotiating operational changes, our reps bring a wealth of skills and knowledge to the company.

Our Corporate Responsibility Activity

Our joint work on health and safety has directly helped reduce accidents and injuries, which in turn reduces the cost of sick leave to the company as well as protecting the health of our members. Our trained reps can risk-assess workplaces, vehicles and other operations to make sure they do not pose a danger to postal workers or customers.

We have brought educational opportunities to Royal Mail Group staff through a network of 89 learning centres in Royal Mail Group workplaces. These learning opportunities have improved the skills and wellbeing of thousands of postal workers, many of whom have not had the opportunity to access education since leaving school.

We are proud to have the support and backing of Royal Mail Group for our charity – CWU Humanitarian Aid. This logistical and financial support contributes towards charity convoys

taking aid to vulnerable children and adults in Eastern Europe. Postal workers have gone beyond imagination in their fundraising efforts – with a group of postal workers running non-stop from John O'Groats to Land's End this year to raise funds for the charity.

Summary

There are many challenges ahead for Royal Mail Group. We will be there at every step ensuring that people and services are protected. Our work plays a vital role in the company's corporate responsibility agenda and we will continue to push a progressive agenda which improves performance, safeguards jobs and workers' wellbeing and seeks sustainable future business.

Dave Ward

CWU Deputy General Secretary
January 2012



About This Report

Scope

This is our ninth Royal Mail Group Corporate Responsibility Report. It covers the financial year April 2010 to March 2011. Given the significant improvements that we have made to our corporate responsibility strategy, it also contains reference to events that have taken place outside of the reporting period. Where activity has taken place outside of the reporting period, we make this explicit.

Our 2010/11 Corporate Responsibility Report is UK-focused. Our UK activity accounted for 88% of our revenue in 2010/11.⁷ GLS is therefore explicitly excluded from the scope of the report.

Royal Mail Group's corporate responsibility strategy encompasses all Royal Mail Group business units, including Parcelforce Worldwide and Post Office Ltd. However, Post Office Ltd.'s corporate responsibility activities are considered within a separate chapter. The 2011 Postal Services Act contains measures to remove restrictions on ownership of Royal Mail while maintaining public ownership of the Post Office. Post Office Ltd. will therefore be legally separated from Royal Mail Group in due course.

Structure

We continue to report using the Business in the Community (BITC) impact area framework – workplace, marketplace, communities and environment. We have used this structure in our four most recent Corporate Responsibility Reports.

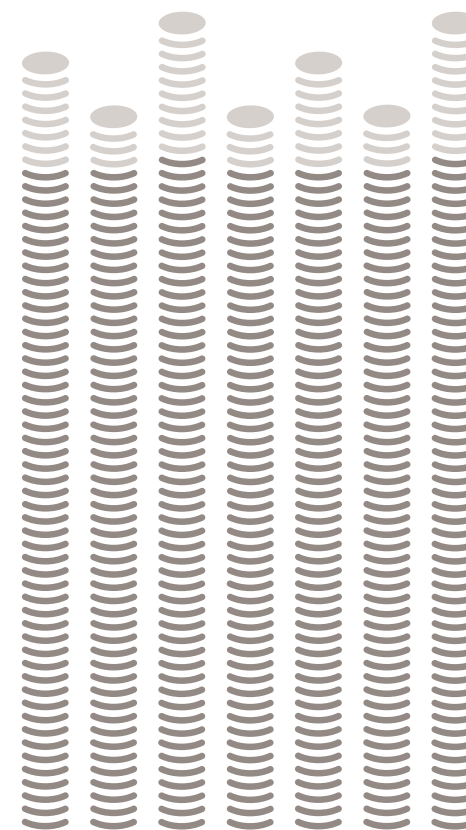
Workplace has been labelled as 'Our People' and marketplace has been split into two chapters, 'Our Customers' and 'Our Suppliers', for the purpose of this report.

Differences from last year's report

We have conducted a major review of our corporate responsibility and community investment strategies. Whilst this review process occurred outside of the reporting period, it has informed the content and focus of this report.

The objective at the heart of our business strategy and our new corporate responsibility strategy is now the same – to return Royal Mail Group to financial viability on a sustainable basis. Our new corporate responsibility strategy also places much more emphasis on the fact that we play a critically

88% of our revenue in 2010/11 was accounted for from our activity in the UK.



⁷This figure excludes GLS, our European parcels business.



important economic and social role, connecting UK customers, companies and communities.

We have also aimed to significantly improve the reporting standard of this year's report. In particular, we have sought to be much more explicit about areas in which we need to improve.

Other notable differences from last year's Royal Mail Group Corporate Responsibility Report include:

- The inclusion of a statement from our CEO. This emphasises the importance that we place on corporate responsibility at Royal Mail Group.
- Greater consideration of 'marketplace' issues – our customers and suppliers. This reflects the fact that, for us, corporate responsibility is as much about how we generate our revenues as how we spend the cash that we earn.
- Our Community chapter is more focused on our direct and indirect economic contribution, to reflect the fact that this constitutes our greatest investment in our communities.
- A chapter dedicated to our Inclusion agenda – including geographical, financial and digital inclusion. We have long played a role in helping the potentially excluded engage and connect.

- Greater detail on how we ensure that our suppliers maintain high standards of social, ethical and environmental conduct. No longer is it good enough that we behave in a responsible manner – we must ensure that those we do business with also do so.
- Further detail on our Learning and Development programme and how this is aligned to business needs. This reflects the fact that we are enhancing our human capital investment.

We will only be printing a limited number of hard copies of this report, in order to minimise waste.

Independent Assurance

This is the third Royal Mail Group Corporate Responsibility Report which has been formally assured by Two Tomorrows. We appreciate this independent verification of and opinion on our reported activity. Please refer to the Independent Assurance Statement for more information.

We are a signatory to the United Nations Global Compact and are working to meet its principles. This report meets our United Nations Global Compact Communication on Progress requirements. We continue to use the principles of the Global Reporting Initiative (GRI) to guide our reporting.⁸

We have conducted a major review of our corporate responsibility and community investment strategies.

The objective at the heart of our business strategy and our new corporate responsibility strategy is now the same – to return Royal Mail Group to financial sustainability on a sustainable basis.

⁸Two Tomorrows use the GRI Quality of Information Principles as criteria for evaluating Royal Mail Group's Corporate Responsibility Report.



Our Business Strategy

We are in a process of transformation. It is as radical as any that has happened in the history of the UK's postal industry.

Our objective is to put the Royal Mail Group on a sound, secure and sustainable footing.

One of our biggest challenges – and opportunities – continues to be the digital age. The mails market in the developed world is in significant decline. Single piece mail volumes in the UK have declined by 40% in the past five years. We anticipate our total mail volumes continuing to decline by around 5% a year for the foreseeable future. The typical household spends 40p a week on postage. As volumes fall, our revenues decline.

We have a clear plan in place to deal with our difficult business environment. We have to:

- Be brilliant at the basics.
- Build a commercial future.
- Drive profitable growth.

Be brilliant at the basics

One of the key ways we are going to improve our financial performance is to build and improve on our existing core capabilities. This includes modernising our operations. Royal Mail will be a much more efficient and effective organisation. That is the best outcome for all our stakeholders.

For Royal Mail, modernisation is principally about:

- Generating cost savings greater than the decline in revenues as mail volumes fall; and
- Re-shaping our operations to reflect the dramatic change in the mix of mail.

The scale of the change that we are implementing is hard for our people. Modernisation changes every process – collecting, transporting, sorting and delivering mail. It affects everyone who works for the organisation. Since 2002, around 45,000⁹ people have left Royal Mail Group as part of our ongoing change programme. This change will, unfortunately, continue to mean significant job reductions.

Single piece mail volumes have declined by **40%** in the past **5** years.



2005/6



2010/11

⁹ Full-time equivalent.



However we can only make modernisation work if we get our people behind the changes. They need to understand why we have to modernise and what it means for them.

We have a great deal still to do. You can read more about our modernisation programme in the Our People chapter.

There is a lot of change going on at Royal Mail Group. In the midst of it all, our focus cannot veer off at any stage. A more rigorous focus on who our customers are and what they want is absolutely critical.

We need to ensure customers know we value their custom and that we fix their problems quickly. We will seek to simplify our products and processes, accurately measure and track customer perception, promptly respond to problems and drive up our performance significantly in this crucial area.

It is important that when we say we will do something, we do it. However, we need to do it to the same standard day in, day out.

You can read more about improvements to our customer proposition in the Our Customers chapter.

Building a commercial future

It is vital we have the freedom to compete.

The time is right to change the existing regulatory structure. Our new regulator, Ofcom, has acknowledged that our current regulatory framework has accelerated the financial decline of Royal Mail.

We therefore welcome Ofcom's major review of the UK postal sector. We believe that its proposed new approach represents a significant step towards securing the future of the six-days-a-week, one-price-goes anywhere Universal Service. We wish to have the commercial freedom other players enjoy.

But regulatory change is not a done deal. There remain important areas where we need clarification about the Ofcom proposals. We are therefore actively participating in the consultation process. We will again be underlining the vital need for radical change.

In addition, we can only operate commercially if we are able to restructure our balance sheet. We are waiting for the European Commission to decide if the UK Government can restructure our debt and take over our historic pension deficit. Improving our basic capability and ensuring we can operate commercially lays the foundation for our future.

Our business plan contains three strategic planks which will help restore the business to financial viability

1

Modernise our business.

2

Respond better to customers' needs and grow our business.

3

Secure a new, appropriate regulatory framework.



Driving Profitable Growth

We must look for ways to grow and continue to be relevant to our customers. There has been a structural shift in the type of mail that we deliver. Whilst the delivery of letters is in decline, we are now delivering more parcels than ever before due to the growing popularity of e-retailing. We are therefore investing in our parcels businesses.

We are also going to start a new media business to provide expertise and media planning to support companies using direct mail as part of an advertising campaign.

Integration

Our corporate responsibility strategy must be integral to our business strategy.

As set out in the CEO statement, we launched our new corporate scorecard in October 2011. Our new scorecard is focused on delivering sustainable business performance and emphasises the integration between corporate responsibility and our business strategy.

Four key areas are measured by our new corporate scorecard:

- 1 What our customers think of us and how we deliver for them.
- 2 What our people think of our company.
- 3 How well we are modernising our operations.
- 4 The financial health of the business.

Alongside rigorous monthly measurement against these targets, there will be continuous communications to all 11,000 Royal Mail managers regarding our progress. Bonuses for Royal Mail managers will be linked to the achievement of these scorecard metrics.

In next year's Corporate Responsibility Report, we will report on our performance against all of the scorecard measures. These will be at the heart of our corporate responsibility reporting.

Our 2011/12 Annual Report will include an update on corporate responsibility progress.

The Year Ahead

Our interim results, which were published in November 2011 outside of this reporting period, demonstrate that our financial performance is beginning to improve.

The year ahead will continue to be challenging. We must continue to modernise and to invest in the Group and our people.

Our corporate responsibility strategy must be integral to our business strategy.



However, the year ahead will continue to be challenging. We must continue to modernise and to invest our operations and our people. Just as importantly, we must sharpen our focus on customers and put their needs at the heart of everything we do.

A number of changes to our corporate governance and regulation will also take place over the next year:

- In response to the passage of the 2011 Postal Services Act, Post Office Ltd. will move towards becoming a separate company in 2012. Both Royal Mail and Post Office Ltd. have made it clear that a robust long term commercial relationship is desired by both parties.
- The UK Government has announced its intention, subject to State Aid approval, to relieve Royal Mail Group of its legacy pension deficit and restructure our balance sheet. It is essential that the European Commission approves the UK Government's State Aid application.

- The 2011 Postal Services Act also opens up the potential for Post Office Ltd. to be mutualised. These plans will continue to be developed. We see the announcement by the UK Government on mutualisation as a positive step in terms of bringing together the interests of the different stakeholders in the business.

Our business strategy is focused on returning Royal Mail Group to financial viability on a sustainable basis. This represents our foremost responsibility to all of our stakeholders and is at the heart of our corporate responsibility strategy.

Case Study: World Class Mail

World Class Mail is revolutionising the way we work. We are the first postal operator to adapt the techniques of world class manufacturing techniques.

Developed within Royal Mail, based on leading global practice and expert advice, World Class Mail is a unique and comprehensive system for improving safety, customer service, quality and productivity.

The 10 pillars of World Class Mail:

- 1 Safety.
- 2 Quality control.
- 3 Cost deployment.
- 4 Focused improvement.
- 5 Autonomous maintenance.
- 6 Workplace organisation.
- 7 Professional maintenance.
- 8 Logistics.
- 9 People development.
- 10 Environment.



Our Corporate Responsibility Strategy

The objective at the heart of our business strategy and our corporate responsibility strategy is the same – to return Royal Mail Group to financial viability on a sustainable basis.

Our Strategy

We conducted a major review of our corporate responsibility and community investment strategies outside of this reporting period. These strategies now reflect the fact that our corporate responsibility activity must be focused on improving our financial performance, as well as our social and environmental impact. These strategies are also much more aligned to and integrated within our overall business strategy. They will inform all corporate responsibility activity in the financial year 2011/12.

Our corporate responsibility strategy was approved by our Chief Executive Committee in November 2011.

Our community investment strategy was approved by our Chief Executive Committee in October 2011.

Our Objectives

The ultimate objective at the heart of our business strategy and our corporate responsibility strategy is the same – to return Royal Mail Group to financial viability on a sustainable basis.

Our five new corporate responsibility objectives are:

- 1 Deliver a market-leading corporate responsibility programme.
- 2 Drive up colleague advocacy for our corporate responsibility programme, including community investment.
- 3 Be seen by our external stakeholders to be one of the best corporate citizens in the UK.
- 4 Ensure our corporate responsibility strategy is integral to our business strategy and corporate narrative.

- 5 Ensure that our reporting and data collection is of the same standard as a major PLC.

Our communities, our people and our environment will continue to be integral to our corporate responsibility strategy. However, we must now pay more attention to our responsibilities to and expectations of our customers and suppliers.

Our corporate responsibility strategy will therefore continue to use the Business in the Community (BITC) framework – workplace; marketplace (customers and suppliers); communities and environment.



Impact area	Our current corporate responsibility programme	Our new corporate responsibility programme
People	<ul style="list-style-type: none"> • We are one of the UK's largest employers, providing employment in local communities across the country. • Managing major change in working conditions for our people as a result of our modernisation programme. • Continuing to make our workplaces safer and more inclusive. • Investing in training and development opportunities for our people. 	<ul style="list-style-type: none"> • Introduction of an annual employee engagement survey. • Further roll out of our employee engagement programme. • We will seek to drive up colleague advocacy and provide meaningful opportunities for our people to get further involved in their communities.
Customers	<ul style="list-style-type: none"> • Delivering one of the best service specifications of all postal operators, at very competitive rates. • Significant ongoing investment in our customer service to ensure that we are customer responsive. • We are a major player in the Government's focus on tackling exclusion (financial, geographical, digital). 	<ul style="list-style-type: none"> • Introduction of improved delivery options for our customers. • Continued improvements to our customer service. • We aim to enhance our transparency reporting in 2012. • Continued action to tackle 'scam mail'.
Communities	<ul style="list-style-type: none"> • As a predominantly UK-based company, our economic contribution (direct and indirect) is one of the largest in the UK. <ul style="list-style-type: none"> – Annual wage bill – £4bn. – Annual procurement spend – £2.3bn, 600 suppliers. • We seek to make a positive difference in the communities in which we operate. 	<ul style="list-style-type: none"> • Delivery of our new Community Investment strategy. • We will conclude our current Charity of the Year partnership with Barnardo's and launch our new Charity of the Year. • We will refresh our volunteering programme. • We will have a major push on payroll giving.
Environment	<ul style="list-style-type: none"> • Focused action on reducing our carbon emissions. We are the only UK postal operator to have achieved the Carbon Trust standard. • Continued measures to reduce waste and water consumption. • Provision of products and services which help our customers do business in an environmentally sustainable way. 	<ul style="list-style-type: none"> • Establishment of Environment Management Board in early 2012. • Expansion of eCO2HUB to include waste and water data. • Continued fuel efficiency programme. • Development of a technology road map, setting our investment opportunities.



Our Corporate Responsibility Governance

Executive Responsibility

We have strengthened our corporate responsibility governance arrangements. Corporate responsibility is now embedded within the governance structure of Royal Mail Group.

- **Moya Greene**, our CEO, has ultimate responsible for corporate responsibility.
- **Shane O’Riordain**, Director of Communications, is responsible for shaping and implementing our corporate responsibility strategy, including our community investment programme. Group Communications provides the secretariat for the Communications Action Group (CAG) and Modernisation Communications Committee (MCC).
- **Mark Higson**, MD, Operations and Modernisation, is responsible for all Environment strands of our corporate responsibility strategy. Mark sits on the Royal Mail Group Board.
- **John Duncan**, Director of HR, is responsible for all People strands of our corporate responsibility strategy.
- **Gary Simpson**, Interim Chief Customer Officer, is responsible for all Customers strands of our corporate responsibility strategy.
- **Matthew Lester**, Chief Finance Officer, is responsible for all financial reporting and core sustainability issues, including procurement. Matthew sits on the Royal Mail Group Board.
- **Paula Vennells**, MD, Post Office Ltd., is responsible for all of Post Office’s activity in Royal Mail Group’s corporate responsibility strategy. Paula will have ultimate responsibility for corporate responsibility at Post Office Ltd. once it is formally separated. Paula sits on the Royal Mail Group Board.

Corporate responsibility is now embedded within the governance structure of Royal Mail Group.



Royal Mail Group Board

The Royal Mail Group Board reviewed our new Group Communications strategy on two occasions during 2011: in February and September. Corporate responsibility and community investment are integral to the Group Communications strategy and both were covered in the two Board presentations.

The Board will review our corporate responsibility and community investment strategies on an annual basis. The Royal Mail Group Board is already presented with monthly health and safety briefings.

Audit and Risk Committee

All Royal Mail Group non-executives sit on the Audit and Risk Committee (ARC). The ARC has reviewed this report and will review all subsequent reports and any other major corporate responsibility reporting.

Chief Executive's Committee

The Chief Executive's Committee (CEC) approved our enhanced corporate responsibility and

community investment strategies (in October 2011 and November 2011 respectively).

All major corporate responsibility and community investment initiatives will be reviewed and approved by the CEC. The CEC will receive quarterly performance updates on key programmes.

Communications Action Group

The newly-established Communications Action Group (CAG) considers all issues and events which represent a good opportunity or have the potential to have an adverse impact on the Group. Included within this remit is responsibility for shaping and implementing Royal Mail Group's corporate responsibility strategy and consideration of all issues related to corporate responsibility. The CAG meets monthly and is chaired by our CEO.

Modernisation Communications Committee

The Modernisation Communications Committee (MCC) coordinates all the communications activity underpinning the modernisation programmes being undertaken by the Group. This includes Royal Mail's Modernisation Programme, Post Office's Network Transformation Programme

and any corporate responsibility activities which arise. The MCC meets monthly and is chaired by our CEO.

Environment Management Board

The Environment Management Board is a recently-established body which is due to meet for the first time early in 2012. Its aim is to promote and enable positive environmental activity across Royal Mail and Parcelforce Worldwide. It will provide leadership and strategic direction of all environmental activities and will be responsible for defining environmental policy and setting national and local targets.

The Board is chaired by our Director of Logistics, Tony Fox, and consist of senior managers accountable for functional areas which underpin or directly impact our environmental performance.



Our Transparency Agenda

Royal Mail Group is committed to being more responsive, open and transparent with its stakeholders.

Royal Mail and Post Office represent two out of the top three most highly regarded brands in the UK.¹⁰ This is a great advantage to us. The strength of our brands derives from how we serve our customers and our interaction with other stakeholders.

We are committed to being more responsive, open and transparent with our customers. We aim to enhance our transparency reporting in 2012.

Freedom of Information requests

We receive a significant number of Freedom of Information (FOI) requests each year. These requests cover a wide range of issues. We receive them from a broad spectrum of people, including members of the public, the media and elected representatives.

Some of these requests can be answered quickly but some need to be considered carefully under the terms of the legislation. In the last year, 590 requests were referred to our central FOI team. Of those, 267 requests were answered in full and a further 116 requests were answered in part. There were 137 requests where the information

requested was not provided because, for example, it would damage commercial interests or breach principles of the Data Protection Act. In another 70 cases, the information requested was not held by us.

Returned letters

The overwhelming majority of all items we handle are delivered safely to the correct address. A very modest proportion of the items we handle are undeliverable for a variety of different reasons outside of our control. For example, items are not always able to be delivered if addresses are incomplete, the recipient has moved, or there is no return address. In these circumstances, letters and packets are returned to the National Return Letter Centre in Belfast.

We try very hard to ascertain the correct address and deliver the item. If that is not possible, we will seek to return it to the sender free of charge. Our National Return Letter Centre employs 160 full-time people dedicated to trying to return items. The number of items processed in 2010-11 by the

65%

We answered **65%** of FOI requests either in full or in part last year.

Royal Mail and Post Office are two of the most respected brands in the UK.¹⁰

¹⁰ MORI Corporate Image Survey Autumn 2011.



Centre was 19.6 million. That should be set against the 15.9bn of items we delivered this year.

The mail which cannot be delivered or returned is stored for up to four months. If an item is not claimed, it is put out to auction. All the proceeds, minus a market rate commission for the auction house, are used to partially pay the considerable cost involved in seeking to reunite customers with their items.

The annual income from items sold at auction by the National Return Letter Centre for 2010-11 was £933,255. This income represents a modest contribution to the annual cost of more than £4m of providing this free service.

Exceptions to our delivery and collection service

The decision to suspend the delivery of mail is never taken lightly. Royal Mail's purpose is to process and deliver mail and we are extremely proud to deliver mail to almost 29 million addresses across the UK, six days a week.

However, we are not always able to deliver or collect mail as we would like to. At the time of the Exceptions Annual Review in October 2010 there were 2,985 national Universal Service delivery exceptions in the UK. This represents 0.01% of the total number of addresses that we deliver to. The exceptions are

where our postmen and women have difficulty gaining access or there is a long-term health and safety risk.

There were also 414 short-term delivery exceptions, which have been in place for more than 12 months in October 2010. These are mainly due to dangerous dogs in gardens.

In 2010/11, there were 2,180 long-term Universal Service collection exceptions across the UK. This represents 1.7% of the total number of points that we collect from. These exceptions can be caused by difficulties in accessing post boxes. There were also 155 short-term collection exceptions of more than four months. These were caused by road or building works, limiting access to post boxes.

All of these exceptions are reported to our regulator on a regular basis.



£4m

is spent every year on the National Return Letter Centre.

There were 2,985 national Universal Service delivery exceptions last year. This represents 0.01% of the total number of addresses that we deliver to.

There were 2,180 long-term Universal Service collection exceptions last year. This represents 1.7% of the total number of points that we collect from.



My name is Bill and I'm partly responsible for making sure we deliver 59 million items every working day.

My name is Frank and I'm responsible for managing my team including Bill.





Our Responsibility to Our People

We are proud to employ a rich and diverse mix of people who reflect the communities in which they live and work.

Key facts

- We employ around 163,000 staff in the UK.¹¹
- The turnover rate of our full-time frontline workforce is half the UK average.
- 45,000 people have left the business since 2002, without resort to compulsory redundancy.
- 18% of our workforce is female.
- 10% of our workforce is from black and minority ethnic (BME) background.¹²
- 7% of our workforce consider themselves to have a disability.¹³
- 65,000 Royal Mail Group employees have experienced formal training this year.
- 115 senior managers have visited 221 sites and spoken to 14,120 colleagues during the 2011/12 employee engagement programme.

¹¹ Full-time equivalent.

¹² Derived from our Employee Opinion Survey. This percentage is in line with the proportion of BME citizens in the UK population as a whole.

¹³ We do not formally monitor our disabled employees. This figure is taken from our engagement survey results.

65,000

Royal Mail Group employees have experienced formal training this year.



49%

There was a **49% fall** in formal bullying and harassment cases last year.



89 CWU learning centres on Royal Mail sites.



Our KPIs

¹⁴ Engagement scores were extracted from five key questions in the 'Have Your Say' questionnaire.

¹⁵ The five key questions which were used to calculate the 2009/10 engagement scores were not included in the 'Have Your Say' questionnaire for Parcelforce Worldwide employees. These questions were included in April 2010.

¹⁶ No survey of POL employees was conducted during the reporting period.

¹⁷ The 2009/10 RMG CR Report included KPIs for 'Number of RIDDORs' and 'Total accidents per 1,000 staff'. These two KPIs have now been replaced with the KPI 'RIDDORs per 1,000 staff in post'. This is to ensure that our 'People' KPIs are aligned with measures contained in our new corporate scorecard. Reporting of Injuries, Diseases and Dangerous Occurrences Requirements. These figures are UKLPI only.

¹⁸ This was incorrectly reported in the 2009/10 Corporate Responsibility Report, due to the late reporting of accidents.

¹⁹ These fatalities were third-parties, not Royal Mail employees.

²⁰ We are unable to provide a figure for total costs incurred as a consequence of medical severance, due to reporting errors.

KPI	2009/10	2010/11
Engagement scores¹⁴		
Royal Mail Letters	23.8	23.1
Parcelforce Worldwide	N/A ¹⁵	64.9
Post Office Ltd.	38.66	N/A ¹⁶
Group Centre	43.8	65.8
All business units	23.8	24.4
Safety		
Total accidents	24,842	19,389
RIDDORs per 1,000 staff in post ¹⁷	24.8	19.0
Absence accidents	6,574	4,992
Days lost due to accidents	128,171 ¹⁸	89,048
Days lost due to accidents per 1,000 staff	679.1	568.0
Total number of fatalities	4	5 ¹⁹
Health		
Sick absence %	4.8	4.1
Medical severance cost	11m	N/A ²⁰
Dignity and respect		
Total number of bullying and harassment cases received	797	390
Total number of investigations completed	677	499
Total number of bullying and harassment cases resolved within 28 days	190	153



Strategic priorities

We are a people business. Our people are daily ambassadors for Royal Mail Group. Almost no other company has daily contact with customers in the way that we do.

Royal Mail Group is one of the largest employers in the country. We are proud to employ a rich and diverse mix of people who reflect the communities in which they live and work.

Investing in our people is a key part of our business strategy.

We have identified the following priorities:

- **Modernisation.** Our modernisation programme represents one of the largest change management programmes ever undertaken in the UK. It is changing every process and affects everyone who works for Royal Mail Group.
- **Engagement.** To modernise successfully, our people need to be fully engaged with the challenges that the business faces.
- **Health and safety.** To modernise successfully, our people need to feel that their health and safety is of the utmost importance to us.

- **Diversity, inclusion, dignity and respect.**

To modernise successfully, our people need to feel valued and recognised.

- **Learning and development.** To modernise successfully, our people need to be equipped with the skills they require.

Modernisation

Our modernisation programme represents one of the largest change management programmes ever undertaken in the UK. As we modernise all aspects of our operations, the jobs of 120,000 postmen and women are changing across 1,371 delivery offices and 59 mail centres.

Modernisation is aimed at creating a more efficient operation which is vital to secure the six-days-a-week, one-price-goes anywhere Universal Service.

Before the current modernisation programme started, we did not have the latest technology to sequence mail to the order of a postman and woman's walk. Most of the mail was still hand-sorted before being delivered. Many postmen and women carried the full mail weight on their shoulders.

Many of the changes are therefore improving the working lives of our colleagues. They include the installation of modern technology and better

We are a people business. Our people are daily ambassadors for Royal Mail Group.

We are proud to employ a rich and diverse mix of people who reflect the communities in which they live and work.



equipment, including more trolleys, shared vans to handle packets and parcels and handheld devices to record signatures when mail is delivered.

However, modernisation can be hard for our people. It requires them to accept changes to how they work. They may need to work different hours, adopt different working methods and undertake different delivery rounds.

Modernisation also continues to mean significant job reductions. We remain committed to working with our people and the CWU to manage operational job reductions on a voluntary basis.

Engagement

Our colleagues, justifiably, take great pride in the valuable work they do in so many communities across the country. They like working for Royal Mail Group. The turnover rate of our full-time frontline workforce is about half the UK average.

Given the difficult situation facing the Group and the scale of our modernisation programme, some of our colleagues do not have full confidence in our future. Our employee engagement scores remain unsatisfactory. It is imperative that we change this.

We are committed to much more active engagement with frontline employees as we implement our

modernisation programme. We need to know how our people feel so that we can take action where required. We wish to involve and encourage our employees to suggest changes to improve the way we work. Employee engagement is now a key scorecard measure and we will report on the results of our annual employee survey in next year's Corporate Responsibility Report. The success of our World Class Mail programme (please see page 21 for more details) is dependent upon engagement with our people. Without this engagement, we will not be able to achieve the 10 pillars of the World Class Mail programme.

We engage with our people via a number of different channels:

- Weekly Work Time Listening and Learning (WTLL) sessions – held in every Royal Mail site.
- JustSayIt (a direct email link to the CEO).
- Business TV – screens located in every Royal Mail site.
- Intranet and myroyalmail.com²¹
- Courier – monthly newspaper to all colleagues' home addresses.

Our employee engagement programme commenced in summer 2011 outside of the

Case Study: Our Unions

We work closely with the unions who represent our people, Unite/CMA and the Communication Workers Union CWU. They are important stakeholders in assuring our future success.

The relationship with our unions has not always been easy. However, with their support and involvement we are modernising our operations. In 2010, Royal Mail signed a Business Transformation Agreement with the CWU. This includes a commitment to modernise Royal Mail and change working practices and working conditions.

We are committed to working with our people and the CWU to manage operational job reductions on a voluntary basis.

We are also working with our unions to review all human resource policies, including those for Conduct, Grievance, Attendance, Equality and Fairness and Performance, to ensure that they remain fit-for-purpose.

²¹ myroyalmail.com was launched outside of the relevant financial year.



relevant financial year. Each senior manager will be on the road for at least one week, to listen and learn and to communicate to colleagues. They will provide feedback to our Chief Executive and the senior management team.

In the first completed phase of the engagement programme, 60 senior leaders visited 98 sites and spoke to 10,000 frontline colleagues directly about the challenges facing the business. In the second phase, another 57 senior managers will visit 100 sites and engage with 13,000 colleagues.

Royal Mail Group is believed to be only one of a handful of UK companies which has established an employee engagement programme on such a large scale. We hope an improved level of understanding of the issues facing the business and the issues of concern to employees will ultimately result in improvements in our employee engagement scores. We will report on the outcome of this engagement programme in next year's Corporate Responsibility Report.

Safety

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

The safety of our people and customers is paramount. Establishing a positive safety culture

makes good business sense as well as making us a responsible employer. Low standards can lead to increased costs, poor service and low morale.

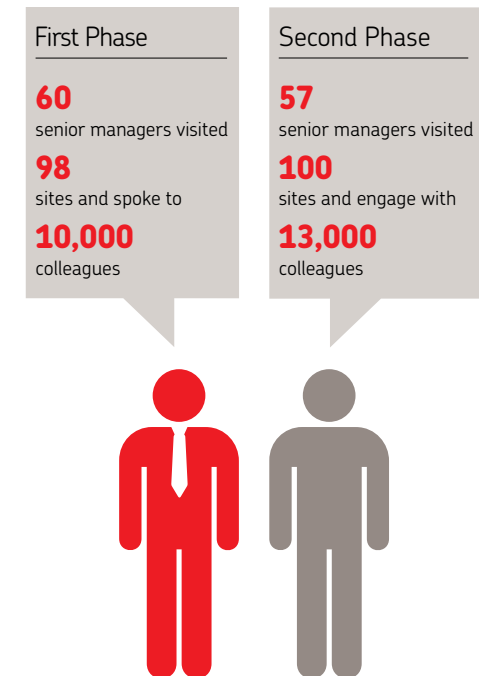
We aim to achieve this through the following initiatives:

- More visible leadership from the top. Health and Safety performance has been installed as a standard agenda item at monthly Royal Mail Group Board meetings. All Board members and other senior executives undertook rigorous safety training in the past year. This seeks to ensure that safety is embedded at every level within the organisation. Safety is also one of the key scorecard measures.
- Increased awareness amongst our people.
- Investment in modern equipment, such as high-capacity trolleys, and the adoption of more efficient ways of working.

As a result of our increased focus on safety, accidents across the business fell from 24,842 to 19,389 this year. We also achieved a reduction in the number of days lost due to incidents. 40,000 days were saved which is equivalent to a saving of £3.3m for the business.

Royal Mail Group won a Gold Managing Occupational Road Risk medal in the 2011 RoSPA Occupational Health and Safety Awards.

Employee Engagement Programme 2011/12²²



²² Unaudited.



Health and wellbeing

We aim to provide first class support to maintain and improve the health of our people. This is now more important than ever as longer shifts and later retirement become increasingly common amongst our workforce.

Providing excellent health and wellbeing support makes good business sense. It helps us attract and retain excellent people and boosts workplace morale. It helps us maintain the highest levels of service for our customers. By giving employees the support they require, we aim to ensure that they are able to return to work as soon as possible after an illness or injury.

The Royal Mail Group Board management is provided with a monthly health and safety performance report. This ensures that health and safety is given due prominence and high level support.

Some of the ways we provide a healthy working environment include:

- An employee assistance programme, available 24 hours a day every day of the year for health-related advice and for arranging health services for our colleagues and their families.

- Occupational health clinics in more than 90 Royal Mail Group sites across the country.
- Fitness centres run by trained instructors within our larger sites.
- A national physiotherapy and functional rehabilitation service for colleagues suffering from musculoskeletal conditions.

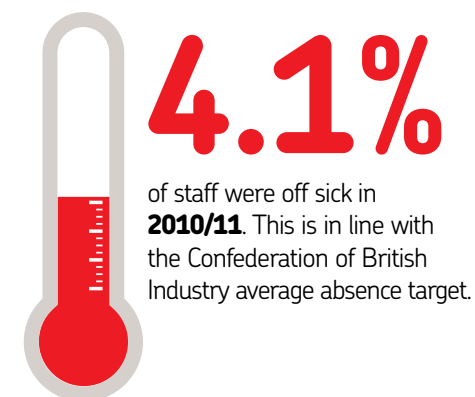
This year the sick absence figure was 4.1%, which was on target and is in line with the CBI average absence target.

Diversity and inclusion

We are proud to employ a rich and diverse mix of people who reflect the communities in which we work.

We are working hard to ensure that we are identified as an equal opportunity employer. This is critical if we are to achieve commercial success and be an employer of choice.

We engage with various organisations to increase our knowledge and adopt good practice. In particular, Unite/CMA and the Communication Workers Union are important stakeholders in assuring our future success. In conjunction with our unions, we are reviewing all of our HR policies to ensure that they fit for purpose and easy to access and understand.



Accidents fell by over **22%** this year, across the business, as a result of our increased focus on safety at work.



Disability

Royal Mail Group aims to be a Disability Confident Employer.²³ The Royal Mail Disability Leadership Panel²⁴ continues to monitor Royal Mail Group's treatment of disabled employees and customers. During the period covered by this report, the panel focused on mental health issues, procurement of accessible IT equipment and the implications of the new Equality Act.

We have continued to work in partnership with Remploy and Access to Work to increase the number of work opportunities for disabled people and provide adjustments to support their work when required.

Gender

Women represent 18% of the Royal Mail Group workforce. We are seeking to increase this proportion.

Royal Mail Group is a key supporter of Business in the Community's (BITC) 'Opportunity Now' programme. We were pleased to win a Silver in the 2011 'Opportunity Now' Awards. Other gender-focused initiatives include the Springboard Development Programme, which is designed to encourage non-management female employees

into junior management. Three programmes have been run this year, bringing the total number of participants to 707 women. The Royal Mail Group Women's Steering Group and Network is also seeking to increase the quality of the opportunities available to women working for Royal Mail Group.

Dignity and respect

Royal Mail Group is committed to eliminating all instances of bullying and harassment amongst our employees.

We dealt with 390 formal bullying and harassment complaints during 2010/11. This represents a decrease from last year, when we dealt with 797. However, the time taken to investigate these complaints increased, largely due to reduced capacity to investigate these complaints.

We wish to eliminate all instances of bullying and harassment. Our target for 2010/11 was to limit the proportion of our workforce stating that they had experienced some form of bullying and harassment to 10%. Unfortunately, largely due to dissatisfaction with the Transformation Change Programme, we missed our target by 2% this year.²⁵ We will seek to improve on this over the next 12 months.

²³ As defined by the Employers Forum on Disability.

²⁴ Membership includes: <http://disabilityequalityprogramme.com/panel.htm>

²⁵ Calculated from our Employee Opinion Survey.

Case Study: Dog attacks

Unfortunately, dog attacks are a hazard faced by our postmen and women every working day. During 2010/11, there were 3,633 dog attacks on Royal Mail people. These attacks cause great distress and, in too many cases, serious injuries.

If we feel that there is a risk from a dog, or any other animal, at an individual address, we are committed to working with the customer to agree simple steps to ensure that we can deliver the mail safely. We always welcome the co-operation of our customers for taking responsibility for keeping their pets under control. We also regularly communicate with our people about the dangers of dog attacks and provide advice to postmen and women on techniques to minimise harm in the event of an attack.

We are now working more closely with the CWU to reduce the threat that dogs represent to our people and hope to make real progress during 2012.





Our 2010/11 employee opinion survey included a question asking whether the participant has experienced an instance of bullying and harassment.

Learning and development

Royal Mail Group is committed to enhancing the capability of our people. This will help our people carry out their job to the best of their ability and provide the highest possible service to our customers. We ensure that our operational training is aligned with our business priorities.

65,000 Royal Mail Group employees experienced formal training and just under 20,000 training days were delivered in 2010/11. All our front line employees receive 30 minutes Work Time Listening and Learning sessions once a week.

Outplacement support

We invest significantly in outplacement support for those leaving the business. This support begins even before redundancy offers have been made, to ensure that our people are able to make informed choices. Outplacement support includes 'Career Transition', a flexible, individual service which enables those potentially leaving the business to clarify their career and lifestyle options.

Priorities for 2011/12

- Introduction of an annual employee engagement survey. We will be very open with the results and what we are going to do with them in next year's Corporate Responsibility Report. We hope to increase our employee engagement scores.
- More active engagement with frontline employees. Further rollout of our employee engagement programme.
- Continued initiatives to improve the health and wellbeing and safety of our people.
- Continued improvements to our diversity and inclusion agenda.
- Increased focus on learning and development.

Our modernisation programme represents one of the largest change management programmes ever undertaken in the UK.

We are committed to much more active engagement with frontline employees as we implement our modernisation programme.



Case Study: CWU learning and development support

Since 2000, in conjunction with the CWU, we have established 90 learning centres and learning outreach locations within Royal Mail, with a further 19 on CWU or community premises. They have trained over 700 CWU members as Union Learning Reps, providing frontline peer group support to Royal Mail employees.

This peer group approach is vital to allow workers to have the confidence to come forward and begin to address the learning needs that many have hidden for their whole working lives. Dissemination and awareness raising events have reached over 24,000 Royal Mail employees.

Further information

Communication Workers Union:

<http://www.cwu.org/>

Unite:

<http://www.unitetheunion.org/>

Equality and Human Rights Commission:

<http://www.equalityhumanrights.com/>

Direct Enquiries:

<http://www.directenquiries.com/>

To modernise successfully, our people need to feel valued and recognised and equipped with the skills they require.



My name is Jamie and I'm responsible for helping to deliver to 29 million UK addresses every working day.

My name is Olivia and I'm responsible for making sure I don't spend too much money shopping online!





Our Responsibility to Our Customers

We remain committed to delivering a consistent and excellent customer experience to businesses, consumers and recipients who use our services.

Key facts

- Royal Mail Letters and Parcels deliver to almost 29 million UK addresses every working day.
- We deliver six-days-a-week, whilst the EU requirement is only five days a week.
- 87% of our mail bag is business mail; just 13% is for social use.²⁶
- 74% of our deliveries are made to 13% of the country.
- Our Post Offices receive 20 million customers a week.²⁷
- We dealt with over 14.7 million customer enquiries in 2010/11. Only 1.23 million of these customer enquiries were complaints.

Key metrics

Quality of Service KPI	2009/10	2010/11
Retail First Class	87.9%	92.6 ²⁸
Retail Second Class	97.6%	98.7% ²⁹
Standard Parcels	92.7%	94.3%
Special Delivery	97.6%	97.8%
Number of complaints	1.2m	1.2m

Strategic priorities

Meeting the needs of our customers is a key part of our business strategy. We must continue to deliver the six-days-a-week, one-price-goes anywhere Universal Service at competitive prices, in the face of a declining mails market.

Royal Mail, Parcelforce Worldwide and Post Office are brands that enjoy considerable public support. We must work hard to continue to maintain this trust and loyalty throughout a period of significant change for the business. With tougher



We dealt with over **14.7 million** customer enquiries last year. Only **1.23 million** of these customer enquiries were complaints.



6 million 'scam' letters have been removed from the UK mail delivery network.

²⁶ 2010/11 figures.

²⁷ This figure is based on quarterly research. The most recent quarter was July – September 2011.

²⁸ This figure was 91.4% without any adjustments. After adjustments are made, to take into account the combination of the severe winter weather and the unprecedented closure of UK airspace because of volcanic ash, the figure is 92.6%.

²⁹ This figure was 98.24 without any adjustment.



competition from other mail companies and digital communications, people have a choice where and how they spend their money.

We must continue to:

- **Connect customers, companies and communities.** We enable businesses to reach their customers and enable citizens to communicate with others within their communities.
- **Meet the needs of our customers.** We must continue to provide our customers with the products and services they require, at competitive prices.
- **Provide a high standard of service.** We must ensure that we deliver the highest standard of service and ensure that we are customer responsive. We must be transparent with our customers.
- **Ensure the security of our mail.** We are determined to do all we can to protect our customers appropriately.

³⁰ This figure is based on quarterly research. The most recent quarter was July – September 2011.

³¹ Ofcom, Securing the Universal Postal Service, October 2011, p.1.

Connecting customers, companies and communities

Royal Mail Group reaches almost every UK resident. Royal Mail Letters and Parcels deliver to almost 29 million UK addresses every working day. Our Post Offices receive 20 million customers a week.³⁰

We are the sole provider of the Universal Service. We have a duty to provide a six-days-a-week service at the same competitive price wherever in the country an item is collected from or delivered to. As Ofcom recently acknowledged, most European countries do not provide a six-day service or enable their customers to post as late in the day as we do.³¹

Our mail bag is made up of 87% business mail and 13% social mail. 74% of our deliveries are made to 13% of the country. But every delivery we make is equally important to us. Our provision of the Universal Service means that those in rural communities are not disadvantaged because of where they live. The postal service represents a key communication channel for rural residents and businesses. This supports effective social action and cohesion. You can read more about this in the Inclusion chapter of this report.

Our Post Office network forms a core part of many urban and rural communities across the country.

1st CLASS

Royal Mail achieved our First Class quality target with a performance of

92.6%

116m

visits were made to the Royal Mail customer website in 2010.

We must continue to deliver the universal service at competitive prices, in the face of a declining mails market.



You can read more about this in the Post Office chapter of the report.


Meeting the needs of our customers

Royal Mail is currently undertaking one of the biggest transformation programmes in UK industry. A key operational challenge facing the company is to deliver high-quality customer service while implementing such major changes. We remain committed to delivering a consistent and excellent customer experience.

What is most important to our customers is that we keep our basic service promises. We must continue to collect and deliver on time. We must be easy to do business with.

At the end of the 2010/11 financial year, Royal Mail achieved our first class quality target³² with a 92.6% performance. A recent Which? survey found that 84% of its respondents are either satisfied or very satisfied with the service provided by Royal Mail.³³ Customer satisfaction figures for the Post Office are 85%.³⁴

Our prices need to reflect our costs. However, we operate under significant competitive constraints. Consumers have real choice. If we were to increase prices beyond what customers are willing to pay, the rate of decline in mail volumes would increase. We therefore have every incentive to price competitively.


 Royal Mail
 PO Box 1399
 PLYMOUTH
 PL1 9DB
 Our Ref: RES ATE2

Dear Customer

Important information about changes to Royal Mail services in your area
 I am the Royal Mail Delivery Manager for your area. I am making some changes to the way my team in Northampton deliver to your address. I want to explain why these changes are necessary and how they will affect you.

There may be a period of adjustment whilst my team and I get used to the new ways of working. I would like to thank you for your understanding.

Why we are making these changes
 We are proud to provide one of the most comprehensive and best value mail services in the world. Our postmen and women play a vital role in the Northampton area as well as across the rest of the UK, where we deliver to almost 29 million addresses, six days a week.

We need to modernise the way we operate. We are making changes in your area to maintain your services and to keep our prices amongst the lowest in Europe.

The way in which we communicate with each other has changed dramatically. Unfortunately, fewer letters are now posted every day. We need to organise our delivery routes to be as efficient as possible. We also deliver more larger items so we are investing in new equipment to carry these items to you even more securely. The new equipment also reduces the risk of injury to our postmen and women from carrying heavier mail bags.

What this means for you

- We will continue to deliver in the morning and for a longer period during the day. Many customers will continue to get their mail by lunchtime.
- The time you receive your mail will depend on where you live on the new delivery route. This may be later or possibly earlier than you are used to.
- As I am sure you understand, when mail volumes vary, I may need to adjust delivery arrangements and times.

We are proud of the high regard in which our postmen and women are held in their communities. These changes may mean a different postman or woman from your local office will deliver to you. I am confident all of my local team will provide the reliable, friendly service you have come to expect from us over many years.

More information and help
 I hope this information is useful. You can write to me using the address on this letter or find out more about how Royal Mail is modernising, including possible alternatives to standard delivery services at: www.royalmail.com/modernisation

Here you can also send us an email or subscribe to updates including local service alerts online.

Finally, if you need to talk to us about these changes, I have a dedicated support team who can be contacted on: **08456 011 399**.

Our deaf and hard of hearing customers can use our Textphone: **08456 000 606**.

Yours faithfully,

Paul King
 Delivery Sector Manager for the Northampton area

Royal Mail is a trading name of Royal Mail Group Ltd. Registered number 4338203. Registered in England and Wales. Registered office: 330 Victoria Embankment, LONDON, EC4Y 0HQ.

³² For more information: <http://www.royalmailgroup.com/how-were-performing/quality-service-reports>.

³³ Which? survey, July 2011.

³⁴ This figure was derived by taking an average from 10 months worth of data.



We must continue to be the most reliable postal service, delivering the highest level of specification at the lowest possible cost. This is why our first class quality scores are key measures in our new corporate scorecard.

Improving the Customer Experience

We invest significantly in our customer service. We operate one of the largest call centre networks in the UK. In total, we dealt with over 14.7 million customer enquiries last year. We receive on average 568,000 calls and 28,000 emails every month and 62,000 letters a year. Our customer facing website, www.royalmail.com, received 116 million hits in 2010/11.

Only 1.23 million of these 14.7 million customer enquiries were complaints. Although this represents a slightly higher number of complaints than the previous year, last year saw the worst winter weather in living memory, the unprecedented closure of UK airspace because of the Icelandic volcanic ash and delays in transit to the USA because of security concerns. Complaint numbers are still significantly lower than three years ago. Over 99% of complaints were resolved at the first line of customer service. Continuing to reduce the number of complaints that we receive is a measure in our new corporate scorecard.

During 2010/11 we worked hard to improve the experience our Royal Mail and Parcelforce Worldwide customers have when they interact with us. For example, we have introduced a new range of communication channels including an online advisor chat service and a twitter account (@RoyalMail). We have put a lot of effort into simplifying our customer complaints process in order to make it easier to contact us. Our customer service staff and call centre procedures are focused on resolving enquiries as swiftly as possible.

Our net satisfaction score – the percentage of satisfied business customers net of dissatisfied customers – for 2010/11 was 34%. The challenge for us to maintain and increase business customer satisfaction against a backdrop of intensive change in the business.

We are also committed to being more responsive, open and transparent with our customers. Please see the Transparency chapter of this report for more information.

Ensuring the security of our mail

We are determined to do all we can to appropriately protect our customers. The security of mail is of the utmost importance to us.

Case Study: 'Scam mail'

We understand the upset and disquiet that 'scam mail' can cause households across the country, including vulnerable people. We are working very closely with the Metropolitan Police and Serious Organised Crime Agency to identify and stop 'scam mail' at source. Our work has resulted in almost 6 million scam letters being removed from the UK mail delivery network. We are currently working on leads involving a further 10 million potential scam letters.

We are doing everything we can to stop 'scam mail' entering our postal network. If we identify 'scam mail' which is potentially harmful to the recipients, we will stop it, irrespective of the cost and loss of revenue to Royal Mail. We also provide advice to customers warning about 'scam mail' on our website and a link to the website of Action Fraud, the UK's national fraud reporting centre.

However, we feel that we can do more to help protect our vulnerable customers and we are working with the relevant authorities regarding this.



Royal Mail Group has robust security measures in place in all parts of our operations. We monitor the movement of mail through our network and operate a zero tolerance to any person found tampering or interfering with customers mail. Working with the police and relevant authorities, we ensure anyone found guilty of damaging the trust in our business is dealt with robustly. As a demonstration of this, in the past year, 312 former employees of Royal Mail Group were prosecuted (out of a total of 163,000 employees).

Priorities for 2011/12

We have identified the following priorities for the forthcoming year:

- Introduction of improved delivery options for our customers and simpler, more effective products and services.
- Continued improvements to our core customer service proposition and focused action to tackle the causes of frequent complaints.
- Greater openness with our customers, through better timely information, clear statements of intent and enhanced transparency reporting.
- Continued action to tackle 'scam mail', working with relevant authorities.

Further information

Royal Mail's products and services

<http://www.royalmail.com/>

Post Office's products and services

<http://www.postoffice.co.uk/>

Royal Mail customer service

<http://www.royalmail.com/customer-service>

Post Office customer service

<http://www.postoffice.co.uk/find-out-more/customer-service>

Parcelforce's products and services

<http://www.parcelforce.com/>

Direct Marketing Association

<http://www.dma.org.uk/>

Action Fraud

<http://www.actionfraud.org.uk/>

We must work hard to maintain the trust and loyalty of our customers throughout a period of significant change for the business.



My name is William and I'm responsible for helping Royal Mail Group to raise over £2m for Barnardo's.

My name is Jack and I'm responsible for flying this aeroplane!





Our Responsibility to Our Communities

Royal Mail Group is one of the UK's largest employers. We employ 163,000 UK residents and paid over £4bn in wages last year.

Key facts

- As a predominantly UK-based company, our economic contribution – both direct and indirect – is one of the largest in the UK.
- We employ 163,000³⁵ UK residents and paid over £4bn in wages and salaries during 2010/11.
- Our annual procurement spend is approximately £2.3bn, the majority of which is spent in the UK. At any one time, we are liaising with at least 600 different suppliers.
- Our total community investment in 2010/11 was over £10m.
- In 2010/11 over £2.5m was donated to around 850 registered charities and good causes through our payroll giving scheme.

Key metrics

Community Investment	2010/11
Colleague fundraising	£1.34m
Colleague payroll giving	£2.5m
Articles for the Blind	£5.7m
British Postal Museum and Archive	£2.03m

Strategic priorities

We are a major part of the UK's economic and social infrastructure. We have a presence in every locality, employing local people, connecting customers, companies and communities.

Outside of the reporting period, we conducted a major review of our community investment strategy. Our strategy is now much more focused on our economic contribution, as this constitutes our greatest investment in our communities.

³⁵ Full-time equivalent.

£10m

was spent on our total community investment.



By the end of our partnership with Barnardo's we hope to have raised over

£2.5m





- **Enhance our contribution to the UK economy.**

Our position as one of the largest full-time employers in the UK means that we make a significant direct and indirect contribution to the UK economy.

- **Continue to make a difference in the communities in which we operate.** We wish to continue to harness Royal Mail Group's unique reach to continue to make a positive economic and social contribution to the UK economy and society. We must provide our colleagues with meaningful opportunities to get involved in their communities.

Our contribution to the UK economy

We are a major contributor to the UK economy.

Royal Mail Group is one of the UK's largest full-time employers. We employ 163,000 UK residents on a full-time basis and paid over £4bn in wages and salaries in 2010/11. We also paid approximately £300m in tax.

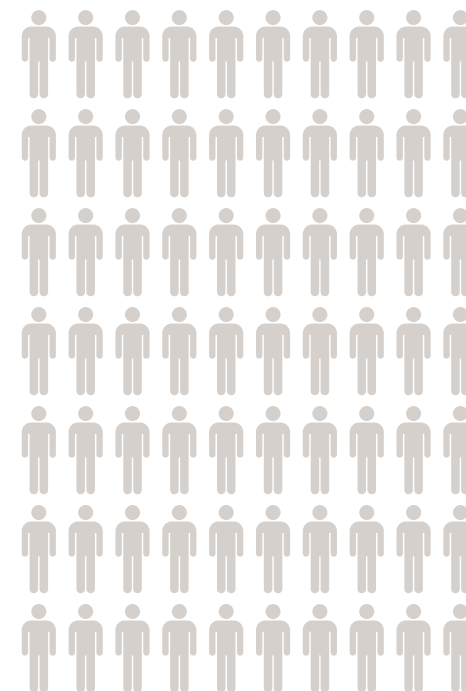
As a predominantly UK-based company, our procurement programme makes a major contribution to the UK economy. Our annual procurement spend is approximately £2.3bn.³⁶ We contract business from over 600 suppliers, the vast majority of which are UK-based, helping to sustain local and national UK economic activity.

We are very aware of the role that we play connecting customers, companies and communities across the UK. Outside of this reporting period, we have commissioned a major piece of research which seeks to quantify our direct and indirect contribution to the economy. We hope to be able to present the findings of this research in next year's Corporate Responsibility Report and we anticipate that they will further inform our corporate responsibility strategy.

Recruiting from socially excluded groups

We are committed to recruiting and offering placement opportunities to people from socially excluded backgrounds. We aim to provide meaningful work experience and remove barriers to employment for people who may otherwise be denied the opportunity.

- **Business Action on Homelessness -** we have been a national partner of BITC's Business Action on Homelessness programme since 2005. During this time we have offered over 450 work experience placements, with 185 of these people going onto work at Royal Mail or other organisations.



163,000

people are currently employed by Royal Mail Group, making it one of the largest employers in the UK.

³⁶ Not all of our procurement spend is UK-based.



- **Employment for the disabled** – we have been working in partnership with Remploy, the UK's leading provider of employment services to people experiencing complex barriers to work, since 2005. We are one of only two organisations to have placed over 1,000 people through the partnership. Our work experience programme has a high success rate, with 80% of individuals going on to be offered paid work within Royal Mail.
- **Ready for Work** – we have employed over 250 Ready for Work graduates over the past six years. This accounts for 11% of the total employments secured by clients after completing the Ready for Work programme.

In addition, over the next twelve months, we have also stated our intention to provide the following:

- **Work Experience placements** – we have committed to offering a minimum of 80 work experience placements every year for a period of up to eight weeks for 16 – 24 year olds.
- **Apprentices** – we have committed to offer up to 30 apprentices a two year Business Improvement apprentice scheme, which focuses on World Class Mail.

Our Community Investment Programme

Our people take pride in the valuable work they do in all communities across the country. We are in a privileged position as a UK-wide company with a presence in every local community.

We hope our new Community Investment strategy will maximise our colleagues' engagement and advocacy. We must provide our people with meaningful opportunities to get involved in their communities.

Payroll Giving

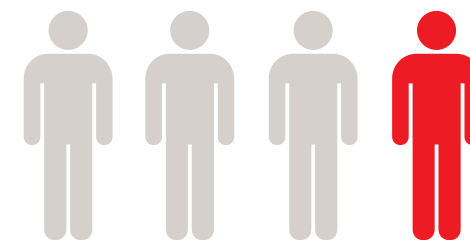
We have one of the largest and longest established Payroll Giving schemes in the UK. Since its launch in 1989, our colleagues have donated more than £43m. The biggest beneficiaries among the 850 charities supported by the scheme include Barnardo's, County Air Ambulance Trust, Help the Hospices, Macmillan Cancer Support and our own charity, the Rowland Hill Benevolent Fund.

Over the past year, the scheme has raised £2.5m. We currently have over 42,000 colleagues – one in four employees – taking part. This means that 6% of all Payroll Giving donors in the UK work for Royal Mail Group.

Since the launch of Payroll Giving in **1989** our colleagues have donated more than

£43m

One in four Royal Mail Group employees give via payroll giving.



This means that **6%** of all Payroll Giving donors in the UK work for Royal Mail Group.





Our Charity of the Year

We aim to forge partnerships with organisations which make a big difference at a local level. In 2008, Royal Mail Group colleagues voted for Barnardo's to become our charity partner. This followed on from our highly successful partnership with Help the Hospices, which raised nearly £2m for the charity.

Our partnership with Barnardo's will soon be coming to an end. By the end of the partnership we hope to have raised over £2.5m for Barnardo's.

Colleague Fundraising

We encourage our people to volunteer and fundraise for good causes. Through our peoples' fundraising efforts over £1,800,000 was raised during 2010/11, benefiting some 550 different charities.

CWU Humanitarian Aid is the CWU's national charity. Thousands of volunteers and donors take part in a wide range of fundraising efforts to help vulnerable children in places of need. Royal Mail loans vehicles, supplies fuel and allows volunteers time off work. In May 2011 a group of postmen from Warrington and Crewe undertook a non-stop run from John O'Groats to Land's End.

Our colleagues and customers also raised £499,000 for the 2010 Children in Need campaign. Royal Mail Group spends approximately £50,000 every year purchasing buckets and other fundraising material to use for big charity fundraisers.

Computer Aid

In 2010, Royal Mail donated 300 PCs and laptops to charity Computer Aid International. The charity professionally refurbishes donated PCs and laptops and provides them for reuse in education, health and agriculture in developing countries.

During 2011, Royal Mail has already donated another 3,000 PCs and laptops to Computer Aid. These will be used in a range of projects in schools, colleges and NGOs in countries including Malawi, Namibia, Ethiopia, and Chile.

Education Provision

Royal Mail Group has supported the literacy and numeracy curriculum in schools for many years. More than one million pupils across the UK have benefitted from our support over the past year. Over 105,000 children received personal items from the business.

The Young Letter Writers Competition engages many thousands of young pupils every year. The subject of the 2010/11 Young Letter Writers Competition was 'My Favourite Book'. Schools were invited to take part in the competition and send in the best from each class to Royal Mail for judging. 1,800 entries from 140 schools were received and 128 prizes of book tokens and letter-writing goodies were awarded. The subject of the 2010/11 Young Letter Writers Competition is 'What the Olympics mean to me'.

We are very aware of the role that we play connecting customers, companies and communities across the UK.

Case Study: Articles for the Blind

Articles for the Blind is a free of charge service for people sending items specifically designed for blind and visually impaired people within the UK and overseas.

Royal Mail Group has offered this special service for nearly a century and continues to be proud to do so. Each year, over 7 million items are sent using the service. Royal Mail absorbs the £5m cost.



Additionally, Royal Mail sponsors 'Teachers Post'. This is an educational magazine that is distributed to over 26,000 schools in the UK. It highlights many educational themes including addressing, letter writing and grammar.

Priorities for 2011/12

Our new community investment strategy is now much more focused on our economic contribution, as this constitutes our greatest investment in our communities. We believe that each investment should have a genuine and measurable impact on communities.

Our new strategy was revised and agreed by the Chief Executive's Committee outside of this reporting period. It has been integrated within our new Corporate Responsibility strategy.

Our new Community Investment strategy includes the following objectives:

- Leverage our greatest asset – our people. We must drive up colleague advocacy and provide meaningful opportunities to get involved in the community.
- We must capitalise upon our unique position as one of the most local and national companies in the UK.
- We will conclude our current Charity of the Year partnership with Barnardo's with a major fundraising push.

- We will launch a new Charity of the Year. Our colleagues will continue to have a role in choosing a cause that is relevant to both them and their families. It is important that our charity partner can clearly show us where the money raised is spent and the impact it is having on those who require the charity's help and support. We also hope that the charity will be able to provide volunteering opportunities for our people.
- We will create a volunteering programme which will give all employees the chance to take one day's paid-leave every year to volunteer in their local community.
- We will have a major push on payroll giving to try to improve upon our already excellent staff participation rates.
- We will re-launch our matched funding programme and increase awareness and engagement amongst our people.
- We will re-launch our sponsorship programme, so that it is more targeted and focused.
- Begin roll-out of cause related marketing strategy. We hope to launch a charity stamp in 2013.

Further information

Barnardo's

<http://www.barnardos.org.uk/>

Children in Need

<http://www.bbc.co.uk/pudsey/>

Business Action on Homelessness

<http://www.bitc.org.uk/community/employability/homelessness/index.html>

Remploy

<http://www.remploy.co.uk/>

Ready for Work

<http://readyforwork.org/>

Charities Trust

<http://www.charitiestrust.org/>

Payroll Giving in Action

<http://www.payrollgiving.co.uk/>



My name is Sue and I'm responsible for helping to reduce our carbon emissions.





Our Responsibility to Our Environment

We aim to ensure that our business operations have a positive impact on our future and a minimal impact on the environment.

Key facts

- We are the only UK postal services operator to have achieved Carbon Trust Standard certification.
- More than three-quarters of all direct marketing material is now recycled.³⁷
- We now recycle 46% of our waste.³⁸
- We have over 500 Environment Champions to help us reduce our impacts.
- We operate from 1,371 delivery offices and 59 mail centres. As part of our modernisation programme, we have consolidated 12 mail centres and have plans to consolidate a further 16 in order to improve our efficiency.
- We own one of the largest fleets in the country, including 33,600 vehicles.

³⁷ This applies to the whole direct mail industry, not simply direct mail processed by Royal Mail.

³⁸ This does not include confidential waste data.

³⁹ Excludes hazardous waste streams.

⁴⁰ A gramme of CO₂e per item mailed is calculated from Royal Mail letters scope 1 and 2 emissions.

Key metrics

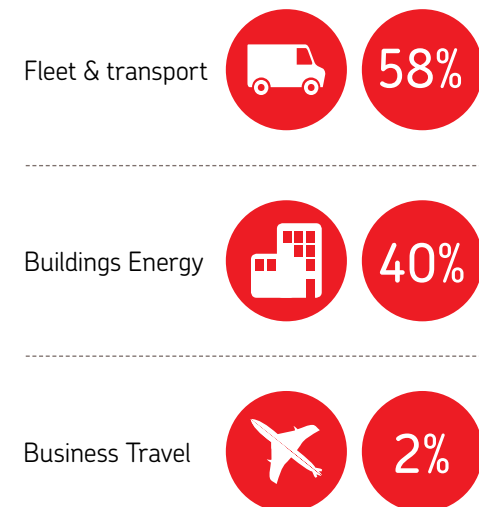
KPI	2009/10	2010/11
Carbon emissions (tonnes of CO ₂ e)	795,541	789,862
Waste (tonnes to landfill) ³⁹	20,643	16,287
Waste (tonnes recycled)	4,310	14,087
Water consumed m ³	1,679,213	1,589,507
Grammes per item (normalised stats) ⁴⁰	28.64	29.04

Strategic priorities

We aim to ensure that our business operations have a positive impact on our future and a minimal impact on the environment.

Royal Mail Group covers the whole of the UK. The scale of our operations means we inevitably have a significant carbon footprint, but it also accounts for a significant degree of our cost base. We are therefore working hard to reduce both. Managing and reducing our impact in a

A breakdown of our carbon emissions





responsible manner will help us to save costs, compete more effectively and continue to deliver an excellent service to our customers.

- Focused action on reducing emissions from our fleet and buildings.
- Waste and water avoidance and reduction.
- Help our people and customers do business in an environmentally sustainable way.

Carbon emissions

We have achieved a 15.3% reduction in our carbon emissions since 2004/05. We continue to reduce our carbon emissions year on year. We will establish an Environment Management Board early in 2012 to set environmental policy, agree national and local targets and seek funding to achieve these targets. In particular, the Environment Management Board will review our current target to reduce our carbon emissions by 34% by 2015 to ensure that it remain applicable and deliverable.

Our Carbon Trust Standard certification has also been renewed. This award recognises our success in reducing our carbon emissions after we cut emissions by 47,670 tonnes in two years.⁴¹ This means that we are still the only UK postal services operator to have achieved the prestigious accreditation.

In this first year of annual reporting for the Carbon Reduction Commitment Energy Efficiency Scheme,

we were one of the first organisations to add our carbon reports to the Carbon Reduction Commitment (CRC) registry. The CRC is a mandatory scheme for large energy users, which requires all participants to capture, record and report all emissions from electricity and gas used in buildings. We were delighted to achieve a position of 208 out of 2,103 companies in the first published CRC league table.

Our approach to reducing emissions from our operations is to focus upon our largest impact areas. Our 2010/11 carbon footprint can be broken down into:

- Fleet – 58%.
- Buildings – 40%.
- Business travel – 2%.

Our fleet

As part of our modernisation programme, we are improving our delivery methods. This involves putting more vehicles on the road but we are continually seeking to identify opportunities to avoid and reduce transport emissions.

- **Efficiency.** A national optimisation exercise was deployed in 2010 to remove mileage from our network.
- **Eco start technology.** The majority of the Parcelforce Worldwide collection and delivery fleet is fitted with 'stop start' technology which cuts out the

We've cut our carbon emissions in **2** years by:



We are still the only UK postal services operator to have achieved the Carbon Trust Standard.



⁴¹ The Carbon Trust does not include certain Scope 3 emissions within their calculations.



engine when the vehicle is stationary for more than two seconds. Using the system saves fuel and cuts vehicle emissions, noise and engine wear. In an urban environment fuel consumption can be cut by as much as 10%.

- **Driver training.** We have launched the Zero Accidents Programme. This is designed to achieve significant reductions in accidents and carbon emissions through encouraging safe and efficient driving and ensuring vehicles are well maintained.
- **Double deck trailers.** We purchased 21 double deck trailers during 2010/11. A further 50 have been purchased in 2011/12. Each double deck trailer can transport 50% more mail than conventional trailers, enabling us to reduce lorry journeys.
- **Low emission vehicles.** Over 1,000 compact diesel vehicles started service in our fleet during 2010/11. Our existing electric vehicles have been complemented by the purchase of 10 diesel electric hybrids. We are developing our future vehicle roadmap which looks at opportunities for low emission vehicles where commercially and operationally viable.

Our buildings

We are looking at low carbon technical solutions to help us reduce emissions across the estate.

- **eCO₂HUB.** We have developed a bespoke energy management database which provides detailed site level analysis of energy consumption. eCO₂HUB will now be rolled out to include waste and water monitoring – and hopefully ultimately monitoring of emissions from our fleet.
- **Refrigeration gas replacement.** We have developed a £8.7m investment programme to replace or remove the ozone-depleting refrigerant gases used in refrigeration and air-conditioning systems, to comply with statutory UK Fluorinated Greenhouse Gas Regulations (2000) and the Kyoto Protocol by December 2015. The project covers all Royal Mail Group business units in the UK. This investment is projected to remove 2,145 tonnes of CO₂e emissions per year by 2015.
- **Smart meters.** We have begun a nationwide programme to install electricity and gas meters across our estate. So far we have installed over 1,629 electricity meters and 1,563 gas smart meters. We are working to fit meters in our remaining sites.
- **Energy management systems.** We were concerned that, as operations change and opening hours are altered, the on/off timings for our Building Energy Management Systems may be disrupted. A national review of all sites' operational hours and plant operating timings was therefore undertaken. The overall forecast annual savings are 31,828MWh



collections and delivery vehicles are now fitted with C-Track technology reducing fuel usage by **10%**.



We have over **500** Environment Champions to help us reduce our impacts.



of all old uniforms and footwear which is returned to us is recycled.



energy and 5,900 tonnes of CO₂e, approximately enough to fill 29,545 hot air balloons.

- **Sustainable building design.** Our new South Midlands mail centre opened in April 2010 and has been designed with sustainability in mind. 84% of the waste from its construction has been re-used or recycled. Its CO₂e emissions are 30% lower than in other new builds. A 700m² solar wall heats the centre in winter. It is the first building in our estate to use rainwater harvesting and smart water metering.
- **Pillar boxes.** We have designed a new pillar box of steel, replacing heavier cast iron boxes. The new pillar box weighs only 70kg and is therefore much easier to handle and transport. Each new pillar box saves approximately 1.2 tonnes of CO₂e in the manufacturing process alone.

Our modernisation programme (see the Our People chapter) will assist the reduction of our carbon footprint. We expect that around half of our mail centres could close by 2016–2017.

Business travel

We have begun a major push to reduce the number of business-related journeys taken by our people. This year we have introduced conferencing facilities, including audio conferencing and office communicator. Our people have used over one million participant minutes in the last 12 months. Audio conferencing usage has increased by 30% over the last two years.

Waste and water reduction

Together with our waste contractor (Biffa) we launched our national mixed recycling scheme across our estate to reduce the amount of waste sent to landfill. This involved the replacement of 30,000 bins with recycling bins and the deployment of a further 15,000 recycling boxes.

We have seen an increase in recycling rates since the launch of the scheme. We recycled 46% of our waste in 2010/11, compared to only 16% in December 2009.

Uniform recycling

We recycle 100% of those uniforms and footwear which is returned to us.⁴² Old uniforms and footwear are sent to our partners Field Textiles.

We continue to work with clothing company Worn Again, looking at ways to upcycle our old uniforms into new products. Old storm jackets which are waterproof, tough and reflective are turned into reusable bags. So far we have made 250 new bags as part of this trial.

Water consumption

We continue to focus on the reduction of water consumption through behavioural change and technical solutions. We believe leak identification can prevent significant wastage of water, and therefore encourage our employees to identify and report such problems.

We have fitted over 1,000 water saving urinal control devices and water displacement kits to toilet cisterns to further conserve water. All our premises are fitted

Royal Mail Group has set itself stringent targets in terms of recycling and is constantly driving to improve performance.

Biffa is embedded at Royal Mail Group and we work with them to provide a simple and efficient way to improve their recycling capabilities, achieve environmental compliance and control costs. Royal Mail Group has already seen a dramatic increase in recycling rates and we look forward to working with them to help drive rates higher.

Ian Wakelin

Chief Executive, Biffa

⁴² This is based on data available from April 2010 until Jan 2011. We are unable to report on February 2011 and March 2011 figures due to unavailability of data.



with water meters to aid usage monitoring. Rainwater harvesting is now a standard feature in new Mail Centres.

Environmental Management Systems

Royal Mail Group is continuing its journey towards ISO14001.

Seven Royal Mail mail centres (12%) are now accredited. Further sites will come on board through our World Class Mail programme. The programme, based on the principles of Kaizen and continuous improvement, covers ten areas of operational focus, one of which is environmental management.

As each operational site progresses through seven steps of the environmental pillar it will reach a stage where it can apply for ISO14001 accreditation. The environment pillar of World Class Mail has now been deployed at 38% of our Regional Distribution Centres (RDCs) and 40% of our Mail Centres (MCs).

Parcelforce Worldwide has ISO14001 accreditation at all its front line and support sites.

Employee engagement

Our success depends on our people getting involved. We now have over 500 Environment Champions to help us reduce our impacts. These champions help us raise awareness of how small behavioural changes can make big differences to our energy consumption and waste to landfill.

We use our internal communications channels to make our people aware of the key environmental challenges

facing our business and the initiatives in place to help achieve our sustainability targets. We also use these channels to celebrate some of our successes.

We acknowledge and very much value the Communication Workers Union (CWU) support and contribution to what is a very important area of continuous improvement for Royal Mail Group.

Our Products and Services

During 2010/11 we began to rationalise and simplify our products and services to align them more closely to customer needs.

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

Direct marketing

We are committed to helping the mail industry meet the UK Government's environmental targets for direct marketing activity.

More than three-quarters of all direct marketing material is now recycled.⁴³ This is ahead of the 2013 target set in agreement with the Department for Environment, Food and Rural Affairs.

In 2010 we began work with the Direct Marketing Association to review and revise PAS 2020, an industry standard which was created to reduce the environmental impact of direct marketing. We wish to

The CWU fully supports Royal Mail Group's range of initiatives and pilots aimed at making a positive environmental impact and making workplaces greener.

Environmental projects and initiatives that bring together the practical engagement both of workers and management to secure energy savings and reduce the environmental impact of the workplace are welcomed.

Climate change and the environment are a centrepiece of world attention. Royal Mail Group can make a major contribution to a low-carbon economy.

Dave Joyce

National Health, Safety & Environment Officer, CWU

⁴³ This applies to the whole direct mail industry, not simply direct mail processed by Royal Mail.



ensure that the specification remains relevant and consistent with the UK Government's environmental ambitions.

Sustainable Mail

Royal Mail created Sustainable Mail so that our customers can meet their environmental commitments whilst continuing to market in the way that works for them. The service rewards our customers who adopt good environmental practices, offering a lower price for every item that meets our criteria.

In 2010/11 we handled 208m items of Sustainable Mail, an increase of 59% on last year. Sustainable Mail received a big tick award for Sustainable Marketing & Innovation from Business in the Community (BITC).

Sustainable Door to Door

In 2010 we replaced Carbon Neutral Door to Door with a new environmentally focused service, Sustainable Door to Door. Like Sustainable Mail, it is designed to help advertisers minimise the environmental impact of their mailings.

Customers using our service receive advice on minimising waste through better targeting, using sustainable resources and materials and the recyclability of their mail.

Mailing house scheme

Royal Mail operates a mailing house scheme which pays a service fee for high standards of mail addressing and presentation. To enter the scheme, the mailing house must provide evidence of an environmental management system (EMS).

87 customers have achieved the standard and are rewarded by us with financial incentives, giving mailing agents who wish to invest in a certified standard the opportunity to recoup their investment.

The Woodland Trust

Parcelforce Worldwide was the first UK carrier to offer a Woodland Carbon service. Customers can choose to donate 5p for a UK delivery or 10p for an international delivery to offset the carbon that would be produced by conveying their parcel. Investing in Woodland Carbon supports the protection and expansion of forests and woodland that absorb greenhouse gases and neutralize residual emissions.

World Wildlife Fund

In 2010 we published a series of stamps which featured endangered mammals. The stamps were issued a few days before the WWF Earth Hour, a global campaign which focuses on conserving energy.

The stamp issue was also used to highlight Royal Mail Group's policy in regard to Forest Stewardship Council (FSC) procurement. We are the first postal operator in the world to ensure all our stamps are FSC certified. This confirms that Royal Mail's stamps are produced on paper from trees grown in well-managed forests or recycled sources.

Priorities for 2011/12

- Establishment of an Environment Management Board. The board will be responsible for setting environmental policy and agreeing national and local targets for Royal Mail and Parcelforce Worldwide.
- Expansion of eCO₂HUB to include waste and water data for improved monitoring.
- We will continue with fuel efficiency programmes as part of our drive to reduce fuel consumption and costs.
- Development of a technology road map setting out investment opportunities and a corresponding flight path up to 2015.
- The pace of change in our mail centres will continue.

As we deliver fewer letters but more packets and parcels, the switch to vans and trolleys will enable us to take the weight off our people's backs. We are pleased to help the cycling charities Re-Cycle and The Krizevac Project who provide bicycles to various parts of Africa. Since 1997, we have donated more than 12,000 bikes to these organisations.

[illegible]

Over the last few years we have reduced the weight of each band to minimise the overall amount of material used in their production. The bands we use are made from natural material, are non-toxic and degrade within approximately 12 months depending on prevailing weather conditions. Despite this, we recognise that taking rubber bands back to the office for reuse is by far the best solution.

<http://www.wornagain.co.uk/>



My name is Mia and my name is Lily and we're responsible for our businesses relationship with Royal Mail Group.





Our Responsibility to Our Suppliers

Royal Mail Group is committed to ensuring that our suppliers maintain high standards of social, ethical and environmental conduct.

Key facts

- Our annual procurement spend is £2.3bn. The majority of this is spent within the UK.
- At any one time, Royal Mail Group is liaising with at least 600 different suppliers.

Strategic priorities

Royal Mail Group is committed to ensuring that our suppliers maintain high standards of social, ethical and environmental conduct.

Our focus this year has been on reducing our cost base. Our challenge is to do this whilst continuing to ensure that our suppliers act in a responsible and sustainable manner.

We believe it is important that we implement a Supplier Code of Conduct to ensure our suppliers are fully aware of our expectations. We will seek to address this in the next year.

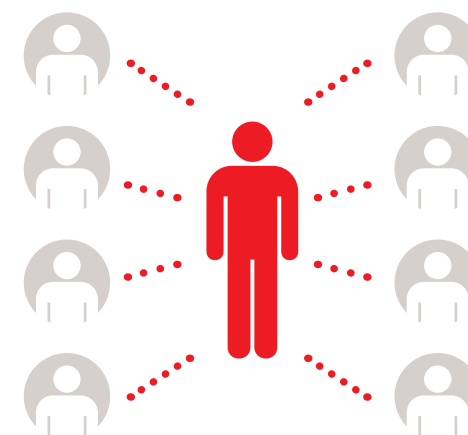
Responsible Procurement Policy

During the Royal Mail Group procurement process, suppliers are issued our Responsible Procurement Policy. This policy is based on the UN Global Compact's ten principles.⁴⁴

All suppliers added to our supplier database are requested to confirm their adherence to the principles set out in the Responsible Procurement Policy and the UN Global Compact. 100% of suppliers added to our supplier database in 2010-11 responded positively to this Supplier Declaration.

Where relevant to the contract, the supplier selection process involves assessment of ethical and environmental performance.

At any one time, Royal Mail Group is liaising with at least **600** different suppliers, covering a range of goods & services.



⁴⁴ See here for more details:
<http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html>



Through our Supplier and Contract management programmes we work to improve supplier performance. In 2010-11 we achieved the following environmental benefits:

- Review and optimisation of the Domestic Air network, including the removal of two routes.
- Increasing our use of fuel efficient vehicles.
- Working with a supplier to reduce mail container weight with resulting efficiencies in both road and air transport.

Action Sustainability

Royal Mail Group is a regular attendee at DEFRA and Action Sustainability Strategic Supply Chain Group meetings. This group was formed as a result of the UK Government Strategic Procurement Task Force initiative which set out a framework and plan for promoting sustainability across Government and the Public and Private Sectors.

These meetings bring together major organisations including Hewlett Packard; Met Police; Value Wales and United Utilities to learn about and share best practice in sustainability.

Priorities for 2011/12

- Auditing compliance with the principles set out in our Responsible Procurement Policy and the UN Global Compact further down the supply chain.
- Emphasising our expectation of our suppliers, through the introduction of a Supplier Code of Conduct.

Case Study: Ensuring compliance with our Responsible Procurement Policy

A non-UK based company was identified as a potential supplier of plastic for use in Royal Mail operations. An audit of their operations was carried out in June 2010. The audit uncovered significant failings in respect of employee safety, working hours, compliance with minimum wage legislation and fairness of labour contracts.

The potential supplier therefore did not meet the standards set out in Royal Mail's Responsible Procurement Policy. On the grounds of non-compliance with our ethical standards, we decided we could not proceed negotiations with the supplier.

£2.3bn

Our annual procurement spend is approximately **£2.3bn**, the majority of which is spent in the UK.



100%

100% of suppliers added to our database in 2010-11 responded **positively** to our Supplier Declaration.



My name is Tim, I'm a Digital Champion and I'm responsible for helping people to take their first steps online.





Our Inclusion Agenda

Our Post Office network is bigger than all of the UK high street banks combined. Around 20 million customers visit per week.

Key facts

- Royal Mail Letters and Parcels deliver to almost 29 million UK addresses six-days-a-week.
- The Post Office network is bigger than all of the UK high street banks combined.
- Post Office has a network of 2,100 free-to-use ATMs, meaning cash is available even in the most remote or deprived parts of the country.
- Post Office Card Account and Green Giro cheque encashment enable around four million people within the UK to regularly obtain their pension and benefit payments in cash, whether or not they have a bank account.
- Post Office has actively promoted digital inclusion and been involved in a number of nationwide campaigns to help our customer to get online.

Strategic priorities

Royal Mail Group is proud to be a major force promoting inclusion for all members of our society.

- **Geographical inclusion.** Royal Mail Group wishes to remain a vital part of the UK's economic and social infrastructure.
- **Financial inclusion.** The Post Office plays an important role ensuring that UK citizens are not financially excluded.
- **Digital inclusion.** The Post Office is in a unique position to offer access to services for those who cannot or do not wish to use the internet.

Geographical Inclusion

Royal Mail Group is a vital part of the UK's economic and social infrastructure.

As the Universal Service Provider we are committed to providing a postal delivery to every address in the UK every working day. We collect mail from over 115,000 post boxes – often more

Items were delivered to almost **29 million** homes and businesses every working day last year.

29m



Our Post Office network is bigger than all the high street banks combined.



than once a day – as well as from over 11,500 Post Offices and more than 80,000 businesses.

Our Post Office network is bigger than all of the UK high street banks combined. Around 20 million customers visit per week.⁴⁵

Royal Mail's six-days-a-week, one-price-goes-anywhere Universal Service means that those in rural communities are not disadvantaged because of where they live. The postal service represents a key communication channel for rural residents and businesses. This supports effective social action and cohesion.

Financial Inclusion

The Post Office plays an important role in promoting financial inclusion within the UK.

Its network of free-to-use ATMs and the capability to obtain cash over Post Office Counters for most of the UK's major banks ensures cash is available in even the most remote or deprived parts of the country.

The Post Office also offers a strong portfolio of products which support financial inclusion. Many of these services are available into the evening and at weekends from the shops in which Post Offices are located.

These financial inclusion products include:

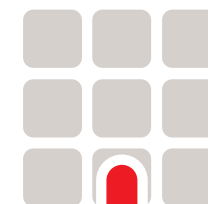
- Post Office Card Account and Green Giro cheque encashment which enable around four million people within the UK to regularly obtain their pension and benefit payments in cash, whether or not they have a bank account.
- Budget Card and Christmas Club – simple saving mechanisms for people to make small regular cash saving payments which can be redeemed at Christmas or to pay key bills.
- Bill payment facilities for utilities to enable those on low incomes to regularly pay for energy services.
- Postal Orders/Moneygram – convenient ways for people to send/transmit money across the UK or overseas without recourse to bank accounts.

The Post Office also enables access to a full range of government services, which assist the financially excluded, including rent/rates payments, discount travelcards and vouchers for local authority services (such as meals on wheels or school uniform vouchers). We are encouraged by the commitment shown by the UK Government in providing the opportunity for Post Offices to extend their role to become the 'front office' for national and local government.

Post Office has a network of

2,100

free to use ATMs.



We collect mail from over **115,000** post boxes.

⁴⁵ This figure is based on quarterly research. The most recent quarter was July – September 2011.



The Post Office is in active discussions with ABCUL (Association of British Credit Unions Ltd) to see if it is possible to develop a national system to offer access to credit union services.

Digital inclusion

There are nine million people in the UK who are not online. There is a large overlap between the socially deprived and digitally deprived members of the community. Many of those people walk through the doors of Post Offices everyday. The Post Office is therefore in a unique position to offer access to services for those who cannot or do not wish to use the internet.

This is particularly important as Government services increasingly migrate online. The Post Office can also assist in those areas where a physical interaction is needed alongside online contact, for example in validating identity.

The Post Office has also played a key role in working with RaceOnline2012's Go On campaign and UK Online's centres around the UK in order to close the digital divide. The Post Office has delivered digital inclusion awareness raising training to all its branch colleagues to encourage them to help their customers to get online or to sign post them to their nearest public centre offering online facilities and education. The Post Office has also used its

marketing channels to distribute information to customers about how they can help friends and family get online.

The Post Office is working with the National Federation of Subpostmasters to encourage the agency network of over 11,500 branches across the UK to get more digital champions on board.

Priorities for 2011/12

- Continued investment in the Post Office network, including working with subpostmasters to develop and introduce more flexible operating models.
- Expanding the range of accessible and affordable financial services available via Post Offices.
- Continuing to support initiatives to lessen the digital divide, including recruiting more digital champions.

Further information

Department for Work and Pensions:

<http://www.dwp.gov.uk/>

Association of British Credit Unions:

<http://www.abcuk.org/home>

Race Online:

<http://raceonline2012.org/>

UK Online:

<http://www.ukonlinecentres.com/>



Post Office has recruited over

4,500

Digital Champions.

Our Post Office network is bigger than all of the UK high street banks combined. Around 20 million customers visit per week.

Royal Mail Group is a vital part of the UK's economic and social infrastructure.



My name is Sam and with the help of my colleagues, I'm responsible for making Post Office the heart of the community.





The Post Office

Around 20 million customers and half of all small businesses in the UK visit a Post Office each a week.

Key facts

- With over 11,500 branches nationwide, the Post Office network is larger than all of the UK high street banks combined.
- 20 million customers and half of all UK small businesses visit a Post Office every week.⁴⁶
- The Post Office network's estimated social value as of 2009 was at least £2.3bn per annum.⁴⁷
- 99% of the UK population lives within three miles of a Post Office.
- 5,351 Post Office branches are 'urban'⁴⁸ and 6,469 branches are 'rural'.⁴⁹
- The Post Office network employs around 56,000 people. The vast majority of the network – over 97% of Post Office branches are operated by small businesses and agents working in local communities.
- The UK Government have pledged to provide £1.34bn of funding to modernise and safeguard the Post Office network.

Key metrics

Post Office accessibility at March 2011	Target	Performance
Total Population within 3 miles	99%	99.7%
Total Population within 1 mile	90%	93.1%
Deprived Urban Population within 1 mile	99%	99.8%
Urban Population within 1 mile	95%	99.1%
Rural Population within 3 miles	95%	99.2%

Strategic priorities

- **Continue to play a key role in the social and economic fabric of the UK.** We must put the business on a successful and sustainable footing, via a transformation of the Post Office network.
- **Win more government business.** We must establish the Post Office as a genuine 'front office' for Government at both national and local level.



20 million

customers and half of all UK small businesses visit a Post Office every week.

The Post Office network's estimated value as of 2009 was at least

2.3bn

per annum

⁴⁶ This figure is based on quarterly research. The most recent quarter was July – September 2011.

⁴⁷ See here for further detail: http://www.nera.com/extImage/PUB_Postcomm_Aug2009.pdf

⁴⁸ Settlements with population > 10,000. March 2011.

⁴⁹ Settlements with population < 10,000. March 2011.



Post Office Ltd. shares and exemplifies the corporate responsibility values of Royal Mail Group. As Post Office Ltd. moves towards becoming a separate company in its own right, Royal Mail Group's corporate responsibility values will provide a strong platform for the development of Post Office Ltd.'s future approach to corporate responsibility.

Whilst our corporate responsibility principles cannot be directly applied to our franchises, we seek to encourage the whole of the Post Office network to adopt responsible and sustainable business practices

Transforming the Post Office Network

Around 20 million customers and half of all small businesses in the UK visit a Post Office each a week.⁵⁰ With over 11,500 branches nationwide, the Post Office is the largest retail and financial services chain in the UK.

The UK Government have pledged £1.34bn of funding to modernise the Post Office network and safeguard its future. As part of this package, Post Office Ltd. has committed to maintain a network of at least 11,500 branches and to continue to adhere to the strict access criteria which demand that 99% of the national population live within three miles of a Post Office outlet.

Post Office Ltd. is therefore committed to continuing to offer geographical accessibility unrivalled by any retail organisation in the UK. Post Offices often represent the 'last shop in the village' or the last retail business in an urban deprived area. They are local businesses, employing local people, using local premises. Research conducted by the Plunkett Foundation found that 58% of community run shops in England contain Post Offices.⁵¹

The vast majority of Post Offices change hands – when a subpostmaster decides to sell their business – without a break in service or closure. There will of course be cases where subpostmasters retire or resign and we have to find an alternative location. If no obvious replacement is available, the Post Office Field Force works with local people to seek imaginative ways to preserve services. Examples include branches in churches, pubs and mobile branches.

We are working with subpostmasters to develop and introduce more flexible operating models which offer greater convenience to our customers. Post Office local is a pilot which is designed to deliver a more sustainable Post Office in certain locations. In many cases, this moves the Post Office from the back of the shop and places it on the front

99%

of the UK population lives within three miles of a Post Office.

97%

97% of Post Office branches are operated by small businesses and agents working in local communities.

The Post Office network provides a major net social benefit to the UK population.⁵²

⁵⁰ This figure is based on quarterly research. The most recent quarter was July – September 2011.

⁵¹ See here for further detail: <http://www.plunkett.co.uk/whatwedo/rcs/ruralcommunityshops.cfm>

⁵² Source: 'The Social Value of the Post Office Network', report for Postcomm, August 2009.



retail tills. The idea is to create a Post Office that is straightforward enough for a subpostmaster to run from the same area as his/her retail till and which can therefore match the long opening hours of the store in which it is located. The subpostmaster gains because the cost of operating such a branch is comparatively less. The customer gains from longer opening hours and from the fact that the most used Post Office transactions are still available.

Front Office of Government

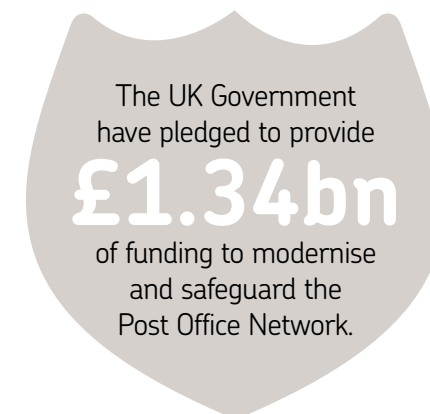
The Post Office needs new revenue streams in order to continue to deliver the services that customers want. Traditional government business and Post Office revenues have declined significantly over the last five years.

We are very encouraged by the commitment shown by the UK Government in providing the opportunity for Post Offices to be the 'front office' for national and local government.

Our wide distribution and unparalleled national coverage means that the Post Office represents the ideal physical complement to the new digital age. Our branches are well placed to do those things that cannot be done online – such as checking documents, handling physical cash, checking

identity, etc, as well as providing a convenient universal channel for those who cannot, or choose not, to use the internet.

We are engaged in discussions with all Government departments to see whether there are areas in which we may be able to do more work with them. These include supporting Jobcentre Plus in National Insurance applications and helping people complete Criminal Record Bureau applications. We will be running a number of pilots over the next year to take this forward.



Our wide distribution and unparalleled national coverage means that the Post Office represents the ideal physical complement to the new digital age.



Our People

Engagement

Ensuring that our people are engaged is critical to our future success. We need to help create positive mindsets which enable our people to perform better and encourage them to take ownership for improvements which will help us achieve our goals.

This year has seen the launch of our Ambassador Group. This involves approximately 100 employees of all grades from across the business volunteering to work on a range of engagement issues. Their role is to act as a local voice at a national level and be actively involved in moving forward our culture and people policies.

This year has also seen the creation of a strategic programme of activity looking at a range of employee issues.

Post Office funds a number of full time CWU regional and local representatives and a number of national Unite/CMA officials, helping to support positive industrial relations.

Safety, Environment and Wellbeing

Safety

We make safe and healthy working a way of life. Pursuing this aim reflects the high value we place

on our employees and all those touched by our business activities. To achieve this, we ensure that the health and safety responsibilities of all our colleagues are clearly defined and understood. Through effective health and safety management systems we provide safe premises, equipment and processes.

To measure the effectiveness of our safety management system we carry out annual health and safety audits at all our 'cash in transit sites' and cash centres and two yearly audits are undertaken at our Crown Post Office branches.

Highlights from the past year include:

- Total number of accidents 25.7% down on last year and absence accidents 29% down on last year.
- Days lost due to accidents showed a decrease of 30.4%.
- There were only sixteen instances of bullying and harassment last year.

To emphasise our belief in the value of collaborative working all health and safety trade unions representatives are now aligned to the Post Office Safety, Environment and Wellbeing Team.

Post Offices often represent the 'last shop in the village' or the last retail business in an urban deprived area.

Post Offices are seen as a neutral place in society where all customers feel a sense of ownership, familiarity and welcome.



Environment

With a network of over 350 Crown Branch Offices along with a fleet of over 400 vehicles to manage our supply chain, we understand our impact on the environment and significant effort has been put into developing an environmental strategy for Post Office that includes:

- Embedding environmental considerations into all change projects.
- Ensuring that all supplier contracts include environmental considerations.
- Ensuring that responsible disposal forms part of any purchasing decision for new equipment.
- Maximising the effectiveness of UK recycling schemes.
- Reducing our use of electricity and gas.
- Ensuring that the specification for new vehicles includes environmental impact control innovations.

To achieve this strategy we have ambitions to:

- Reducing our greenhouse gas emissions.
- Reducing the quantity of general waste sent to landfill by at least 50%.
- Reducing our fresh water use.

Working towards these ambitions will stand us in good stead for the future, developing our reputation as a sustainable, ethical business, saving us money and reducing our overall impact on the environment.

Wellbeing

We take an active interest in personal wellbeing of all our colleagues and promote healthy living through discounted gym membership and proactive health initiatives. We also offer an Online Check-in which is a free, online health advice website which gives all colleagues – and their families – access to unique health and wellbeing advice.

Our Customers

Post Office Ltd.'s customer base reflects all facets of UK society. We offer social as well as geographical universality. Post Offices are seen as a neutral place in society where all customers feel a sense of ownership, familiarity and welcome.

We are transforming the way we deal with our customers. We are currently piloting means of operating Post Offices to increase opening hours and ensure greater sustainability. We have also focused on addressing customers' concerns regarding queuing time and staff helpfulness in Crown Offices. As a result, complaints are down, but there is further work to do.

We are encouraged by the commitment shown by the UK Government in providing the opportunity for Post Offices to be the 'front office' for national and local government.



Accessibility

We are committed to making all Post Offices more accessible. Many older people and people with disabilities rely on their local branch. With over 11,500 branches in all types of buildings, with the vast majority not directly owned by the Post Office this all makes for an enormously complex picture when it comes to accessibility.

However the size of the challenge has not put us off. We independently audit our branches on a regular basis to help us and our customer understand the physical accessibility within our network. We publish full information on the accessibility of all our branches on our website and Direct Enquiries website, the UK's leading provider of access information. We have also had in place for a number of years a fund to help our subpostmasters with the cost of making disability related adjustments to their premises.

In 2010 we ran a conference for over 140 colleagues within our Marketing and Sales functions to ensure that good accessibility practice is a fundamental part of the way in which we do business. A specially-designed Audit Pack helps subpostmasters assess how to make their businesses more accessible.

We continue to work closely with our Disability Leadership Panel⁵³, made up of leading disability practitioners, to ensure better accessibility in all that we do. We have created an accessibility engagement toolkit for our web designers and put in place governance processes to ensure that all new websites are accessible

Our Communities

During 2010/2011 the partnership between the Post Office and Barnardo's was an enormous success, raising £640,000. This will help to turn around the lives of 4,000 children and young people across the UK.

Disabled, ultra-distance athlete Chris Moon MBE embarked on the ultimate challenge of running an average of 36 miles a day for 30 days. Chris started the Post Office 1000 Challenge in Edinburgh and finished in London, visiting Barnardo's projects and Post Office branches along the way. The Post Office website was a key channel in the fundraising activity, allowing supporters to track Chris Moon's progress online.

2010 also saw Post Office join forces with BBC Children in Need. Almost all Post Office branches worked to collect £500,000 in Pudsey buckets distributed throughout the network.

Many older people and people with disabilities rely on their local Post Office branch. We are committed to making all Post Offices more accessible.

⁵³ Membership includes:
<http://disabilityequalityprogramme.com/panel.htm>



Priorities for 2011/12

- A continued commitment to maintaining the Post Office network's social and economic contribution to communities and customers, via increased investment in our network and the establishment of the Post Office as a genuine 'front office' for Government.
- A continued focus on improving Post Office customer service in order to meet the rising expectations of consumers, through continued investment in staff training and self-service.

Further information

Post Office:

<http://www.postoffice.co.uk/portal/po>

National Federation of Subpostmasters:

<http://www.nfsp.org.uk/>

Consumer Focus:

<http://www.consumerfocus.org.uk/>

Direct Enquiries:

<http://www.directenquiries.com/>

We must put the business on a successful and sustainable footing in order to continue to play a key role in the social and economic fabric of the UK.



Independent Assurance Statement

Two Tomorrows (Europe) Limited has undertaken independent assurance of the pdf version of the Royal Mail Group 2010/2011 Corporate Responsibility (CR) Report.

Scope and objectives

Two Tomorrows (Europe) Limited has undertaken independent assurance of the pdf version of the Royal Mail Group 2010/2011 Corporate Responsibility (CR) 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 data and key claims in the report with the following exceptions:
 - financial information in CR report as taken from annual report which is audited separately.
 - data relating to outside of the 2010/11 financial year where stated.

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 Royal Mail Group and of the assurance providers

Royal Mail Group has 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 and 2009/2010 CSR reports 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

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 Gatwick Mail Centre and ParcelForce Depot and Trafalgar Square 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 KPIs.
- 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.

Observations

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

Although outside the reporting period, Royal Mail Group has launched and reported on revised Business and new CR and Community Investment strategies. These have been considerably strengthened to ensure alignment between business strategy and governance and the CR approach. There are clearer objectives and more detail on implementation processes, especially relating to marketplace issues designed to support business viability and its ongoing central role to UK society. This is especially important in light of the significant organisational changes that Royal Mail Group has undergone and is undergoing and demonstrates an ongoing commitment to CR despite a challenging period.

We are seeing early evidence coming through of views on how successful these significant strategic changes have been. We recommend future reports share this feedback on strategic implementation as well as performance progress.

We note and commend the change to the reporting approach. The new structure including leading each chapter with 'key facts, key metrics and strategic priorities' is strong and easy for stakeholders to use and strengths and weaknesses are easier to understand.

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 expectations.

Royal Mail Group provides specific examples throughout the report of how different stakeholders have been engaged, for example, ongoing dialogue with unions throughout the modernisation process and regarding areas of high concern, such as dog attacks. The employee engagement programme is a great example of broad employee engagement and we look forward to seeing the outcomes of this process.

We recommend that more information on specific feedback received from stakeholders is included in future reports. In particular, are there other areas that have not been prioritised by Royal Mail Group which are seen as very important to stakeholders? For example, we welcome the plan to report next year on the



outputs of the employee opinion survey and what Royal Mail Group is going to do with them.

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.

The materiality process has been driven by the fundamental need to align CR strategy with business strategy and action to improving the financial performance of the business and to prepare it for privatisation.

Based on our own assessment, we believe that Royal Mail Group has adequately covered its key material issues in the Report. We especially commend the increased coverage of the ongoing modernisation initiative, the acknowledgement of the importance of alignment between CR strategy and business strategy and delivering a viable and successful business and improved reporting on supplier management and audits.

The planned privatisation of Royal Mail Group and the implications for industrial relations along

with the pension deficit and subsequent impacts on those drawing a pension are currently being considered by the UK Government and are subject to political process. We recommend more information should be provided on the outcomes of these processes within next year's report where possible.

Sustainable paper, IT procurement and the issue of unwanted direct mail have not been specifically referred to and we recommend enhanced coverage of these in future reporting. We also recommend expanding reporting on health and safety, to explain the context around fatalities and Royal Mail Group's programme to improve road vehicle safety.

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

The Report places considerable emphasis on increased transparency and this is reflected in more open disclosure on areas Royal Mail Group needs to improve. The overall responsiveness to stakeholder expectations has improved.

We are pleased to see that Royal Mail Group has included a CEO statement in this year's

report, following feedback from last year. It provides critical context of the importance of the business transformation agenda and a good overview of the strategic developments in CR and community investment. We recommend including performance highlights/lowlights in the statement.

Post Office Ltd. has been separated out from the rest of the report, which is a sensible development, given that it will be separated from Royal Mail Group over the next year. This also provides better clarity on issues of greatest significance for the different business units. Parcelforce and Royal Mail information has been combined in line with the operating structure of Royal Mail Group. This makes it difficult to track trends from previous years and to pick out which part of the organisation the performance relates to. We recommend providing better supporting and contextual information to enable performance comparisons to be made.

Coverage of the modernisation programme restructure, mail centre closures and separation of POL should be maintained, including ongoing dialogue with key stakeholders.



Performance Information

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

- Overall, we were confident that Royal Mail Group has robust processes in place to collect information for the KPIs included in the report.
- A challenge for this year was that several people in charge of KPI collection had left the business, so it was difficult to confirm data collection processes in certain cases. We recommend that data protocols are clarified for all performance indicators and that procedures are documented and replicable. It is essential that there is performance management and reporting continuity as the business continues to transform.
- As in previous years, there are some limitations associated with the ERICA data system (accident data) and MyPeople (absence data), which staff are aware of and are being addressed.
- There were discrepancies identified with the reported waste data which were corrected once identified.

Evidence has been provided to substantiate all material claims.

Two Tomorrows (Europe) Limited

London
January 2012

Dave Knight
Director

Vicky McAllister
Senior Consultant

Elvin Ozensoy
Senior Consultant

Two Tomorrows is an international sustainability agency that helps companies to perform better and create value by doing business in a sustainable way.
www.twotomorrows.com





Annex – Our Stakeholders

Stakeholder	Who they are	What they expect from us	How we engage	Progress during 2010/11	Looking ahead 2011/12
Colleagues	<ul style="list-style-type: none"> • 163,000 RMG employees. • 18% female. • 10% BME. • 7% have a disability. 	<ul style="list-style-type: none"> • Engagement on issues of importance to the company. • Unrivalled standards of health and safety. • Equality and fairness throughout workplaces. • Learning and development support. 	<ul style="list-style-type: none"> • Weekly Work Time Listening and Learning (WTLL) sessions. • JustSayIt (a direct email link to the CEO) • Business TV. • Intranet and myroyalmail.com • Our monthly magazine, Courier. 	<ul style="list-style-type: none"> • Continued modernisation and changes to working practices. • Commencement of our employee engagement programme. • Continued action to make workplaces safer has led to a significant fall in workplace accidents. 	<ul style="list-style-type: none"> • Introduction of an annual employee engagement survey. • Further roll out of our employee engagement programme. • Our new Community Investment strategy will provide new opportunities for colleagues to get involved in local communities. • Continued action to tackle the issue of dangerous dogs.
Unions	<ul style="list-style-type: none"> • Communication Workers Union (CWU) represents 120,000 colleagues. • Unite's Communication and Managers' Association (CMA). 	<ul style="list-style-type: none"> • Fair and respectful treatment of members. • Consultation and engagement on issues of importance to the company. 	<ul style="list-style-type: none"> • Dedicated Internal Relations team. • Full-time union members. 	<ul style="list-style-type: none"> • Signing of the 2010 Business Transformation Agreement. • Continued collaboration to manage operational job reductions on a voluntary basis. • Collaboration to update HR policies. • Continued collaboration on learning and development. 	<ul style="list-style-type: none"> • Continued consultation and engagement on our modernisation programme and operational job reductions. • Planned collaboration on corporate responsibility activities, including environmental initiatives. • Continued collaboration to tackle the issue of dangerous dogs.



Stakeholder	Who they are	What they expect from us	How we engage	Progress during 2010/11	Looking ahead 2011/12
Subpostmasters	<ul style="list-style-type: none"> • Vast majority of the over 11,500 post offices are operated by subpostmasters. • Many of these branches are represented by the National Federation of Subpostmasters (NFSP). • Several major retailers operate around 1,500 branches. 	<ul style="list-style-type: none"> • Regular engagement and consultation on issues of importance to the Post Office. 	<ul style="list-style-type: none"> • Post Office regularly liaises and meets with the NFSP and major retail partners. • Subspace, a dedicated publication for subpostmasters. 	<ul style="list-style-type: none"> • Collaboration with subpostmasters to develop and introduce more flexible operating models which offer greater convenience to our customers. • Continued collaboration to make all Post Offices accessible. 	<ul style="list-style-type: none"> • Continued collaboration with subpostmasters to introduce more flexible operating models. • A continued focus on improving Post Office customer service, through continued investment in staff training and self-service.
UK Government	<ul style="list-style-type: none"> • Royal Mail Group is currently 100% owned by the UK Government. • The Shareholder Executive (ShEx) within the Department for Business, Innovation & Skills (BIS) manages the Government's relationship with Royal Mail Group. 	<ul style="list-style-type: none"> • Return Royal Mail Group to financial viability on a sustainable basis, so that we are no longer reliant upon the UK taxpayer for financial support. • Delivery of national and local government services via our Post Offices. 	<ul style="list-style-type: none"> • The UK Government is kept up to date through regular performance reviews and are asked to approve Royal Mail Group's business strategies. • Regular day-to-day engagement through our Government Affairs and Regulation and Group Communications departments. 	<ul style="list-style-type: none"> • Postal Services Act 2011 received Royal Assent on 13 June 2011 and came into force on the 1 October 2011. The 2011 Act contains measures to: <ul style="list-style-type: none"> - Remove restrictions on ownership to enable the introduction of private sector capital and disciplines to Royal Mail. - Maintain the Post Office in public ownership, and allow for a mutual ownership structure in the future. - Reform the regulatory framework for the UK postal services sector. 	<ul style="list-style-type: none"> • Continued implementation of the Royal Mail Group business strategy. • The UK Government must secure State Aid approval to take on Royal Mail Group's historic pensions deficit and help restructure our balance sheet. • Reform of the postal services regulatory regime must be finalised. • Post Office Ltd. will be formally separated from Royal Mail Group.



Stakeholder	Who they are	What they expect from us	How we engage	Progress during 2010/11	Looking ahead 2011/12
Our customers	<ul style="list-style-type: none"> • 13% of our mail bag is social mail. • 87% of our mail bag is business mail. 	<ul style="list-style-type: none"> • Provision of the six-day-a-week, one-price-goes anywhere Universal Service at competitive prices. • High quality and consistent service. 	<ul style="list-style-type: none"> • Over 14.7 million customer enquiries a year. These include: • 568,000 calls and 28,000 emails every month. • 62,000 letters a year. • 116 million hits to www.royalmail.com a year. 	<ul style="list-style-type: none"> • Significant investment in the customer experience. • Proactive communication regarding operational changes including an explanation of the potential impact of these changes on service levels. 	<ul style="list-style-type: none"> • Introduction of improved delivery options. • Continued improvements to our customer service. • Greater transparency reporting. • Continued action to tackle 'scam mail'.
Suppliers	<ul style="list-style-type: none"> • Wide range of suppliers – we liaise with approximately 600 different suppliers at any one time. • Our annual procurement spend is approximately £2.3bn. 	<ul style="list-style-type: none"> • Work in partnership to ensure the right products and services are delivered at the right time and at competitive costs. • All suppliers are requested to confirm their adherence to the principles set out in our Responsible Procurement Policy. 	<ul style="list-style-type: none"> • Group procurement monitors compliance with our Responsible Procurement Policy. • Royal Mail Group is a regular attendee at DEFRA and Action Sustainability Strategic Supply Chain Group meetings. 	<ul style="list-style-type: none"> • Continued action to reduce our cost base whilst ensuring our suppliers maintain high standards of social, ethical and environmental conduct. • 100% of suppliers added to our supplier database responded positively to our Supplier Declaration. 	<ul style="list-style-type: none"> • Auditing compliance with the principles set out in our Responsible Procurement Policy further down the supply chain. • Introduction of a Supplier Code of Conduct.
Ofcom (took over responsibility for regulating the UK postal market on 1 October 2011)	<ul style="list-style-type: none"> • Independent regulator for the UK communications market. • Responsible for safeguarding the UK's Universal Service Obligation. 	<ul style="list-style-type: none"> • Regular updates on compliance with the Universal Service Obligation. • Responses to consultations on our regulatory framework. 	<ul style="list-style-type: none"> • Regular engagement through our Government Affairs department. 	<ul style="list-style-type: none"> • Ofcom took on responsibility for regulating the UK postal market following the passage of the 2011 Postal Services Act. • Publication of major review of the regulation of the UK postal sector. 	<ul style="list-style-type: none"> • Ofcom to publish its final decision on the regulation of the UK postal sector in Spring 2012.



Stakeholder	Who they are	What they expect from us	How we engage	Progress during 2010/11	Looking ahead 2011/12
Universal Postal Union (UPU)	<ul style="list-style-type: none"> • UN Body dedicated to the development and progression of the postal service. • Primarily a forum for cooperation between postal sector players. 	<ul style="list-style-type: none"> • Engagement on issues of importance to the development of the organisation, the union and the universal service. • Commitment and participation to the various bodies. 	<ul style="list-style-type: none"> • Provision of leadership on topics of importance to Royal Mail Group. • Participation in the key forums. • Regular provision of expertise, input and interaction with UN specialists. 	<ul style="list-style-type: none"> • Driving developments on: security, customs, inter-business arrangements, market developments, e-commerce. 	<ul style="list-style-type: none"> • Preparation for Congress 2012. • Continuation of inter-Congress issues.
Post Europe	<ul style="list-style-type: none"> • A regional union of the UPU. 	<ul style="list-style-type: none"> • Leadership commitment at Board and working group level. • Engagement on key EU and global issues. 	<ul style="list-style-type: none"> • Elected member of the Board. • Elected leadership on key topics. • Participation in working forums, meetings and focus groups. 	<ul style="list-style-type: none"> • Development of EU response to security requirements. • Input to EU legislation. 	<ul style="list-style-type: none"> • Preparation for plenary 2011. • Development of new strategy and resource based structure.
International Post Corporation (IPC)	<ul style="list-style-type: none"> • Non profit making company dedicated to improving service quality, promoting cooperation and interoperability, and providing informed intelligence about the postal and related markets. 	<ul style="list-style-type: none"> • Leadership (at CEO level) on the IPC Board. • Participation in working groups. • Provision of expert resources on a number of key topics. 	<ul style="list-style-type: none"> • Managed through a single point in RMG. • Participation in meetings, forums and conferences. 	<ul style="list-style-type: none"> • Development of quality of service measurement, operational and IT enhancements along with improvements in key service areas. 	<ul style="list-style-type: none"> • Continuing development of e-service platforms. • Quality of service and data exchange.

