



Our responsibility

to our colleagues, customers
and communities

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This is our tenth Royal Mail Group Corporate Responsibility Report. It covers our UK operations and includes performance data for the financial year 2011-12. Given the significant improvements that we have made to our corporate responsibility strategy, the Report also contains reference to events that have taken place outside of the reporting period. Where that is the case, we make it explicit. Our last report was published in January 2012 and covered the financial year 2010-11.

On 1 April 2012, Royal Mail Group and Post Office Limited became sister companies. We have sought to separate out as much Post Office Limited data as possible in this Report. However, as Post Office Limited was part of Royal Mail Group up until the end of the financial year 2011-12, financial data includes Post Office Limited. In addition, the environmental data we have disclosed includes our Post Office Limited footprint. Our UK operations, including Post Office Limited, accounted for over 90 per cent of our employee base and 84 per cent of our revenues in 2011-12. All other data excludes Post Office Limited.

Foreword by Moya Greene, our CEO



As the sole provider of the Universal Service in the UK, Royal Mail is proud to connect customers, companies and communities. We deliver six days a week to over 29 million addresses. We make commerce happen.

Moya Greene
Chief Executive Officer

Sound footing

I am pleased to say that Royal Mail has made good progress in our journey towards sustained profitability. Our new business strategy is delivering. Our Group operating profit¹ margin has improved to 2.2 per cent from 0.4 per cent last year. The business is cash positive for the first time in four years.

The past eighteen months have marked an important turnaround for the Group. One of the key developments has been the successful passage through Parliament of the Postal Services Act 2011, which received Royal Assent in June 2011. The Act sets a framework within which the Group could secure external capital.

Another development was the Pension Solution. On 1 April 2012, just after the year end, almost all of the pension liabilities and pension assets of the Royal Mail Pension Plan were transferred to HM Government. We are grateful to the Secretary of State and his colleagues at the Department for Business, Innovation and Skills for their commitment to delivering this milestone.

Finally, on 27 March 2012, again just after the year end, we were pleased with the introduction of a new regulatory framework. Our new regulator, Ofcom, recognised that the prior framework was not appropriate and that there was a very real risk to the sustainability of the Universal Service. The new regulatory approach provides us with increased commercial freedom, to better position us to earn a reasonable return on the services we deliver. This new approach underpins the regulator's primary duty and commitment to safeguarding the Universal Service in the UK.

Our strategic approach

The objective at the heart of our business strategy and our corporate responsibility strategy is the same – to ensure a sound and sustainable Universal Service for the benefit of everyone in the UK. To monitor the successful delivery of our business strategy, we have launched a new Strategic Framework. The Framework consists of 24 blocks geared towards strengthening our commercial future and, as a result, the positive contribution we make to the UK's economy and society.

Corporate responsibility (CR) is one of our strategic imperatives. Our objective is to be independently rated as one of the most responsible companies in the UK, as measured by the preeminent Business in the Community (BITC) Corporate Responsibility Index. In addition, many of the other Strategic Framework blocks contain corporate responsibility objectives, including Customer Interaction, People Engagement, Reputation Management etc.

The BITC Index is one good way of assessing the strength of our sustainability programme. I'm pleased to say that we achieved Platinum, the highest ranking, for the first time in 2012, scoring 96 per cent; up from a Silver ranking (87 per cent) in 2010.

Our new Corporate Balanced Scorecard, launched in 2011, is fundamental to our achieving sustained profitability and safeguarding the Universal Service. The Scorecard supports the implementation and execution of our business and CR strategies as it is linked to managers' remuneration right across the business. It consists of four quadrants which each have equal weighting: People, Customer, Performance and Financial. These four areas are integral to achieving our business and CR strategies.

Just as we are improving the quality of our financial reporting, we are seeking to strengthen our sustainability reporting in our annual Corporate Responsibility Report. This year, we are reporting against the Global Reporting Initiative (GRI) Index for the first time. Under the GRI, we have achieved a B+ rating. We will now seek to build on this performance in future years.

Our contribution to the community

Royal Mail has a long heritage of contributing to the communities that we serve. We do this primarily through the Universal Service – connecting millions of customers, businesses, organisations and communities, including those in the most remote rural areas.

Our economic contribution to the UK is significant. In 2012, Royal Mail commissioned the Centre for Economics and Business Research (CEBR) to quantify our impact on the economy. The study found that we make a major contribution. Our core business ranks as the eighth largest in the UK in terms of our economic footprint. We contribute 0.4 per cent to the UK's total Gross Domestic Product (GDP). Including our wider economic impacts, that figure rises to 0.7 per cent of GDP, amounting to an annual economic contribution of £9.4 billion.

We directly support around 153,000 full-time equivalent (FTE) jobs in the UK. In addition, a further 83,000 FTE jobs are supported through our core business in the wider economy, taking the total jobs impact to around 237,000 full-time posts – or 1 per cent of UK employment. The study also found that for every £1 paid by Royal Mail in wages, an additional 57p is generated elsewhere in the economy.

We are building on our contribution as an employer by supporting the Government's campaign for vocational apprenticeships. We have several new apprentice schemes that aim to get marginalised young people into the workplace and to launch their careers. We have also introduced, for the first time, the Duke of Edinburgh Gold Award scheme for apprentices on our Engineering scheme.

Our direct economic impact is supported by our active community investment programme. During 2011–12, Royal Mail contributed £10.4 million to charities, good causes and schemes for disadvantaged groups. In addition, our colleagues raised £3 million for many good causes across the country. In fact, the payroll generosity of my colleagues has earned us a Guinness World Record. Since 1989 we have donated more than £45 million to 975 charities and good causes across the UK.

Among the highlights of the past year was the creation of a new Charity of the Year programme. This follows a four-year association with children's charity Barnardo's, during which time we raised £2.6 million. For the first time, Royal Mail has committed to matching funds raised by colleagues, penny for penny, up to £1 million a year for each of the two years of the Charity of the Year partnership. Our people voted for Prostate Cancer UK, from a shortlist of three, as our first charity partner under the revamped programme. As part of our 'everyone's a winner' approach, however, we are also supporting Alzheimer's Society and Whizz-Kidz as part of this programme, which runs until autumn 2014.

Outlook

We are in a stronger financial position, but much remains to be done. Our margin is improving, albeit from a very low base. Our strategies and initiatives are geared towards delivering, in time, a more commercial margin as compared to other successful postal operators.

Very few companies face the prospect of continued change on the scale that we do. I am very grateful for the continued help and support we have received from HM Government. I also thank our union colleagues for their ongoing engagement and constructive challenge to ensure our success. And, most of all, I would like to thank all our colleagues across the Group. I know what we are asking of them is difficult. I am grateful for their continued dedication, hard work and commitment. They continue to be the main driver of our success as we look towards a secure and profitable future.

Royal Mail is not just any company. It occupies a privileged position in UK society. And with privilege comes responsibility – to our colleagues, customers and communities.

Moya Greene

¹ Financial data included in this Report includes Post Office Limited.

As the sole provider of the Universal Service in the UK, Royal Mail reaches everyone.

Who we are
As the sole provider of the Universal Service in the UK, Royal Mail Group reaches everyone. We deliver six days a week, to over 29 million addresses across the UK, at affordable and competitive prices.

Royal Mail is a key component of the UK's economic and social infrastructure, providing services to private individuals, companies and communities. Our postmen and women are an important part of their local communities. As a business, we make a major contribution to the economy, adding 0.7 per cent to the UK's total GDP.[†]

Our businesses
Royal Mail has a diversified business model – letters, parcels and data. The Group is organised into two main businesses: UK Parcels, International and Letters (UKPIL) and General Logistics Systems (GLS).

UKPIL processes and delivers letters and parcels in line with its Universal Service Obligation. It is also the leading provider of collection and delivery services for express parcels through Parcelforce Worldwide.

GLS delivers high-quality parcel and express services as well as value-added logistics solutions throughout Europe. GLS is one of the biggest ground-based parcel service providers in Europe today.

Royal Mail Group Ltd and Post Office Limited became sister companies just after the reporting date, on 1 April 2012. In January 2012, both companies signed a major commercial agreement, which provides continuity and a close working relationship over the long term.

Where we want to be
Where we are today. We are one of the UK's most trusted brands. We connect customers and communities and make commerce happen.

Why we are changing. The UK postal services market has changed dramatically. We are transforming our business to succeed in one of the most liberalised and competitive markets in the EU.

We are proud to deliver the Universal Service. But, it does require a high fixed-cost network. The UK postal services market has changed dramatically in recent years. Our strategy aims to tackle the key challenges facing Royal Mail to build a sustainable, diversified business, secure the future of the Universal Service and attract external capital.

Transforming Royal Mail
We are in the midst of one of the largest transformation programmes in the UK, as we adapt a network traditionally focused on letters, to one which handles more and more parcels. Our strategy is to create a more customer-focused company, run on commercial lines, where we convert increases in parcel volumes into profitable growth and manage structural decline in the letters business. During this transformation, we are committed to delivering to high Quality of Service standards for our customers across the UK.

- Transformation means:**
- becoming a more customer-focused company.
 - changing our business to become more of a parcels business as online retailing keeps growing.
 - successfully managing the decline in letters.
 - taking every opportunity to become a successful and profitable business.

After the reporting date, in October 2012, we confirmed a £75 million, four-year expansion programme in Royal Mail's UK express parcels business, Parcelforce Worldwide. The expansion is expected to create approximately 1,000 new UK jobs. It will enable UKPIL to increase the number of express parcels it is able to handle by around 25 per cent each year, in a market estimated to be worth £5.8 billion annually.

[†] According to research undertaken by the Centre for Economics and Business Research.

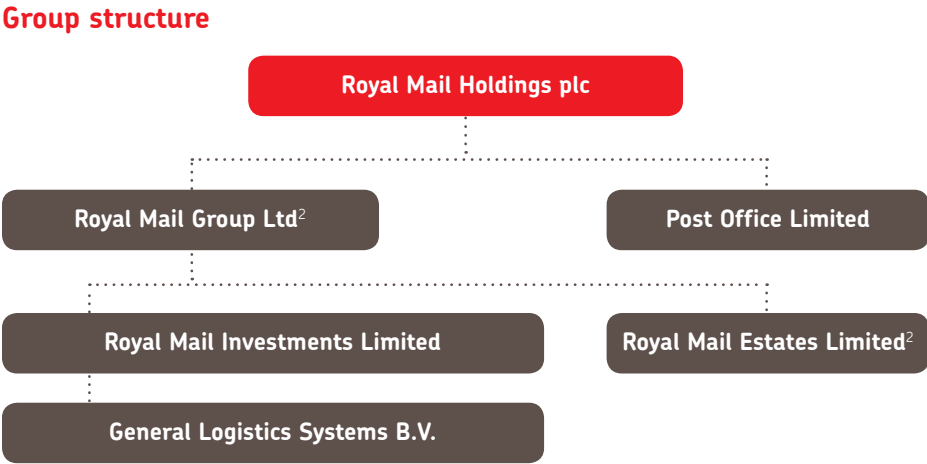


Our future
The Postal Services Act 2011 set out the steps Royal Mail must take to secure external investment. We have made good progress restoring the Group to financial stability, obtained significant deregulation and secured European Commission approval for the transfer of almost all of the Royal Mail Pension Plan's pension liabilities and pension assets to HM Government.

Preparations are now under way for the sale of Royal Mail Group. Obtaining external capital is a key part of the transformation process as we become a more parcels-focused business and make the investment in technology to do so. The structure and the timing of the transaction is a matter for the Government. All options are being considered and there can be no certainty about the outcome.

- Recent milestones**
1. Our pension solution
 2. A new regulatory framework
 3. Building a commercial future

Our pension solution
Our historic pension deficit was a significant financial burden. After the reporting date, on 1 April 2012, following EU State Aid approval, we transferred almost all of the historic pension liabilities and pension assets of the Pension Plan to HM Government. This will improve our future cash generation as we complete our modernisation programme.

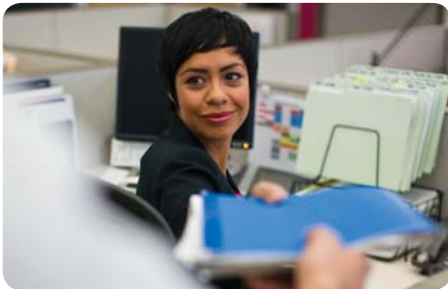


A new regulatory framework
On 27 March 2012, Ofcom introduced a new regulatory framework. Ofcom recognised that the previous framework was not appropriate, that price controls had failed and that there was a very real risk to the sustainability of the Universal Service.

We are now able to compete more effectively. The new regulatory approach provides us with increased commercial freedoms, to better position us to earn a reasonable rate of return on the services we deliver. However, there are still some challenges to be addressed. We continue to work with Ofcom to ensure Royal Mail can compete on a level playing field.

Building a commercial future
After years of regulation that kept Royal Mail tariffs artificially low, we took the difficult but necessary steps to increase our prices. The increase is helping us to earn a reasonable rate of return for the work that we do. It is also enabling us to accelerate modernisation, ensure our commercial future and drive growth through investment in IT and development of the products and services customers most want. However, we recognise how hard any increase is for households and businesses at a time when economic conditions are so difficult. For Christmas 2012, we offered stamps to people in low-income households at 2011-12 prices (see page 25 for more information).

² The UK Parcels, International and Letters (UKPIL) business unit is not a separate legal entity and is included within Royal Mail Group Ltd and Royal Mail Estates Limited.



Our financial performance³

The Group's financial performance continues to strengthen. All our main businesses are profitable.

Key financial highlights in the year ended 25 March 2012

- Group operating profit after modernisation costs increased from £39 million to £211 million.
- UKPIL returned to operating profit after modernisation costs of £23 million following a loss of £120 million in 2011.
- The Group's overall operating profit margin after modernisation costs (before other operating exceptional items) increased from 0.4 per cent in the previous year to 2.2 per cent. The margin remains low compared to many other major postal operators.

External revenue and volumes

- Group external revenue increased 4 per cent to £9.5 billion after two successive years of decline.

	Full year	
	To 27 March 2011 £m	To 25 March 2012 £m
Business unit performance		
Group external revenue	9,156	9,532
Operating profit after modernisation costs	39	211
Free cash inflow/(outflow)	(213)	234

- External revenues in UKPIL, our core UK business, increased from £6.9 billion to £7.2 billion.
- UKPIL's domestic parcel volumes were up 6 per cent during the year. Traditional letter volumes declined 6 per cent.
- UKPIL parcels revenue increased 10 per cent to £2.6 billion, driven by strong growth in online retailing. Revenues at GLS, our continental European parcels business, increased by 5 per cent to £1.6 billion.

Outlook

While our financial health has improved substantially over the last 18 months, there is still more to do. Accommodating increasing parcel traffic is one of the key elements of our programme. It includes becoming a much more customer-focused company and generating profitable growth across a range of new and existing products. It is about Royal Mail being run along commercial lines, and investing in new, vital technology as we become a more parcels-driven business. Hence our need for external capital, which is central to our transformation programme. So too is the successful completion of our modernisation programme as we become a more efficient and effective organisation in everything we do.

³ Financial data includes Post Office Limited.



Our overarching goal is simple – to become the best delivery and marketing mail business in the UK.

Overview

Royal Mail has a clear transformation strategy in place. It is delivering results. We are addressing the structural decline in the traditional letters market by improving efficiency across our operations and adapting our network to accommodate the ever-increasing number of parcels being sent.

Our business strategy has three parts: Firstly, to be brilliant at the basics. We need to become more efficient and customer focused. This means completing the automation of our core letters network, reducing the hours taken to complete delivery and getting it right first time, every time.

Secondly, building a commercial future puts the onus on us to use the new regulatory framework to earn a reasonable return for the products and services we offer. Last year, 80 per cent of our mail revenues were subject to direct revenue control. Today, this figure has fallen to less than 10 per cent.

Thirdly, we are continuing to respond to changing customer needs, building the business outside our traditional revenue streams to drive profitable growth. We are developing our parcels, marketing mail and data propositions to contribute to the future success of a financially stable, diversified Royal Mail.

Being brilliant at the basics

We are implementing a fundamental change in the way we work across our operations. Our modernisation programme is one of the largest of its kind in the UK. The aim of the process is to make our operations more efficient: increasing productivity, improving the service our customers receive and reducing the cost of the Universal Service. Modernising means improving every aspect of our operation: collections, processing, sorting and delivery. It also means reducing the hours it takes to process and deliver the mail.

Managing the changing mail is a key part of the modernisation programme. Parcels require more space to process and transport, and demand more customer interaction on delivery. We are issuing our postmen and women with handheld Postal Digital Assistants to provide track and trace facilities as part of our service offering. As at September 2012, more than 47,000 of these devices have been deployed during the modernisation programme so far. We are expecting operational front-line productivity improvements of around 2 to 3 per cent this year as we continue our modernisation programme.

Building a commercial future

Alongside modernising our operations comes the need to build a commercial future. Ofcom's new regulatory approach, announced just after the end of the financial year, is a key step. The new regulatory approach provides us with increased commercial freedoms. However, there are still some challenges to be addressed. We will work with the Government and Ofcom to ensure Royal Mail can operate on a level playing field. We are also focused on the significant benefits that the new regulatory framework has provided.

The Postal Services Act, passed in June 2011, paved the way for the Post Office and the Royal Mail Group to become sister companies in April 2012. The two companies have signed a major commercial agreement, which provides continuity and a close working relationship over the long term. The mutual commercial success of both companies is best served by Royal Mail and the Post Office working closely together for the benefit of customers. For our revised Group structure, see the diagram on page 7.



Driving profitable growth

The third and final part of our business strategy is to create profitable revenue growth in marketing mail and parcels to counter the decline in the traditional letters market. Royal Mail Group currently has a £4.2 billion revenue-generating parcels business that includes UKPIL's Royal Mail UK network, Parcelforce Worldwide and GLS. Parcels made up 48 per cent of Group revenue across the year. Our UKPIL parcels business grew its revenue by 10 per cent, while GLS's underlying revenue grew by 4 per cent.

Growing our parcels business is a key strategic priority for us. By 2016, online retailing is expected to account for 12 per cent of the UK's overall retail spend. In addition, UK consumers will buy products online from overseas providers, benefiting both our parcels and international businesses. Royal Mail Group is well placed to benefit from these growth trends. Our parcels businesses are best-in-class operators in their respective markets.

We are also developing our marketing mail business, which contributed £1.1 billion in revenues in 2011-12. The new business, MarketReach, was launched in July 2012. Utilising our own assets, and with the support of several partners, it offers a full service solution for businesses, large and small, covering creative development, production, distribution and customer data management for advertising mail.

Three point plan

There are three main parts to our plan. The first two need to happen at the same time to achieve the third one – drive profitable growth.

- **(1) Be brilliant at the basics**
 - Stay safe at all times. This is our top priority.
 - Hit our quality targets.
 - Modernise our operations.
 - Offer the right products at the right price in a changing and competitive market.
 - Work together using the World Class Mail programme to make improvements and drive up safety, customer service, quality and productivity.
- **(2) Build a commercial future**
 - Fix our finances and attract private capital.
 - Build strong relationships with our unions so together we work to achieve our plan.
 - Build on our strong brand and reputation.
- **(3) Drive profitable growth**
 - Grow our parcels businesses and provide premier letter services.
 - Grow our revenues by selling new and improved marketing mail services.
 - Launch new services for businesses and consumers.

Case study:

Growing our parcel business

Royal Mail Group is more than just a UK-focused, letter delivery business. We are leveraging our capacity, reach and expertise to grow profitable revenue streams in parcel delivery, among other services. Growing our parcels business is a key part of our strategy as we seek to attract external capital.

Our parcels business has three networks in the UK: Royal Mail's UK parcels operation, Parcelforce Worldwide and Royal Mail Specialist Services. Internationally, it has Royal Mail International (which uses Royal Mail's UK parcels network) and our European parcels operator, General Logistics Systems (GLS).

These businesses handled 1.2 billion parcels over the last 12 months. This represented a 6 per cent increase in UKPIL domestic volumes and a 3 per cent increase in GLS volumes. Total parcel revenues for the year stood at approximately £4.2 billion, with GLS generating £1.6 billion.

Looking forward, we need to continue to improve customer experience and increase cost efficiency across all our parcel businesses. Our strategy is to maximise profitable revenue growth by utilising our multi-network parcels platform in the most competitive markets. We are also continuing to focus on our presence in the business-to-business market, which is closely linked to GDP growth.

Our CR strategy

Our CR strategy

The objective at the heart of our business strategy and our corporate responsibility strategy is the same – to ensure a sound and sustainable Universal Service for the benefit of everyone in the UK.

Our foundations

Royal Mail has a long heritage of contributing to the communities that we serve. We do this primarily through the Universal Service – connecting millions of customers, businesses, organisations and communities, including those in the most remote rural areas.

Our economic contribution to the UK is significant. In 2012, Royal Mail commissioned the Centre for Economics and Business Research (CEBR) to quantify our impact on the economy. The study found that our core business ranks as the eighth largest in the UK in terms of our economic footprint. We contribute 0.4 per cent to the UK's total GDP. Including our wider economic impacts, that figure rises to 0.7 per cent of GDP, amounting to an annual economic contribution of £9.4 billion.

We directly support around 153,000 full-time equivalent (FTE) jobs in the UK. In addition, a further 83,000 FTE jobs are supported through our core business in the wider economy, taking the total jobs impact to around 237,000 full-time posts – or 1 per cent of UK employment. The study also found that for every £1 paid by Royal Mail in wages, an additional 57p is generated elsewhere in the economy.

Our direct economic impact is supported by our active community investment programme. During 2011-12, Royal Mail contributed £10.4 million to charities, good causes and schemes for disadvantaged groups. In addition, our colleagues raised £3 million for many good causes across the country.

Our Strategic Framework

The objective at the heart of our business strategy and our corporate responsibility strategy is the same – to ensure a sound and sustainable Universal Service for the benefit of everyone in the UK. To monitor the successful delivery of our business strategy, we have launched a new Strategic Framework. The Framework consists of 24 blocks geared towards strengthening our commercial future and, as a result, the positive contribution we make to the UK's economy and society. Each block is underpinned by a measurable key performance indicator (KPI). The Chief Executive's Committee reviews progress against all KPIs on a monthly basis.

Corporate responsibility is one of our strategic imperatives. Our objective is to be independently rated as one of the most responsible companies in the UK, as measured by the preeminent Business in the Community (BITC) Corporate Responsibility Index. In addition, many of the other Strategic Framework blocks include corporate responsibility objectives. Examples of these include:

- **Reputation Management** – to ensure Royal Mail is seen as a customer, community and colleague-orientated company.
- **Deliver what we promise** – to increase customer satisfaction and advocacy of Royal Mail.
- **World Class Mail** – to reduce our environmental impact, our property-related CO₂ emissions and the amount of waste we send to landfill.
- **Optimise logistics** – to optimise our fleet and deliver fuel and energy carbon reduction initiatives.

- **Safety** – to provide a safe working environment for all employees by continuing to promote a zero accident culture.
- **People engagement** – to improve our employee engagement index year on year and drive increased employee satisfaction.

Our corporate responsibility objective
The BITC Index is one good way of assessing the strength of our sustainability programme. Platinum is the highest Index ranking. Our aim is to maintain our Platinum ranking in the Index. We achieved this for the first time in 2012, scoring 96 per cent; up from a Silver ranking (87 per cent) in 2010.

During the reporting period, we concluded a major review of our corporate responsibility and community investment strategies. The new strategies are aligned to our overall business strategy: to ensure a sound and sustainable Universal Service for the benefit of everyone in the UK.

Our revised corporate responsibility strategy focuses on:

- delivering economic and social benefit to the communities we serve.
- managing our modernisation programme responsibly.
- driving colleague advocacy of the Group and its community role.
- reducing the environmental impact of our business operations.
- communicating our management of corporate responsibilities openly and transparently.



Our CR strategy

Our Chief Executive's Committee reviewed and approved our revised corporate responsibility strategy in November 2011. Progress against our corporate responsibility targets is reported to senior management on a monthly basis.

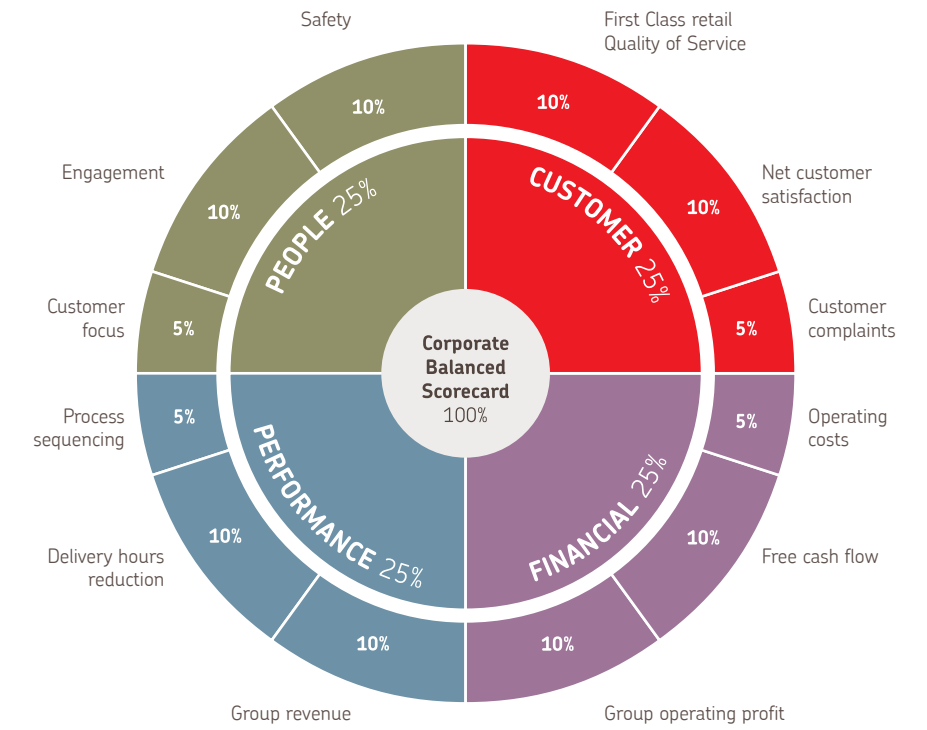
Our Corporate Balanced Scorecard

The new Strategic Framework helps us monitor the successful delivery of our business strategy. Our Corporate Balanced Scorecard supports the implementation and execution of our strategy as it is linked to managers' remuneration. It consists of four quadrants which are integral to achieving our business and CR strategies. The quadrants, which each have equal weighting, are:

- **People** – what our people think of our company.
- **Customer** – what our customers think of us and how we deliver for them.
- **Performance** – how well we are modernising our operations, including health and safety factors.
- **Financial** – the financial health of the business.

The Chief Executive's Committee receives monthly updates against Scorecard criteria. This is helping to drive responsiveness, accountability and alignment for our managers throughout the UK.

Our Corporate Balanced Scorecard



The four quadrants above (People, Customer, Performance and Financial) and their respective KPIs reflect our Corporate Balanced Scorecard for the year 2011-12. As the business changes, we may adapt our KPIs in future years to reflect changing priorities.



Remuneration

Remuneration is linked to the achievement of Corporate Balanced Scorecard objectives for all Royal Mail managers, including the senior leadership team. Senior leaders with specific responsibilities for strands of our sustainability agenda are assessed against their performance in those areas. This informs their bonus and remuneration package. If the measures contained within our Corporate Balanced Scorecard are not met, the size of the potential bonus available to all managers is reduced. This system helps ensure that Royal Mail rewards performances and behaviours that will advance our key strategies.

Transparency

We publish our Scorecard KPIs both in the Annual Report and Accounts and in our Corporate Responsibility Report. In addition, we publish our performance internally on a monthly basis on our Groupwide intranet. All employees can access this information to see how managers are performing against their targets. Our approach was shortlisted by the Chartered Institute of Personnel and Development in 2012 as an example of excellence in human resources. The full Corporate Balanced Scorecard KPIs are set out on page 17.



Communicating our performance

Just as we are improving the quality of our financial reporting, in addition we are seeking to strengthen our sustainability reporting in our annual Corporate Responsibility Report. This year, we are reporting against the Global Reporting Initiative (GRI) Index for the first time. Under the GRI, we have achieved a B+ rating. We will now seek to build on this performance in future years. The GRI table is on page 56.

Benchmarking our performance

In 2012, after the reporting period, Royal Mail voluntarily completed a Company Sustainability Assessment based on the Dow Jones Sustainability Index (DJSI) methodology. The DJSI benchmarks companies' sustainability performance in economic, social, and environmental criteria compared with peers from around the world. The assessment found that Royal Mail Group is positioned amongst the leading companies globally in sustainability.

- As one of the top-scoring companies in our sector, Royal Mail qualified for inclusion in the 2013 ranking and is among the winners of RobecoSAM's sustainability distinctions. We achieved a bronze medal.
- Our overall score of 83 per cent ranks Royal Mail among the DJSI World member scores for our Industrial Transportation sector.

- We matched the best-in-sector scores for stakeholder engagement, corporate citizenship, corporate governance and fuel efficiency.
- We also performed strongly in human capital development and operational eco-efficiency.

Our progress

Maintaining our Platinum ranking in BITC's CR Index requires us to execute our CR strategy very well. We will undertake the following steps:

- Improve our disclosure of independently verified social, ethical and environmental performance data in our external reports and communications.
- Proactively address any gaps in the CR and sustainability benchmarks where we need to improve performance and help drive change in the business.
- Engage with external stakeholders, such as non-profit organisations and investors, to improve their understanding of our approach and performance.

World Class Mail

World Class Mail is a key vehicle for driving our modernisation process through the engagement and involvement of all our people in continuous improvement. It is delivering improvements in safety, quality and productivity.

Key facts

- 42 mail centres have implemented World Class Mail. These centres process over 90 per cent of our mail, meaning a very high percentage of our processing units have high environmental and safety standards.
- The World Class Mail Manufacturing Association has recognised the progress and achievements of our people at eleven mail centres – Gatwick, Cardiff, Belfast, Bristol, Glasgow, Leeds, Norwich, Greenford, Heathrow Worldwide Distribution Centre (HWDC), Edinburgh and North West Midlands – by giving them Bronze awards.

WCM: safety, quality and productivity

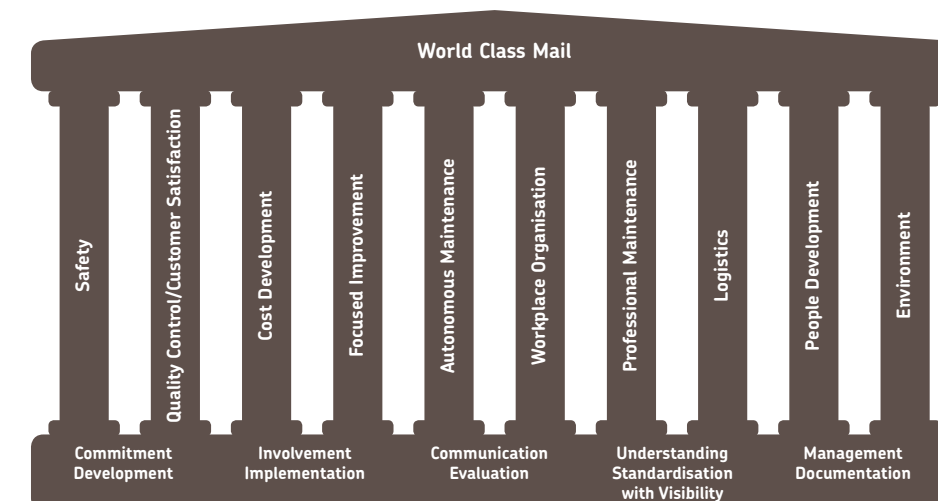
World Class Mail is a comprehensive system for step-by-step improvement to safety, customer service, quality and productivity. It is one of our Strategic Framework blocks.

WCM is structured into ten technical areas, called pillars. These pillars cover all our operational activity, such as people development, the environment and cost deployment. Running in parallel to these ten pillars are ten management criteria. These include attributes such as management commitment and organisational competence. Each of the pillars has seven steps which must be completed in order to reach World Class status.

World Class Mail audits

We rigorously audit the implementation of WCM programmes across the business. Audits can also celebrate the success of all those involved and help colleagues feel proud of the new standards for safety, quality and productivity achieved.

The 10 pillars of our World Class Mail programme



Case study:

World Class Mail Champions

The WCM Champion role offers staff the opportunity to take on a managerial role and become expert in using WCM. The Champions help us ensure we put safety at the centre of everything we do, and find the best ways to cut down on losses and waste.

We received nearly 900 applications from our people to become WCM Champions, for just 60 roles early in 2012. All successful applicants received a ten-week regional training programme.



Key performance indicators

Stakeholder engagement

At Royal Mail, our relationships and business activities touch millions of people across the UK. These individuals interact with us in different ways depending on who they are and what they do. We rely on these individuals to help us grow as a company and succeed in the future. Listening and responding to their interests and concerns is therefore essential to our long-term success.

In common with many businesses, we have identified and prioritised issues of importance to individuals and organisations that influence our success, using a stakeholder-based approach. From this process we have defined our key stakeholders as Government, regulators, employees, unions, customers, business partners, suppliers, and the communities where we operate. How we address individual stakeholder groups and include their viewpoints within our business processes is covered at relevant points throughout this Report.

Human Rights and Code of Business Standards

Human Rights refers to “the basic rights and freedoms to which all humans are entitled”. After the reporting period, we launched an updated Code of Business Standards, in October 2012, which provides guidance on a variety of core human rights. In addition, human rights are integrated into all other relevant Groupwide policies.

Our new Code of Business Standards (the Code) is a comprehensive set of standards of behaviour that we expect from our people. It is based on our six core values. These reflect the principles, beliefs and aspirations that guide our behaviour and shape our culture. The Code aims to help employees understand both what is expected of them and what they can expect from Royal Mail. All employees have a duty to uphold the standards set out within the Code. To help employees recognise how the standards apply to day-to-day work situations, the Code also includes tools and checklists to support them in doing the right thing.

Our values

- We work **safely**
- We have a **passion** to deliver for our **customers**
- We have **pride** and **care** about what we do
- We work **together** and treat each other **fairly**
- We are **trusted** to succeed
- We act **commercially**

Responsible Procurement Policy

We work to ensure that we engage suppliers that act with respect for human rights. Under our new Responsible Procurement Policy, we require all suppliers to meet the ten principles of the United Nations Global Compact. These include provisions against labour abuses, such as forced labour and child labour, as well as prohibitions against corruption and bribery. With respect to human rights specifically, our procurement policy makes mandatory Principles 1 and 2 of the Global Compact for all suppliers. Businesses should:

- Principle 1:** support and respect the protection of internationally proclaimed human rights within their sphere of influence; and
- Principle 2:** make sure that they are not complicit in human rights abuses.

Royal Mail is also a participating member of the Public Sector Ethical Trade Working Group, which promotes the observance of human rights in European public procurement (see page 45 for more information).

Anti-bribery and corruption

Following the introduction of the Bribery Act on 1 July 2011, Royal Mail Group has strengthened its anti-corruption processes. Our anti-bribery policy adopts a strict zero tolerance policy towards bribery and corruption. Any breach of this policy, or any procedure implementing it, will be treated as a very serious matter and may result in disciplinary action, up to and including termination of employment and reporting to the appropriate authorities.

The four quadrants below (People, Customer, Performance and Financial) have equal weighting. Together they are integral to achieving our business and CR strategies. We have disclosed progress against these quadrants throughout the Report.

KPI	Measured by	Key activities in the year
People		
Safety	Number of RIDDORs ⁱ per 1,000 people in the UK businesses.	Our Zero Accidents Programme, focusing on road safety risks, and our basic programmes on slips, trips and falls, continue to drive down the rate of accidents across our businesses.
Engagement	An annual survey measuring what our people think about Royal Mail, including leadership and strategic direction.	Our inaugural Employee Opinion Survey took place in spring 2012, with a 69 per cent response rate.
Customer focus	An annual survey measuring how focused our people are on delivering for our customers.	
Customer		
First Class Quality of Service	Quality of Service for First Class retail products, including force majeure ⁱⁱ adjustment.	As part of one of the most comprehensive change programmes ever undertaken in the UK, delivery revisions have taken place in 331 delivery offices across the UK. This is about a more efficient and effective Royal Mail.
Net customer satisfaction	Customer satisfaction scores on a number of issues, including price, service quality and customer experience.	A customer satisfaction questionnaire is completed by approximately 700 business customers per month, helping us to identify key areas for action.
Customer complaints	Number of complaints captured by our Customer Service team. ⁱⁱⁱ	We continue to take action to focus on redelivery, misdelivery, “Something for You” cards and redirections, with considerable progress in redirections and redeliveries.
Performance		
Group revenue	Group revenues.	Price increases were implemented across the business, including an 8 per cent increase for letters in April and May 2011. Traditional letter volumes declined by 6 per cent during the year, while UKPIL domestic parcel volumes increased by 6 per cent in the same period.
Delivery hours reduction	Percentage year-on-year reduction in the gross hours spent on delivery activities.	Delivery revisions were completed in 331 delivery offices during the year, reducing the gross hours spent delivering mail.
Process sequencing	Percentage of our mail sequenced into delivery order for our postmen and women.	235 new, refurbished or upgraded processing machines were installed during the year.
Financial		
Operating costs	Expenditure before modernisation and other exceptional costs for our UK businesses.	We continued our modernisation programme in our front-line operations and completed the reorganisation of Group central functions.
Group operating profit	Group operating profit before exceptional items.	An increase in Group operating profit was generated by necessary price rises and cost reductions.
Free cash flow	Free cash flow excluding Royal Mail Pension Plan (RMPP) deficit payments and finance leases.	We focused on delivering the RMPP transfer, the sale of non-core activities and properties, and working capital management.

ⁱ Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.
ⁱⁱ This accounts for the impact of factors beyond Royal Mail’s control, such as floods or the Icelandic volcanic eruptions.
ⁱⁱⁱ We also provide detailed annual disclosure on customer complaints to our regulator, which is publicly available.

We aim to ensure that corporate responsibility is integral to the way we do business.

In 2011-12, we took some significant steps to integrate corporate responsibility into the way we do business. Corporate responsibility is now embedded in our governance structures, business strategy, the KPIs we employ to drive our business performance and the way in which we reward all managers across Royal Mail.

Executive responsibility

- Moya Greene, our CEO, is ultimately responsible for corporate responsibility.
- Mark Higson, Managing Director, Operations and Modernisation, is responsible for all Environment strands of our corporate responsibility strategy. Mark sits on the Royal Mail Group Board.
- Shane O’Riordain, Managing Director, Strategy and 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.
- John Duncan, Director of Human Resources, is responsible for all People strands of our corporate responsibility strategy.
- Mike Newnham, Chief Customer Officer, is responsible for all Customer 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.

Royal Mail Group Board

The Royal Mail Group Board reviewed our new Group Communications strategy in September 2011. Corporate responsibility and community investment are integral to the Group Communications strategy and both were covered in the September presentation to the Board. The Royal Mail Group Board is also presented with monthly health and safety briefings. Additionally, the Board is regularly informed of progress against the Strategic Framework blocks, which includes corporate responsibility.

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 are reviewed and approved by the CEC on a regular basis.

Communications Action Group

The Communications Action Group (CAG) considers all issues and events that present a good opportunity for the Group or that might present a reputational risk. Included within this remit is responsibility for shaping Royal Mail Group’s corporate responsibility strategy and consideration of all issues related to corporate responsibility, including those that are related to Royal Mail’s modernisation programme. Recent papers tabled to the CAG include a review of our performance in Business in the Community’s CR Index, and approval to participate in a Company Sustainability Assessment based on the Dow Jones Sustainability Index. The CAG meets monthly and is chaired by our CEO.

Environment Governance Board

The Environment Governance Board is responsible for driving our environmental strategy, defining targets and ensuring we deliver performance improvements. The Board meets quarterly and is chaired by the Director of Logistics, Euan McMurdo, who reports to Mark Higson, Managing Director, Operations and Modernisation. It consists of senior managers accountable for functional areas that underpin, or are responsible for, environmental performance in relation to material environmental issues.

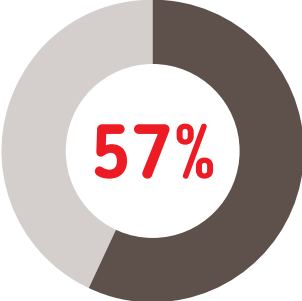


We believe it is important to ensure information on our performance is comprehensible, and comprehensive, when possible.

Our agenda
Royal Mail is committed to being open and transparent with our stakeholders. As a public institution we are legally obliged to be open about our operations. We also feel it is important to ensure information on our performance is comprehensible, and comprehensive, when possible.

Freedom of information requests
Every day, Royal Mail receives questions about diverse aspects of our business. While we make every effort to respond to all requests fully, this is not always possible. As a commercial operation, we must decline some requests for information since answers could compromise competitiveness. Nor are we permitted to release any information that would be in breach of the Data Protection Act. In other cases, we do not hold the data requested.

Last year, 604 requests were referred to our central Information Rights team. Of those, 236 requests were answered in full and a further 111 requests were answered in part. There were 170 requests where the information requested was not provided because, for example, it would have damaged commercial interests or breached principles of the Data Protection Act. In another 87 cases, the information requested was not held by us. These figures are broadly comparable to those from 2010-11.



We answered 57 per cent of FOI requests either in full or in part last year

Returned letters
The overwhelming majority of all mail items we handle are delivered safely to the correct address. A very modest proportion prove to be undeliverable for a variety of reasons outside our control. These reasons include incomplete addresses, recipients who have moved without leaving a forwarding address, and the lack of return addresses. For these types of mail, we hold information on the amount of mail processed at the National Returns Centre in Belfast.

Our National Returns Centre employs 140 people dedicated to either returning undeliverable items of mail to the sender or, if this is not possible, securely disposing of undeliverable mail. In 2011-12, the Centre processed 21.1 million items. That should be set against the total of some 15 billion inland addressed items of mail we handled in 2011-12.

The majority of items handled by the Centre are business mail. We store undeliverable, high-value items of mail for up to four months. The majority of items handled at the Centre have no sale value and, if undelivered, are securely disposed of and recycled. However, if an item is not claimed, and we can find no address to which to return it, and the item has some value, we put it out to auction. All the proceeds, minus a market rate commission for the auction house, are used to partially offset the considerable cost involved in seeking to reunite customers with items of undeliverable mail.

Mail security
We are serious about the security of every item of mail we collect and deliver. Our security team works round the clock to identify any threats to the network and we have robust measures in place to deal with any breaches.

Royal Mail Group will prosecute anyone found to be stealing or interfering with mail in England and Wales. The Procurator Fiscal deals with cases in Scotland. In Northern Ireland, this is the responsibility of the Public Prosecution Service. During 2011-12, 301 former employees of Royal Mail Group were prosecuted in the UK. There are over 150,000 UK employees and the number of prosecutions needs to be understood in this context.



Our security team proactively uses any available information to safeguard the integrity of the postal service. For the first time, we are releasing data on the team's investigation into internal and external crime. The number of investigations into external crime remained fairly constant from 2010-11, while there was a slight decrease in the number of new internal crime investigations.

Mail security	2011	2012
Number of prosecutions	312	301
Full criminal investigations into internal crime raised	993	771
Full criminal investigations into external crime raised	193	194

Dangerous dog attacks
Unfortunately, dog attacks are a hazard faced by our postmen and women every working day. During 2011-12, there were 3,186 dog attacks on Royal Mail people. These attacks cause great distress and, in too many cases, serious injuries. After the reporting period, the Group Chairman, Donald Brydon, launched an independent inquiry into the prevalence and consequences of dog attacks in the UK. The findings of the inquiry, led by former High Court Judge Sir Gordon Langley, were published in November 2012. The report highlights that the legal sanctions currently available in England and Wales when dogs attack people on private property are largely limited. Tougher measures are available under existing law against owners whose dogs attack people in public places. But, these sanctions cannot be applied where

the attack takes place on private property. This means that for postmen and women – who each have to visit hundreds of private addresses on their delivery rounds every day – the legal protection against attacks by dogs is limited. The Langley Report calls on Parliament to repeal current legislation and provide a new statute which removes this loophole, enabling criminal sanctions to be taken against owners of dogs which attack people, wherever the attack takes place. It also makes two key recommendations related to Royal Mail, which we are now acting on. These are:

- taking a more robust approach to suspension of delivery for any addresses where dog attacks occur; and
- actively pursuing legal action – or supporting our people in taking legal action – against the owners of dangerous dogs.

We connect customers and communities and make commerce happen. Royal Mail is one of Britain’s most trusted brands.

Connecting customers

Royal Mail has always played a crucial role in helping people engage with others in the community.

We deliver to almost
29 million
UK addresses

We collect mail from over
115,000
postboxes, often more than once a day

Key facts

As the sole provider of the Universal Service in the UK, Royal Mail Group reaches everyone. Whether our customers live in the centre of a large city or in a remote corner of the countryside, we will deliver to their door. And we will do so six days a week, one day more than most of our peers in Europe.

- Royal Mail handles over 58 million UK inland addressed items daily.
- We deliver over 1.2 billion parcels a year, in the UK and overseas.
- We operate six days a week, one day more than the EU requirement.
- We delivered 92.7 per cent of First Class retail products overnight in 2011-12 as we pressed on with one of the largest change programmes ever undertaken in the UK. This figure is up from 92.6 per cent in 2010-11.

Our overall strategy

Royal Mail is an essential part of the UK’s economic and social infrastructure. We make commerce happen by connecting companies, customers and communities.

Businesses change as economies change. Royal Mail is doing the same thing. While letter volumes are declining, the number of parcels we handle is rising.

We are focusing our energies and resources on meeting customers’ needs.

We are modernising our business to become more efficient and customer responsive. This means improving all aspects of our operations – collections, processing, sorting and delivery. Our modernisation is one of the largest change programmes in the UK.

Reaching our goals

Our strategy is focused on meeting the needs of our customers. This means delivering to the high standards our customers expect. It also means developing new services to better meet changing customer needs.

Our customer strategy is based around the following four pillars:

- understanding customer needs.
- fixing problems and getting to the root cause.
- being easy to do business with.
- driving up quality.

To help us achieve our aims, around half of our key performance indicators in our Corporate Balanced Scorecard are customer related. These include first class quality of service, net customer satisfaction and customer complaints. The Scorecard is set out on page 13.

Understanding customer needs

We want customers to continue to choose Royal Mail. That depends on us becoming more commercially responsive, and providing market leading services. One way to improve customer service is by finding out what customers really think about Royal Mail; what they like and what they want to see improved.

We know that customers want their parcels to be delivered at the first attempt – whether they are at home or not. Customers want to know where their items are in the mail pipeline at any given time. They also want more flexibility to pick up their items at a time that suits them.

Over the last year or so, we have introduced a number of new measures to better meet these needs.



Delivery to Neighbour

In 2011-12, we trialled a successful initiative to make it easier for people who are not at home during the day to receive deliveries. The trial, which enabled us to leave packages with neighbours, was rolled out in around 748,000 homes in Edinburgh, Gatwick North, Hull, Norwich, Swansea East, Wigan and Bolton. We found that customers welcomed the convenience of items being delivered to a neighbouring address if no one was at home to receive them. Research by Consumer Focus revealed that 92 per cent of customers whose item was left with a neighbour were satisfied with the overall experience. 90 per cent of neighbours who accepted an item expressed overall satisfaction.

Following the success of the trial, after the reporting period, Royal Mail’s regulator, Ofcom, approved the regulatory changes that enabled us to roll out the Delivery to Neighbour programme across the UK from 1 October 2012. Previously, Royal Mail was the only major delivery company not allowed to deliver to a neighbour as part of standard practice. Our new Delivery to Neighbour programme is part of a process of bringing Royal Mail’s terms and conditions more in line with other delivery companies.

Customer satisfaction

Our net customer satisfaction score has improved, standing at 36 per cent for 2011-12, compared with 31 per cent for the second half of the previous year. We aim to increase customer satisfaction further in 2012-13.

In addition, our new ‘customer focus’ Corporate Balanced Scorecard measure tracks the way our people think about customers, putting them at the centre of business and operational decisions. We achieved a score of 70 per cent in our first year of measurement.

Fixing problems

Last year we received 439,600 complaints. This is up from 423,700 the previous year. However, this must be viewed in the context of 1.53 billion First Class retail items delivered on a next day basis in 2011-12. We are working hard to improve performance in relation to customer complaints.

We are focusing on identifying the root causes of complaints. We know that over 70 per cent of the complaints we receive relate to one of the following issues:

- not redirecting mail correctly or continuing to redirect when the redirection has finished.
- delivery of mail to the wrong address (misdeliveries).
- posting “Something for You” cards when someone is in to receive their mail, or not filling them out correctly.
- not carrying out redeliveries properly; and
- not obtaining signatures for deliveries that require them.



We are addressing these problems in a variety of ways. These include:

- introducing dedicated redirections sorting frames to ensure they are carried out daily and we do not miss any. As a result, redirections complaints have reduced by 4 per cent.
- ensuring that the correct procedures are carried out when using “Something for You” cards.
- providing our postmen and women with more Postal Digital Assistants to capture signatures. We now have more than 47,000 of these devices (as at September 2012). These handheld electronic devices, issued to postmen and women during collection and delivery rounds, enable us to track mail at key points throughout the pipeline.

Work is under way to finalise a standard covering all undeliverable parcels and signed-for items. Our aim is to ensure that we treat all our customers consistently. The changes will include a business-wide standard for the time elapsed that is entered on the “Something for You” card to ensure the customer can collect. We are also looking into the number of attempts at redelivery that should be made before issuing a “Something for You” card.

Transparency

As part of our commitment to being more transparent with our customers, we have also, for the first time, published investigations into internal and external crime in 2011-12 (see ‘Transparency’ on page 20 for more information).

Being easy to do business with

It is important that our customers have confidence in our ability to deliver on our promises. That means being brilliant at the basics. We must continue to collect and deliver on time. We must be easy to do business with.

Our duties to our customers include our aim to deliver items within a set period, and without loss or damage. In the case of our tracked products, we provide provision for compensation should any loss or damage occur due to our own fault. We also provide secure services for customers wishing to send valuable items, such as cash and jewellery.

There are a number of items that we cannot deliver to protect the safety of our people, our customers and members of the public. These include poisonous, hazardous or infectious substances, flammable liquids and disposable waste.

Communicating with customers: facts

Royal Mail operates across phone, web, email, online chat, SMS, face to face and Twitter. During 2011-12, we registered:

- 5 million telephone conversations with personal customers.
- 4 million messages and answers provided.
- 1.5 million telephone conversations with business customers.
- 7 million customers who received letters about operational transformation.

Quality of service

Our far-reaching modernisation programme is one of the largest industrial transformation projects in the UK. Every process that we are involved in – collecting, transporting, sorting and delivering mail – is changing as a result. The overall aim is to make our network more efficient, increasing productivity and ultimately improving the quality of service to our customers.

Here are just some of the recent efficiencies that are helping to create a more customer-focused Royal Mail*:

- Our mail centres are now equipped with walk sequencing machines, which means three in every four letters are now route-ready for our postmen and women.
- We have installed 64 intelligent letter sorting machines, easing the load considerably on our delivery centres.
- New delivery methods are now in place in 448 delivery offices, with another 908 to follow this year.

- We have upgraded and extended 225 Integrated Mail Processing machines to date.
- We have achieved sequencing of 75 per cent of the mail.

* These statistics are as at the end of the 2011-12 financial year.

But, we have not let any of this activity distract us from our ongoing obligations, while remaining easy to do business with. By the end of the year, we had succeeded in creating an infrastructure of fully modernised letter processing and exceeded our regulator’s fourth-quarter First Class retail delivery target – having narrowly missed the target for the full year during a period of substantial change.

We delivered 92.7 per cent of First Class retail mail on time, against a target of 93 per cent. Against the backdrop of the UK’s largest ever business transformation, we still delivered 1.53 billion First Class retail items on a next-day basis. We are proud that we exceeded our target of 98.5 per cent to deliver Second Class retail mail on time in 2011-12.

Customer satisfaction survey

- What our business customers think:
- Customer satisfaction: 70 points.
 - Easy to do business with: 67 points.
 - Trustworthiness: 70 points.

NB: These scores represent mean average scores.

Stamp prices

Stamp price rises came into effect on 30 April 2012. We know that no one likes price increases when the economy is as tough as it is right now. The rises were necessary, however, to put the Universal Service on a sound, sustainable and secure basis. Our stamps are still good value compared with other EU countries. We do not believe there is an affordability issue with stamps, which make up a tiny proportion of people’s household spend.

In March 2012, we announced a Christmas Stamp scheme to support around 5 million customers from low-income households. For Christmas 2012, customers who are in receipt of Pension Credit, Employment and Support Allowance, Unemployability Supplement or Incapacity Benefit were able to buy stamps at 2011 prices – 46p for First Class and 36p for Second Class. We sent a leaflet out to every household in the UK to remind them of the details of the scheme and ensure that we support all those facing tight budgets this Christmas.

Meanwhile, businesses that use meters benefit from discounts of up to 38 per cent on stamp prices. We also introduced a new payment option that offers an alternative for organisations – mostly charities – that cannot reclaim VAT.

Two companies working together

We will continue to work closely with Post Office Limited following its separation from the Royal Mail Group on 1 April 2012.

In June 2011, the Government voted in favour of the Postal Services Act. This paved the way for the Post Office and Royal Mail Group to become sister companies from 1 April 2012. A major commercial agreement between the two companies will guarantee that we continue to enjoy a long-term relationship. Post Office Limited will continue to be the Royal Mail’s retail arm, providing us with access to customers through the Post Office’s network of nearly 12,000 branches. We at Royal Mail, meanwhile, will remain the Post Office’s biggest customer.

Further information

- Royal Mail’s products and services
<http://www.royalmail.com/>
- Royal Mail customer service
<http://www.royalmail.com/customer-service>
- Parcelforce’s products and services
<http://www.parcelforce.com/>
- Direct Marketing Association
<http://www.dma.org.uk/>

Case study:

Businesses thrive thanks to Royal Mail Tracked

Parcel delivery is an increasingly important part of Royal Mail's business. Growth in online retailing gives us an opportunity to build our capability in this area if we get fulfilment right.

Serving businesses of every size, we connect them with their customers. We help enterprises thrive and grow. From their shops and warehouses to their customers' front doors, Royal Mail Tracked gives businesses peace of mind and confidence in our ability to deliver their goods safely and in good time.

Royal Mail is a key service provider for TalkTalk, a leading broadband supplier. TalkTalk sends out hundreds of parcels every week and needs to know where the goods are at any stage in the mail pipeline. Royal Mail Tracked enables them to do just that.

"We use Royal Mail Tracked because we believe it is the best value for money," says Mike Wakley, TalkTalk's Head of Supply Chain Logistics. "We value the fact that the equipment that goes to our customers is fully traceable."



Case study:

Sterling praise

One of Britain's most northerly businesses, Orkney-based Sheila Fleet Jewellery, regards Royal Mail as "a lifeline". We link one of Scotland's leading creators of naturally inspired silver, gold and platinum pieces with many customers throughout the UK and around the world.

Having started out in a converted shed, the company now employs 55 skilled craftspeople in a dedicated workshop and showroom. As one of the Orkney Islands' biggest and best-known exporters, Sheila Fleet counts on the expertise and dedication of the Kirkwall delivery office.

"We have used Royal Mail since the start of our business twenty years ago and know that the local team will always provide a service that truly does go the extra mile. Royal Mail's networks cover the whole country and the air service to and from Orkney is invaluable," says Martin Fleet, director of the business.

"Royal Mail enables us to send packages to customers throughout the United Kingdom with confidence that every parcel will reach its destination safely and on time. This is particularly important with internet shopping. We know that no other courier service can match Royal Mail in terms of price and speed of delivery. And Special Delivery comes into its own during the Christmas period. Royal Mail is an integral part of our business and we cannot praise the work they do throughout the country highly enough."



Royal Mail’s postmen and women meet our customers every day on the doorsteps of their homes and businesses. They are our ambassadors: a credit to the company.

KPIs	2010-11	2011-12
Total accidents	19,389	15,859
RIDDORs per 1000 staff in post	18.3	14.3
Days lost due to accidents	89,048	69,930
Total number of fatalities	5	7
Sickness absence (%)	4.1	4.04
Total number of bullying and harassment cases received	390	349

Key facts

- We employ over 150,000 people in the UK.
- 38 per cent of our employees have been with us for more than 11 years; and 16 per cent more than 25.
- The turnover rate of our full-time front-line workforce is about half the UK average.
- 16 per cent of our workforce is female, and one in five (20 per cent) of management positions is held by a woman.
- Over 10 per cent of our workforce is from a black or minority ethnic background.

Performance

- In our 2011-12 Employee Engagement Index, we scored 49% in terms of employee engagement.
- In 2011-12, we invested a total of £14.2 million in training and skills development.
- Reported accidents across the business fell by 26 per cent in the last year.

Employee strategic priorities

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

- health and safety
- modernisation
- engagement
- diversity, inclusion, dignity and respect
- learning and development.

Health and safety

We are committed to doing everything we can to reduce the number of accidents to zero over time.

Key facts

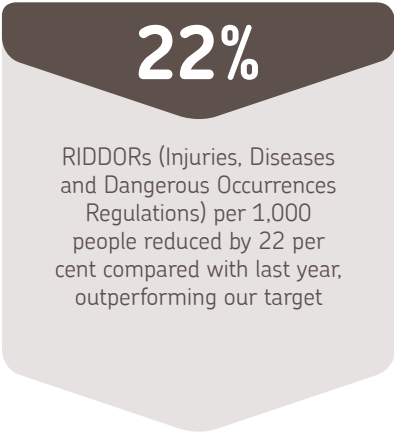
- RIDDORs (Injuries, Diseases and Dangerous Occurrences Regulations) per 1,000 people in the UK businesses reduced by 22 per cent compared with last year, outperforming our target. This is a Corporate Balanced Scorecard measure.
- In addition, the total number of accidents reduced by 19 per cent last year, and ‘lost time’ accidents reduced by 20 per cent compared with the previous year.
- Following development of the Feeling First Class online health assessment, we had an uptake of 2,547 employees by the end of 2011-12.



Safety

One way we can improve awareness of health and safety issues across all our operations is to have more visible leadership from the top. Health and safety performance is now a standard agenda item at monthly Royal Mail Group Board meetings. All Board members and other senior executives also undertake rigorous safety training. Safety is one of the Corporate Balanced Scorecard measures. It is one of our Strategic Framework blocks, and it is one of ten work areas of our World Class Mail programme.

We have found that when people are given the right time and tools to do their jobs, they work more safely. Through our WCM tracking system, we monitor work-related incidents, as well as near misses and identification of leading indicators. This helps us continue to achieve fewer work-related injuries.



Our safety programmes

The following activities are some of the ways in which we are working towards a zero accident environment:

- **World Class Mail continuous improvement** – local teams in mail centres, delivery offices and logistics use a Safety Matrix to identify health and safety issues in the workplace and, using root cause analysis tools, work to reduce the risk of accidents occurring.
- **Walk Risk Assessment Programme** – this requires local units to identify risks on delivery rounds, ensure they are properly documented and take mitigating actions to reduce risks.
- **Zero Accidents Programme** – this focuses on specific road safety risks. Training includes pre-use vehicle checks, followed by three hours of in-cab tuition with a qualified instructor, targeting the main causes of collisions experienced by our drivers. Collisions among our younger drivers have reduced by 52 per cent during the year as a result.

Performance (2011-12)

Last year, reported accidents and injuries at work reduced by 22 per cent. Annual reporting of RIDDORs (Injuries, Diseases and Dangerous Occurrences Regulations) now averages 14.3 accidents per 1,000 employees. This exceeds our target of 15.6 accidents per 1,000 employees, as well as marking an improvement on last year’s figure of 18.3 accidents per 1,000 people.

It is with great sadness, however, that we report that during the past year, seven people lost their lives due to road traffic accidents involving our vehicles. Four of these were third-party fatalities. After each fatality we liaise closely with the authorities and also undertake our own independent expert safety investigation to establish the root cause of the accident. Our investigations take a ‘no blame’ approach so that we can effectively establish what can be learnt from the tragedy, and develop and implement action plans to avoid recurrences. Our findings are communicated across the Group and at the monthly meeting of our Board, where close attention is paid to the lessons we can learn.

Dog attacks continue to present a hazard faced by our postmen and women. During 2011-12, there were 3,186 dog attacks on Royal Mail people. Our Group Chairman, Donald Brydon, launched an independent inquiry into the prevalence and consequences of dog attacks in the UK. The findings of the inquiry, led by former High Court Judge Sir Gordon Langley, were published in November 2012. The report calls for new, tougher legislation, enabling criminal sanctions to be taken against owners of dogs which attack people (see page 21 for more information).

Case study:

Wellbeing Zone

In April 2012, we launched The Wellbeing Zone, a new online resource to provide all staff with personally tailored programmes, information and support for healthy lifestyles, personal training programmes, weight management plans, stress solutions, 10-minute wellness checks and an 'ask the expert' service.

Wellbeing

We aim to provide good wellbeing support for our employees. We believe this helps us to attract the best people and boost workplace morale. It makes good business sense, too, as a happy, healthy workforce will enable us to provide a good quality of service to our customers.

- 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 services for our colleagues and their families.
 - We run occupational health clinics across many of our Royal Mail Group sites.
 - We also offer health assessments, either by phone or face to face, to any of our UK locations.
 - We have 39 fitness centres run by trained instructors at our larger sites.
 - We have a national physiotherapy and functional rehabilitation service for colleagues suffering from musculoskeletal conditions.

This year our sickness absence figure averaged at around 4.04 per cent, which compares well with our industry peers but is slightly above CBI average absence target.

Case study:

MPs on delivery rounds

Royal Mail recently launched a campaign to get politicians out on delivery rounds with our postmen and women. So far 70 have taken part. The purpose of this is to give them a real insight into the lengths to which our people go to meet our Universal Service obligation. It is also an excellent opportunity for the MPs, MSPs, AMs, MLAs and councillors to say a personal 'thank you' for the part our postmen and postwomen play in their constituencies.

The day starts at their local delivery office, where the MPs see the final stages of the mail sorting process before joining one of the many thousands of postmen and women on their delivery round. They hear at first hand how Royal Mail is modernising and adapting to meet the challenges of structural decline in the postal sector whilst safeguarding the Universal Service on which we all depend.

Managing stress

This year, we introduced a Stress Management Pilot Programme to identify the drivers of stress in our workplaces. This is helping us to adopt better management methods for dealing with employee stress. One step we have already taken as a result of this programme is to publish a Stress Guide. The Guide provides information about identifying and managing workplace stress. It also includes a line manager guide and details of our risk assessment approach.

Priorities for 2012-13

- Revise our Zero Accidents driver safety programme to improve colleagues' awareness of driving hazards.
- Continue work to reduce accident rates and sickness absence rates.
- Investigate long-term absence data and cases to ascertain if there are common trends.

Changing working lives

Our modernisation programme is affecting the working lives of more than 127,000 postmen and women.

- Many aspects of our work are changing:
- Delivery attendance times, with Saturday becoming a normal working day.

- Delivery spans increasing to reflect the reduction in indoor work and a desire to protect full-time employment.
- The balance between use of indoor and outdoor equipment is changing.
- Preparation task reducing with increased mechanisation.
- Extra packets and attendance calls.
- Increasing use of shared vehicles/working in pairs.

A modern workplace

Royal Mail's modernisation programme is one of the UK's biggest industrial transformation projects. It is aimed at creating a more efficient operation which is vital to secure the six-days-a-week, one-price-goes-anywhere Universal Service.

Our modernisation programme is having a positive impact on safety and customer service. Take our mail sequencing technology, for example. Beforehand, most mail was hand-sorted before being delivered. Many postmen and women carried the full mail weight on their shoulders. The introduction of sequencing machines and equipment such as lightweight trolleys and shared vans is reducing the physical strain of these tasks.



Yet we understand that change is not always easy to accept, particularly when it means working in different ways and keeping different hours. We are working hard to ensure these necessary adaptations are implemented as smoothly as possible. Involving our employees in our change programme and keeping them well informed is critical in this. For more on how we are doing this, see the 'Employee Engagement' section.

As we become a smaller workforce, better suited to changing market conditions, voluntary redundancies will mean the departure of many colleagues. In the last year, we reduced our workforce by 4,000 people. To help those leaving as a result of this process, we have a comprehensive programme in place. This involves help in finding new work through job searching skills and career advice, as well as the provision of financial advice. In total, we spent £1.9 million on outplacement programmes for employees taking redundancy. Throughout the modernisation process, we are committed to treating Royal Mail people with the dignity they deserve.

Employee opinion

- 35 per cent of people think modernisation is happening too fast.
- 21 per cent think modernisation is too slow.
- 44 per cent think modernisation is happening at the right pace.



Employee engagement

Employee engagement is one of our Corporate Balanced Scorecard measures. It is one of the key drivers in our business success.

We realise that changing times, like those we are going through today, can be difficult for employees. We are working hard to communicate the changes ahead and listen to our people's views. We want our employees to feel more engaged in how our business is run.

Our strategy for engaging our people is detailed in our Corporate Engagement Action Plan. This sets out a range of action points linked to our three priority areas:

- Recognising our people, and strengthening the relationships between managers and their teams.
- Communicating about our business future and our customers.
- Ensuring job expectations are clear and performance is evaluated.

Performance (2011-12)

- Our target was met for both employee engagement and employee customer focus.
- Over six out of ten colleagues agree that safety is given a high priority in Royal Mail.
- Over seven out of ten colleagues say they still want to work for Royal Mail in two years' time.
- Over six out of ten colleagues feel proud to work for Royal Mail.

Taking the pulse

In March 2012, we carried out our inaugural annual employee engagement survey, independently run by Ipsos MORI. In our 2011-12 Employee Engagement Index, we scored 49 per cent in terms of employee engagement. Our new approach enables us to benchmark our engagement levels with other companies and track our performance year on year.

There were plenty of encouraging outcomes in this year's survey. Three-fifths of our people feel proud to work for us. A similar proportion (62 per cent) say they are satisfied with their current job.

However, there are areas where we need to improve. Only around one in three (36 per cent) of our people expressed support for Royal Mail's current strategy. We will focus on improving employee engagement in our business strategy in the year ahead.

Employee Engagement Index		%
2011-12		49
Target for 2012-13		50

Internal communications

Promoting dialogue is also a key part of our engagement strategy. During the reporting period, 120 managers visited sites across the business to brief around 14,000 front-line colleagues about our business strategy and performance. During the financial year 2012-13, so far a further 170 managers have met with around 30,000 front-line colleagues as part of our Engagement Programme.

Our Chief Executive receives all feedback from the engagement sessions to ensure action is taken at the highest level.

Among the changes we made over the last year as a result of employee feedback are:

- introducing a simplified process for reporting safety incidents.
- improved sharing of World Class Mail initiatives.
- informal mentoring for front-line staff to help their career progression.

We have also taken significant steps to overhaul our internal communications over the last year. In 2011-12 we:

- published more than 17 regular and special editions of Courier, our employee newspaper.
- held three conferences for some 6,000 managers to keep them informed about our progress against our strategy.
- broadcast weekly programmes on RMTV via myroyalmail.com to keep our front-line staff up to date in the workplace.
- held weekly Work Time Listening and Learning (WTLL) sessions.

Minority group

	Asian	Black	Chinese	Mixed	Other	White
Administration	3.7%	1.3%	0.2%	0.5%	17.2%	77.2%
Managerial	4.6%	2.0%	0.1%	0.6%	19.5%	73.2%
Operational	5.8%	2.8%	0.2%	0.6%	20.2%	70.4%
Senior Managerial	1.8%	1.0%	0.0%	0.6%	19.6%	77.0%

Our unions

We work closely with the unions who represent our people, the Communication Workers Union (CWU) and Unite/CMA. This cooperative approach is based on a shared vision to overcome business challenges. Both parties are committed to creating a culture where we identify common objectives, align interests and always seek mutually acceptable solutions to the challenges we face.

This relationship has helped us navigate the human resource issues that inevitably occur during a process of modernisation, such as voluntary redundancies and different working hours. In this regard, we reached agreement with the CWU in February 2012 on a package of measures that will enable us to continue moving forward with the modernisation programme. These include a 3.5 per cent pay increase, which came into force in April 2012.

We are also talking with the unions about the impact of changes arising from the Postal Services Act 2011. This includes the provision for an element of employee share ownership following any sale of the company. These are complex matters and they will take time to resolve.

Last year the number of days lost due to strike action increased from 1494 to 532. There have not been any nationwide strikes.

⁴ In 2010-11, 149 total days were lost due to strike action, not 89 days as previously reported.

Diversity

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

There are clear commercial benefits to be gained by employers who recruit from the widest possible talent pool. It is widely recognised that businesses with a diverse workforce are likely to attract a wider customer base, and have the ability to recognise new potential markets and to provide a better, more tailored service.

Gender diversity

Royal Mail is committed to being an equal opportunities employer. Women represent around 16 per cent of our total workforce. We are continually looking for ways to increase this proportion. As part of that endeavour, we support Business in the Community's (BITC) 'Opportunity Now' programme, which promotes best practice in equal opportunities.

Springboard is one of our initiatives to promote gender equality. It is focused on helping women to advance their careers within the business. The case study 'Women networks and workshops' on page 33 provides more information about this programme.

Gender distribution by position in company

	Female	Male
Board level	30%	70%
Senior managerial	26%	74%
Managerial	19%	81%
Administration	58%	42%
Operational	14%	86%

Further breakdowns of our gender diversity are given in our GRI Index on page 56.



Case study:

Women networks and workshops

The Senior Women's Network is co-led by Chief Executive Moya Greene and Sue Whalley, Group Director of Regulation and Government Affairs. It provides a forum in which women have the opportunity to connect and network.

The Senior Women's Network recently established a 1:1 mentor scheme designed to build relationships that aim to unlock the potential of our upcoming female employees and help them progress in their careers.

Ambrin Shah, a late shift manager at the North West Regional Distribution Centre, was matched with Margaret Ollerenshaw, Head of Talent and Succession. Ambrin says: "I have worked for Royal Mail since 2005, during which time I have undertaken a number of different roles in Operations. In 2011, having just returned from maternity leave, I approached Margaret to be my mentor at a Senior Women's Network meeting. The relationship I had with Margaret was very much two way and I never felt as though I was taking too much of her time. We discussed my career progression and how this would fit with my family life, having two young children. I believe that I couldn't have secured my current role if it wasn't for the advice and support that I received from her. Mentoring is something that I am very passionate about - hopefully in the near future I can be a mentor for other women in the business."

Women's workshops: Our Springboard Development programme also offers non-management-grade female employees a series of confidence-boosting workshops. These comprise four voluntary one-day sessions over three months where participants assess their current career situation and start to take responsibility for their own development. People transition manager, Sharon Feasey, is one of four facilitators. "It's not just about work," she says. "We ask participants to also look at their life as a whole - that includes their personal goals as well. A happier home life leads to a more fulfilled work life."

So far we have run over 50 courses across the company and have seen more than 700 female non-managers participate. In 2012-13, we hope to introduce 12 more trained facilitators, with the aim of putting 1,000 women through the programme.



Case study:

Health roadshow

In 2011, we initiated a national roadshow under our Feeling First Class wellbeing programme. The roadshow offers our people free health-checks to assess weight, height, body mass index and other aspects of personal fitness. In addition, Boots supplied machines and representatives to provide initial eye screening. Colleagues who need a full eye test at an optician receive money-off vouchers for the test and glasses if they require them.

The initiative is proving so successful that we are set to double the number of health-check kits provided during the roadshow.

Ethnic diversity

Our employee population is representative of the external labour population. Over 10% of our employees are from ethnic minorities. However, we recognise that ethnic minorities are not adequately represented amongst our management population. Our priority going forward is to increase the representation of ethnic minorities at all management levels in Royal Mail. We will seek to set up a network and development programme aimed at junior managers from minority ethnic backgrounds in the coming year.

Disability equality

Royal Mail aims to be a disability confident employer. Our overarching strategy is to change people's perceptions of disability. We seek to achieve this through five key pillars:

- **Leadership** – Disability Equality is led from the top of our organisation.
- **Strategic priorities** – Royal Mail has an equality framework which sets out the main strategic priority areas.
- **Creating awareness** – ensuring colleagues and customers have the right knowledge and attitudes.
- **Widening influence** – we want to talk about equality for everyone: employees, agents, customers and suppliers.
- **Changing processes** – taking ownership of equality and fairness at a local level.

Inclusive recruitment

Our commitment to inclusivity stands us apart. We actively look to provide work opportunities for people from marginalised groups. Examples of our programmes include:

- **Remploy** – over the last seven years, we have successfully placed over 1,000 people into work through our partnership with Remploy. Remploy is the UK's leading provider of employment services to disabled people. During 2011-12, we offered over 50 work trials for individuals linked to Remploy, with an almost 100 per cent conversion ratio from placement to job outcome.

- **Ready for Work** – we have employed over 250 Ready for Work graduates over the past six years. This accounts for 11 per cent of the total employments secured by clients after completing the Ready for Work programme.

Apprenticeships

In January 2012, we launched a new partnership with Job Centre Plus. The programme offers up to 80 young jobseekers voluntary placements for up to eight weeks.

In 2011-12, we revived our Engineering Apprentice Scheme, which is now running in parallel with a similar programme for vehicle technicians. Both lead to a Level 3 National Vocational Qualification (NVQ) within three years.

We also introduced our new Operational Management Apprentice Scheme in October 2012, after the reporting period. It is targeted at 18 to 24-year-old jobseekers on benefits. The scheme comprises 18 work placements, each of which will last two years. The apprentices will receive structured training leading to a Management Level 3 Certificate. This consists of a Level 3 Technical Certificate in First Line Management and the Institute of Leadership and Management (ILM) NVQ Level 3 Certificate in Management.

Priorities for 2012-13

Going forward, we intend to introduce a more female-friendly approach to resourcing. This could include measures such as targeted campaigns to attract female recruits, reviewing job designs to make them more family friendly and providing female mentors where possible.

- **Women's workshops** – as part of our Springboard Development Programme, we plan to put 1,000 women through the programme in the next 12 months (see page 32 for more information).

- **Senior Women's Network** – as part of an expansion of the Network in 2012-13, we plan to invite senior female managers to give guest talks around Royal Mail's UK sites about how they have overcome obstacles to succeed.
- **Ethnic diversity** – we are looking to set up a network and development programme aimed at junior managers from minority ethnic backgrounds.
- **Access to Work** – we are currently reviewing our pilot of the Department of Work and Pensions (DWP) Access to Work programme with a view to rolling it out to the rest of the country. We also aim to develop a more robust and efficient reasonable adjustment process for our disabled employees.

Dignity and respect

We aim to create an environment that is free from discrimination or harassment.

We define harassment as "unwanted conduct that has the purpose or effect of violating someone's dignity, or creating an intimidating, hostile, degrading, humiliating or offensive environment for them." We treat the issue with the utmost importance. In accordance with our Equality and Fairness policy, we encourage employees to inform their line manager if they become aware of any discriminatory behaviour. Any employee who is found to have committed an act of discrimination or harassment will be subject to disciplinary action, including possible dismissal.

Our commitments

- Stopping bullying, harassment and discrimination.
- Treating employees with courtesy, dignity, fairness and respect at all times.
- Dealing with complaints of bullying or harassment seriously, fairly and sensitively.
- Handling complaints in a timely manner and following the appropriate process.

We dealt with 349 formal bullying and harassment complaints out of our workforce of over 150,000 during 2011-12. This represents a decrease of 10 per cent compared with last year. We have been working hard to reduce the time it takes to investigate these complaints. Of course, we are working towards creating a workplace that is completely free of harassment, and we have set milestones for ourselves as part of that journey. In 2011-12, we ran an awareness campaign, entitled 'Enough', to raise awareness of the damaging impact of inappropriate behaviour.

Performance (2011-12)

- 349 formal complaints were raised, a decrease of 10 per cent on last year.
- We received 1,204 calls to the Bullying and Harassment helpline.
- We completed 40 per cent of investigations within 28 days, up from 29 per cent last year. The average timescale for an investigation was 54 days.

Priorities for 2012-13

- To clarify our expectations for employee behaviour in a range of policy statements. This year we have summarised our core values, policies and expectations in one place. The resultant Code of Business Standards covers a full range of personal and business behaviours.
- In the year ahead, we plan to work with the Communication Workers Union to ensure our Bullying and Harassment Policy is fit for purpose. We aim to issue a new Joint Statement, which will include a definition of "acceptable behaviours" and informal resolution.

Case study:

Enactus

Enactus is an international non-profit organisation that works with leaders in business and higher education to mobilise university students to make a difference in their communities while developing skills to become responsible business leaders. Participating students form teams and apply business concepts to develop outreach projects for people in need. Our role as Enactus corporate sponsors covers:

- matching our Business Advisory Board Members to Enactus teams.
- judging at regional and national competitions.
- providing interviewing and CV advice at Enactus training events.
- partnering a number of top ten university Enactus teams.

Our close relationship with Enactus creates positive business benefits through employee engagement and developing relationships with quality students and business peers. Moreover, the community projects that the Enactus teams become involved with support our own corporate responsibility agenda.



Case study:

Duke of Edinburgh Gold Award for Apprentices

In September 2012, we launched a new Duke of Edinburgh Gold Award scheme for participants on our Advanced Apprentice Engineer programme. The Award will take 18 months to complete. Open to those aged under 25, it will involve fundraising for charity, including our Charity of the Year, as well as personal fitness. In addition, there is an exciting outward-bound element, which will require training and practice leading up to a five-day expedition in the Lake District. The aim of the expedition is to teach teamwork and to help individuals to achieve their own personal goals.



Learning and development

As Royal Mail is modernising, so are the skills of our people. We are achieving this through extensive development programmes internally.

Key facts

- We invested £14.2 million in training and development through external providers.
- 32,000 Royal Mail Group employees experienced formal training last year.
- Over 61,000 training days were delivered in 2011-12.
- Last year, 14,000 people were actively involved in World Class Mail learning activity.

Performance

We continue to dedicate time and resources to ensuring that our employees have the training they need. Our front-line employees participate in 30-minute Work Time Listening and Learning sessions once every week.

Last year, we delivered training to 32,000 colleagues. This represents around 61,634 days of formal training, equating to about £5.8 million in release costs. In addition to formal courses, all employees have around one day's training on compliance, health and safety and fire safety. Our new starters receive a four-day induction. Collectively, this additional training occupies 186,800 days per year, with a total release cost of around £16.8 million.

World Class training

People development forms a pillar of our World Class Mail (WCM) programme. The development approach is to train people on the job. Last year, 14,000 people were actively involved in WCM learning activity. This averages out at half a day a week, or 20 days a year per person, at an investment of £25.2 million.

There are various methods for sharing learning within World Class Mail. These include:

- **WCM Academies** – these are education and training events run in the workplace.
- **Pillar Network conference calls** – the WCM National Pillar Leads run monthly conference calls that cover aspects such as feedback from WCM audits, new approaches and tools, and good practice updates.
- **National Good Practice Lessons** – these are examples of how a particular task, approach or WCM tool has been mastered, which are available through a national portal site.
- **World Class Mail Portal** – this online resource for WCM Pillar Leads and Champions contains all WCM teaching materials, as well as audit presentations and feedback.
- **LUTI documents** – these documents explain how WCM's Learn, Use, Teach and Inspect (LUTI) approach is applied.

Targeted learning

The objective of our learning and development programmes is ultimately to raise levels of customer service throughout the Group. For instance, in 2011-12 we identified a need to equip staff in our enquiry offices with the right skills for what is a key customer-facing role. As a result, we introduced a new NVQ-based training scheme specifically targeted towards improving our performance in this area.

All managers, from executive leaders to first line managers, undergo a general management development course. We have launched an online 'Learning Hub' which provides managers with direct access to a range of external learning aids such as videos, podcasts, books and articles. The Hub can supplement formal learning or be used as a stand-alone solution for a development need. Programmes cover subjects such as our Code of Business Standards, environmental issues, anti-bribery and corruption, and safer working practices.

A comprehensive portfolio of operational training is also provided for our postmen and postwomen.

Coaches

We have 70 accredited coaches who offer support for our employees in their development. We operate a formal coach allocation process to ensure we effectively match the need to the best coach we have available. We also have a number of managers with coaching skills who have recently attended development programmes. They coach their teams and peers on an informal basis.

Outplacement support

We invest significantly in outplacement support for those leaving the business. This support includes 'Career Transition', a flexible, individual service which enables those potentially leaving the business to identify their career and lifestyle options.

Improving career management

With such a large workforce, it is critical that Royal Mail has the right people management system. Our new end-to-end integrated People System Management Programme (PSP) went live during the reporting year. Now, we are better able to manage employees' careers from recruitment to departure and so significantly enhance working life at Royal Mail. PSP won the Gold Award in SAP's 2011 UKI Quality Awards in the New Business Application Implementation category.

Priorities for 2012-13

- We aim to increase the employee engagement scores highlighted by our annual employee survey.
- We will further roll out our employee engagement programme, with more site dialogues across the UK.

- Continued initiatives to improve the health, wellbeing and safety of our people.
- Continued improvements to our diversity and inclusion agenda.
- Increased focus on learning and development.

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/>



Case study:

Learning Centres

At Royal Mail, learning is supported by the activities of our Learning Centres. There are 100 of these throughout the UK. At our Glasgow Mail Centre, for example, all 1,100 employees have access to lifelong learning opportunities in the workplace. Since 2009, 482 postmen and women have taken part in over 50 courses covering a wide range of topics.

Royal Mail seeks to be an integral, valued and trusted part of the communities that we serve.

Key facts

- £5.3 billion – our annual salary and wage bill.
- £2.4 billion – our annual procurement spend, spread across our network of around 7,500 UK-based suppliers.
- In 2011-12, Royal Mail contributed £10.4 million to charities, good causes and schemes for disadvantaged groups across the UK. In addition, our colleagues raised £3 million for many good causes.
- £45 million – the total donated by colleagues through payroll giving since 1989, helping a record-breaking 975 charities.
- £5.9 million – the annual cost of our free delivery service for blind and visually impaired people.
- 1 million-plus – the number of pupils across the UK who benefit from our educational support materials.

In 2012, our Payroll Giving programme was singled out for a Guinness World Record. The Payroll Giving Centre also granted us a Platinum Payroll Giving Quality Mark Excellence Award.

Performance (2011-12)

During 2011-12, Royal Mail contributed £10.4 million to charities, good causes and schemes for disadvantaged groups. In addition, our colleagues raised £3 million for many good causes across the country.

Other highlights:

- 81 per cent – the percentage of our customers who think we are an important part of the local communities we serve.
- £2.6 million – the amount our employees raised for our outgoing Charity of the Year, Barnardo's, during the four-year partnership.
- £2.4 million – the amount donated by employees through our Payroll Giving programme last year.
- £2.7 million – our support for the British Postal Museum and Archives last year.⁵

⁵ This includes a charitable donation that comprises a three-year funding agreement, running through to April 2013. It represents the cost, covering mainly the staffing, to provide Royal Mail's archive and records management services for the Postal Museum and Archive.

Our community investment in 2011-12[†]

Total amount contributed by Royal Mail	£10.4 million
Cash	£3.39 million
In-kind	£6.54 million
Time	£0.35 million
Management costs	£0.12 million
Amount contributed by employees	£3 million

In line with Group policy, no donations were made in 2011-12 for political purposes.

[†] Our contribution includes our Articles for the Blind service, which is a free-of-charge service for people sending items specifically designed for blind and visually impaired people within the UK and overseas.



Strategic community priorities

Royal Mail has a major presence in every UK region, employing local people, connecting customers, companies and communities. This is supported by our active investment in communities and our charitable giving programme.

Our community investment strategy is focused on enhancing our contribution to the UK economy and making a positive difference to the communities in which we operate. It is focused on the following core elements:

- Making a positive economic contribution to the UK through our core business operations. We do this by providing good-quality jobs and being an inclusive, equal opportunities employer.
- Providing our large UK workforce with meaningful opportunities to get involved in their communities and deliver real benefit to good causes.

- Promoting education and literacy in the communities we serve to support their future social and economic wellbeing.

Awards

The strength of our community investment programme has been recognised in a number of ways.

- In 2012, Royal Mail was awarded a 'Platinum' ranking in Business in the Community's Corporate Responsibility Index, marking us out as one of the UK's most responsible companies.
- Our Payroll Giving scheme has generated more than £45 million in donations since 1989, winning Royal Mail a place in the Guinness World Records.
- Royal Mail is one of very few organisations in the UK to have achieved a Platinum Payroll Giving Quality Mark Award.

Priorities for 2012-13

For the coming year, our focus is on increasing our support of charity partners, engaging our employees in supporting our communities and to gain recognition for the contributions that we make.

Specific aims include:

- raising a substantial amount of money for our Charity of the Year, Prostate Cancer UK. Money raised by employees will be matched by Royal Mail.
- increasing the numbers of colleagues supporting charities through payroll giving, matched giving and fundraising; and,
- rolling out a volunteering programme for apprentices on the Duke of Edinburgh Scheme.

Case study:

Giving our best

Our employees have donated over £45 million through payroll giving since 1989. The money has helped 975 charities, a figure that has earned Royal Mail a Guinness World Record. Royal Mail employees account for 6 per cent of all payroll giving donors in the UK. On top of their payroll generosity, our people also helped raise over £607,500 for charities and other good causes in 2011-12.



Impact on UK economy

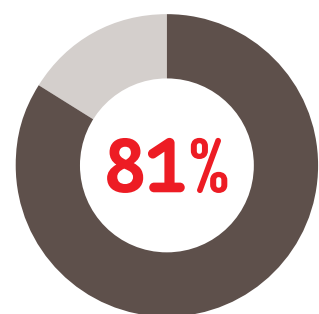
Our support for communities starts with the services we provide and our direct economic impact as an employer and purchaser of goods and services.

Our contribution to the UK economy

We make one of the single biggest economic contributions of any UK company. A study undertaken by the Centre for Economics and Business Research, and commissioned by Royal Mail, found that Royal Mail adds £9.4 billion a year to the UK economy, making an overall contribution of 0.7 per cent to the UK's total Gross Domestic Product. We rank eighth among companies in the UK in terms of our economic contribution.

We employ over 150,000 people in the UK. That equates to around one in eight workers in the entire UK transportation and storage sector. Royal Mail also indirectly supports 83,000 full-time equivalent jobs. For every £1 of income from employment that we pay, an additional 57p of income from employment is generated in the wider economy.

In 2011-12, we contributed around £1.4 billion to the exchequer through employer and employee National Insurance contributions, income taxes, business rates and a range of indirect and direct taxes.



Percentage of our customers who say we are important to the UK economy

Another main area where Royal Mail generates significant economic activity is through our supply chain. We purchase goods and services from around 7,500 UK-based suppliers, paying them around £2.1 billion a year. This figure rises to £2.4 billion once inter-business intermediate spend is counted.

We also support the future economic wellbeing of our communities through our inclusive recruitment practices and our community investment programmes (see page 34 for more information).

Community investment

We seek to make a positive difference to the communities in which we operate, from the UK's largest cities to its most rural villages.

Connecting with our business

Times are tough at the moment. We recognise that. We also recognise that our business will only thrive if the communities that we serve are thriving too. Helping build healthy, prosperous communities therefore makes sense.

As a business, helping people connect with one another is what we do. It is therefore natural – and effective – that we should look to align our community support with our business expertise and company goals. That way, our social investments go further and have greater impact.

In 2012, after the reporting period, Royal Mail completed a Company Sustainability Assessment based on the Dow Jones Sustainability Index methodology. The assessment found that our Corporate Citizenship and Philanthropy programme is sector leading globally. It achieved a score of 96 per cent. (Dow Jones places Royal Mail in the Industrial Transportation sector.)

Connecting with charities

Our community programmes rest on the partnerships that we form with other organisations. These are making a big difference at a local level.

The bedrock of our partnership approach is our revamped Charity of the Year programme. Our employees selected Prostate Cancer UK as our new charity partner from 2012 to 2014. Our aim is to raise a significant amount of money for the charity.

During the last four years we raised £2.6 million for our outgoing charity partner, the children's charity, Barnardo's.

In addition, the Rowland Hill Benevolent Fund is dedicated to supporting past and present Royal Mail employees, pensioners and their families in times of need. Royal Mail Group makes an annual donation to support the Fund (see www.rowlandhillfund.org).

Royal Mail's financial support extends to many other charities too. Last year, for example, we donated 3,000 PCs and laptops to Computer Aid International for use in developing-world schools and colleges. Since 1997, we have also provided more than 12,000 bicycles to cycling charities Re-Cycle and The Krizevac Project, which provide bicycles to various parts of Africa.

Case study:

Celebrating gold medals

Royal Mail is proud of its British heritage. Throughout our long history we have used our stamps to recognise great national figures. We saw the London 2012 Olympic and Paralympic Games in 2012 as the perfect opportunity to continue this tradition. For that reason, we produced a new stamp for every gold medal won by a British Olympian and Paralympian athlete. It was the first time any host country used action shots for gold medal stamps.

We also painted one of our traditional red postboxes gold in the home town of every Team GB and Paralympics GB gold medal winner. 110 postboxes were painted gold across the UK in total. In November, we announced that all of our gold postboxes celebrating Olympic and Paralympic successes will remain gold permanently. The boxes have become cherished local landmarks. Each postbox will also have a plaque naming the athlete and marking their gold medal achievement, or marking the location's connection with London 2012.

Royal Mail is the first ever postal service to recognise the Olympics in this way, cementing our position as one of Britain's best-loved institutions.



Case study:

Sending aid to Bulgaria

In 2011, a CWU team from across the UK and Ireland travelled to Bulgaria in ten vehicles loaned from Royal Mail, BT, AnPost and Eircom. They delivered a huge range of goods, including wheelchairs, beds, clothing, nappies, toiletries, medical equipment and toys to homes for children with disabilities and a children's hospital.

Connecting our employees

Our people take great pride in the work they do in communities. We support colleagues' fundraising and volunteering efforts for all charities.

Charity of the Year

In 2012 we launched a new Charity of the Year programme. We worked closely with our main union, the CWU, to shortlist three very deserving charities: the Alzheimer's Society, Prostate Cancer UK and Whizz-Kidz.

Our colleagues voted for Prostate Cancer UK through a Group-wide survey in April 2012. Our aim is to raise at least £2 million for Prostate Cancer UK (formerly known as The Prostate Cancer Charity). For the first time, Royal Mail is matching funds raised by colleagues for the Charity of the Year, penny for penny, up to £1 million a year. Once we have raised £2 million for Prostate Cancer UK – £1 million from employees and £1 million from Royal Mail – any money raised for either Alzheimer's Society, Prostate Cancer UK or Whizz-Kidz will also be matched by Royal Mail, penny for penny, up to a further £1 million. As part of our 'everyone's a winner' approach, we have also made a donation of £50,000 each to Alzheimer's Society and Whizz-Kidz.

The money we raise for Prostate Cancer UK is being used to fund new prostate cancer nurses. Prostate cancer is the most common cancer in men in the UK – yet there are not enough nurses to support them. For every £40,000 raised by Royal Mail, Prostate Cancer UK is recruiting and training another specialist prostate cancer nurse.

Royal Mail's new Charity of the Year programme is the primary way we engage employees in charitable activity. The programme carries forward many of the features of our long-standing charity partnership with children's charity Barnardo's (see case study on page 44). For example, we will continue to work with the Charity of the Year to develop exciting fundraising ideas. We are also keeping our fundraising grants, which give up to £200 to employees to help cover costs for fundraising ideas.

We encourage and support our employees in contributing to a range of other worthy causes too:

- **Community matched giving and grant schemes:** we match funds raised by colleagues for all other charities and good causes, up to £200 a year, to help them maximise their contributions. We also provide grants to cover the costs for fundraising events and voluntary projects. Colleagues can obtain a grant of up to £200 a year for fundraising activities and up to £400 a year each for volunteering.

- **Sports Foundation grants:** our Sports Foundation provides grants for sports equipment, trophies and training for teams and clubs both within and outside of Royal Mail. It has an annual budget of £400,000 to disburse in grants. Our aim is to support our employees in taking part in regular, competitive community sport to promote their health and wellbeing. During 2011-12, 3,165 employees benefited from a Royal Mail Sports Foundation grant who then in turn involved 22,478 people in their local communities in active and competitive sport.
- **Payroll giving:** payroll giving provides a tax-efficient way for colleagues to make a contribution to causes that are close to their hearts. Around 40,000 of our employees donate through our Payroll Giving scheme, making it one of the largest of its kind in the UK. In 2011-12, Royal Mail colleagues and pensioners donated £2.4 million of much-needed funds. This pushes our total payroll giving contribution to over £45 million since 1989, helping a total of 975 charities – an achievement that has earned Royal Mail a place in the Guinness Book of Records. For the first time, Royal Mail is also match funding payroll contributions to our Charity of the Year up to £100,000 in total in each of the two years of the programme.

- **Volunteering:** our employees volunteer for a range of charities across the UK. For example, many donate their time to The Communication Workers Union Humanitarian Aid (CWUHA), a charity run by our main union. Set up in 1995, CWUHA funds transport convoys that deliver thousands of tonnes of clothing, medical equipment and other items of international aid. For the last five years, CWUHA has also been providing funds for a school in Tanzania to build three classrooms and install electricity on the site (see www.cwuha.org). To encourage our employees, we provide grants to help them with the costs of their volunteering projects (see 'Community matched giving and grant schemes').
- **Charity of the Year Hotline:** with the introduction of Prostate Cancer UK as our new Charity of the Year, Royal Mail established a dedicated fundraising team. The team helps employees with fundraising ideas and information.

Prostate cancer: the facts

- One man dies every hour from prostate cancer.
- Prostate cancer is the most common cancer in men. It affects millions of their partners, friends and families.
- 40,000 men are diagnosed with prostate cancer each year.

Connecting with tomorrow

We invest in the future by supporting education in the communities we serve every day. Last year, more than a million pupils benefited from our support. A major avenue for our support is free educational resources, which we offer to teachers in primary and secondary schools across the UK. Our free educational magazine, Teachers Post, is available online to all teachers and others and is published eight times each academic year. For more information, visit the Teachers Post website: www.teacherspost.co.uk

Our Young Letter Writers Competition enthuses and engages thousands of pupils every year while helping improve their literacy. The competition is open to Children aged 7-11 with a 'Special Achievement' category for children who have overcome exceptional difficulties to enter.

Royal Mail is also providing significant financial support for a new centre for The British Postal Museum and Archive (BPMA). The BPMA is the leading resource for all aspects of the history of the British postal system. The new Postal Museum will provide access to the BPMA's unique collections of 400 years of postal, social and design history. Under a plan endorsed by the Government, the new centre will be established at Calthorpe House on London's Mount Pleasant site, where the country's oldest mail centre is located. The new centre will include educational facilities for visiting schools.

Last year, over 250,000 people from across the country visited a BPMA exhibition or display. In addition, nearly 2,000 teachers and students took part in school workshops, including the BPMA-sponsored Stamps in Schools programme.



Case study:

Charity of the Year

We are promoting our Charity of the Year on dedicated postmarks over the course of the partnership. Around 1 billion items of mail will feature a postmark raising awareness of prostate cancer and our fundraising campaigns to tackle it. For two weeks during November, for example, we applied a dedicated Movember postmark to all postmarked letters. These awareness postmarks were featured on around 6 million items of mail every day.

Case study:

Movember

Movember, held during November, is a global moustache-growing campaign to raise funds and awareness for prostate and testicular cancers. Our new Charity of the Year, Prostate Cancer UK, benefits from funds raised by Movember in the UK.

Royal Mail supported the campaign in 2012 and encouraged 'Mo Bros' and 'Mo Sistas' to enter the spirit of Movember to raise awareness and funds. Mo Bros committed to growing a moustache for the 30 days of November whilst Mo Sistas supported and fundraised Mo Bros, as well as getting involved in a range of other fundraising activities.





Case study:

Speaker's Parliamentary Placement Scheme

Royal Mail has thrown its support behind a new initiative that is opening up the parliamentary process to young people who are passionate about politics. Launched in June 2011, the Speaker's Parliamentary Placement Scheme offers a dozen paid internships with MPs. The successful applicants to the cross-party scheme come from disadvantaged and diverse backgrounds.

The Scheme aims to break down barriers and open doors for people who would normally be frozen out of politics.

For more information, see the Social Mobility Foundation's website: www.socialmobility.org.uk

Case study:

Barnardo's: a fruitful partnership

Royal Mail's employees supported children's charity Barnardo's as our major charity partner from 2008 to March 2012. During that time they helped raise over £2.6 million through a range of sponsored events, from walks and hikes to marathons and fun runs. In addition, over 1,000 employees volunteered for local Barnardo's projects. These efforts have collectively helped to support 10,000 children and young people who are living in poverty, coping with disabilities and battling youth unemployment. Royal Mail Group has also offered work placements and permanent employment to over 100 young people from Barnardo's projects.



Case study:

International Purchasing award

In September 2012 Royal Mail Group received the Chartered Institute for Purchasing and Supply's (CIPS) International Purchasing Project of the Year award for our 'Chinese Import Fulfilment' project. Central to the project was working with a Chinese organisation to boost our share of the China-Europe parcels business. Our procurement team drew on best practice established internationally, such as extensive due diligence on the supplier ZJS Express. As a result of the project we opened up a competitively priced service in a market which is growing by 17 per cent a year.

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 £2.4 billion. The majority of this is spent within the UK.
- At any one time, Royal Mail Group is liaising with at least 700 different suppliers.

Strategic priorities

Our focus this year has been communicating with our suppliers on the responsible business practices we expect. To help make this clearer and more consistent we are developing a new Supplier Code of Conduct. In 2011-12, we also continued to deploy our audit process to check supplier compliance with our Responsible Procurement Policy and the UN Global Compact.

Treating suppliers fairly

Our 7,500 UK-based suppliers are important to us. Enforcing strict criteria regarding suppliers' social, ethical and environmental performance is a standard part of our procurement practices. When new suppliers are added to our supplier database we ask for confirmation that they adhere to our Responsible Procurement Policy. This policy is based on the UN Global Compact's ten principles. The Chartered Institute of Purchasing and Supply (CIPS) recently recognised our efforts in this area by awarding Royal Mail a certificate of excellence for our purchasing policies and procedures.

Ensuring compliance

In 2011, we carried out an extensive programme to ensure supplier compliance with the Bribery Act (2010) and promote high standards of probity in our dealings with suppliers. This involved communicating with all suppliers, a risk review of all contracted suppliers and training for procurement staff. We have also implemented a process to revise our contracts with suppliers where appropriate and ensure that all new relationships have appropriate anti-bribery compliance built in.

We also participate in the Public Sector Ethical Trade Working Group, a forum for discussion and progression of social and ethical issues in the supply chain. The Group is coordinated by the Ethical Trading Initiative. It forms part of a European-wide network of organisations seeking to promote ethical trade principles across European public procurement.

Measuring performance

Royal Mail Group continually evaluates the performance of our supply chain. We do this through a new Supplier Relationship Management system that is designed to track a supplier's contract performance and relationship management activity. The system relies on a comprehensive database, which is based around a collaborative website. Group Procurement was responsible for rolling out the system across the business during 2012 and for managing the reporting process.

The system works by creating a Dashboard for each supplier. This combines contractual commitments alongside more relationship-based activity judged by methods such as perception surveys and risk assessments. To measure how well suppliers are meeting their commitments, we have introduced Service Level Agreements or Key Performance Indicators.

The performance of our suppliers is measured on a monthly basis, with quarterly reporting to the Chief Executive Committee. The system enables the business to see how our supply chain management is progressing in general, as well as creating specific strategies for managing relationships with individual suppliers.

We encourage suppliers to set targets to improve their practice and performance on social, environmental and ethical issues. One way we do this is through our membership of the non-profit supply chain organisation, Sedex. Sedex membership requires that we ask relevant suppliers to fill in a self-assessment questionnaire on labour-related risks at production sites. Evidence from the questionnaires is then used to evaluate and remediate the risks in our supply chain. For more information on Sedex see www.sedexglobal.com

In 2011-12, we identified potential risks that could affect the performance of 46 different suppliers, and actions that we could take to mitigate these risks. Most of these relate to mainstream commercial operations. The majority of these risks were rated as 'unlikely' or 'very unlikely' to occur. A dozen were judged to be 'amber', which indicates a higher level of likelihood and are being managed appropriately.

Priorities for 2012-13

We implemented the Supplier Relationship Management System in April 2012, at the end of our reporting year. Over the next twelve months, we will be working hard to phase it in across Royal Mail Group. To achieve this, we will run training and supplier engagement programmes throughout the year. We have already enrolled our largest 50 suppliers in the system.

We are working hard to reduce our environmental impact and helping our customers do the same.

KPIs	2010-11	2011-12
Carbon emissions (tonnes of CO ₂ e)	789,862	745,605
Waste (tonnes to landfill)	16,287	14,607
Waste (tonnes recycled)	14,087	19,760
Water consumed (m ³)	1,589,507	1,793,954
Grams of CO ₂ e per mail item ⁶	38.08	37.62

Key facts

- We were the first UK postal services operator to achieve Carbon Trust Standard certification.
- We have reduced our CO₂e emissions by over 20 per cent since 2004-05.
- In 2011-12, we recycled 57.5 per cent of our waste.

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

We are currently developing our formalised Environmental Responsibility Strategy for performance improvement between now and 2020. The development of our strategy is guided by the principles of environmental protection, stewardship and, where practical, enhancement. We seek to address our environmental impacts and performance in each of the following six areas:

Climate: working to help mitigate climate change through a programme to reduce our greenhouse gas emissions, while, at the same time, minimising our vulnerability to a changing climate through adaptation measures.

Waste: minimising the amount of waste we produce, increasing the amount of waste we recycle, and disposing of any items that cannot be recycled responsibly.

Water: reducing our demand for water as well as targeting loss reduction across our estate.

Ecosystems: preserving and enhancing the biodiversity potential of our estate and minimising the impact of our operations on ecosystem services.

Customers and services: innovating and working in partnership with our suppliers to minimise our collective environmental impacts.

Heritage: acknowledging that we need to protect the historic buildings, collections and archives that form a part of our large property portfolio across the UK.

Responsibility for revising and overseeing our environment strategy lies with our newly constituted Environment Governance Board (see page 18 for more information).

World Class Mail

Our World Class Mail (WCM) programme, based on the principle of continuous improvement, covers ten areas of operational focus, one of which is environmental management.

The environment pillar of WCM has now been deployed at the majority of our regional distribution centres and mail centres: over 90 per cent of our mail volumes pass through mail centres that have started their WCM environment pillar journey.

Working towards ISO 14001

Royal Mail is continuing its journey towards ISO 14001 and now has seven of its 51 mail centres (14 per cent) accredited. Parcelforce Worldwide has 100 per cent of its operations accredited. WCM is supporting our ambition to increase the proportion of the business that is certified to ISO 14001.

Employee environmental engagement

Our success depends on our people getting involved. Small behavioural changes can make big differences to our energy consumption and recycling levels.

⁶ Grams of CO₂e per mail item are calculated based on our total Scopes 1, 2 and 3 emissions.



We use our internal communications channels to make our people aware of the key environmental challenges facing our business and the initiatives we have in place to help manage our impacts. We also use these channels to celebrate some of our successes.

Reducing our carbon footprint

Given our Universal Service obligation, the scale of our operations means that we have a significant energy demand. We are, however, working hard to reduce our emissions and have already achieved some good results. Our total Scope 1 CO₂e emissions for 2011-12, excluding commuting, amounted to 462,876 tonnes, which represents a 5.6 per cent reduction on 2010-11. Our total emissions have dropped by one fifth (20.1 per cent) since the baseline year of 2004-05.⁸

Carbon Trust Standard

Royal Mail was the first UK postal services operator to achieve the prestigious Carbon Trust Standard. This award recognises our success in reducing our carbon emissions after we cut emissions by 47,670 tonnes in two years.

CO ₂ e emissions by scope ⁷	2008-09	2009-10	2010-11	2011-12
Scope 1	486,436	471,150	479,080	462,876
Scope 2	203,329	197,983	189,106	178,946
Scope 3	126,110	126,407	121,675	103,782

⁷ Emissions data includes Post Office Ltd (POL). In future years, POL emissions will be excluded from our data. Our Scope 3 emissions do not currently include commuting emissions.

CO ₂ e emissions by source	2011-12
Fleet and transport ⁹	60%
Buildings energy ¹⁰	38%
Business travel ¹¹	2%

2020 CO₂e target

We seek to ensure that our CO₂e emissions at the end of 2020-21 do not exceed current levels, maintaining a 20 per cent reduction against our baseline year (2004-05).

Our new 20 per cent target is below the 34 per cent CO₂e reduction goal for 2022 that we set previously. A variety of factors have caused us to recalibrate our carbon targets. One aspect is the projected growth in our delivery fleet. As we continue to deliver an increasing number of parcels, rather than letters, we must adapt our delivery methods (see case study: 'Modernising transport' on page 49). We had also planned to use alternative fuelled vehicles to radically reduce our emissions. However, these have not yet emerged as a commercially and operationally viable option.

As part of our strategy, by 2020 we aim to deliver a 30 per cent reduction in buildings-related emissions, and a 10 per cent reduction in transport emissions. Particular focus will be given to improving energy performance at our largest energy-consuming sites. Our modernisation programme will also assist the reduction of our carbon footprint as it will result in a consolidation of our property portfolio.

⁸ Our baseline year emissions are for CO₂ rather than CO₂e. 2011-12 carbon emissions have been calculated based on Defra emission factors.

⁹ This includes business fleet and other road, air and rail emissions generated in the delivery of mail.

¹⁰ This includes emissions from electricity, natural gas, heating oil and refrigeration.

¹¹ This includes road, air, rail and ferry emissions.



Transport efficiencies

Around 60 per cent of our carbon emissions are attributable to the transportation of mail. The large-scale application of low and zero emission technology does not currently represent a commercially sustainable and operationally viable option for our fleet. However, we are positive that such options will develop over the coming years. We will continue to play a significant role in collaborating with government and industry to drive forward the agenda and stimulate the market (see case study: 'Testing next generation technologies' on page 49).

In the meantime, our Fleet and Maintenance Services team will appraise industry best practice in search of carbon efficiencies. This will build on our existing, fleet-related fuel and energy carbon reduction initiatives, which include:

- **Eco start technology:** the majority of the Parcelforce Worldwide collection and delivery fleet is fitted with 'stop start' technology, which reduces fuel consumption in urban environments by as much as 10 per cent.
- **Driver training:** our Zero Accidents Programme (ZAP) encourages safe and efficient driving, thereby reducing accidents and carbon emissions simultaneously.
- **Double deck trailers:** we have rapidly expanded our fleet of double deck trailers to over 500. Each of our double deck trailers transports 50 per cent more mail than conventional trailers, enabling us to reduce lorry journeys.



Buildings-related efficiencies

During 2011-12, our building emissions reduced by 11 per cent compared to the previous year. Royal Mail has a property portfolio of approximately 2,500 buildings covering around 3.6 million square metres of floor space. Around 40 per cent of our total emissions derive from the energy used in these buildings, which range from delivery offices and mail centres to Parcelforce depots and data centres.

We are taking a tiered approach to reducing property-related emissions. Our primary objective is to reduce the need for energy, then use more energy-efficient equipment and finally implement renewable energy technologies. We have a number of strands for delivering energy reduction over the next few years, including:

- **Energy audits:** we are carrying out a rolling programme of detailed energy audits at up to 100 of our largest sites, to identify energy reduction opportunities and cost efficiencies. These sites account for approximately 50 per cent of our total energy consumption, so changes here will have a large impact on total energy use and CO₂e output.
- **Voltage regulation:** voltage optimisation has been installed at two sites, with a third planned before the end of 2012-13. By installing these systems we are able to better manage the electricity required for our equipment. The pilots are showing good electricity savings in the range of 7-10 per cent. Once a full review has been carried out we will look for further sites as part of a wider roll-out.

- **eCO₂HUB:** our bespoke eCO₂HUB energy management database provides detailed site level analysis of energy consumption and the associated CO₂e emissions. eCO₂HUB supports the roll-out of the World Class Mail environment pillar. In 2011-12, we expanded the system to include waste and water monitoring.
- **Refrigeration gas replacement:** we have developed an £8.7 million investment programme to replace or remove ozone-depleting refrigerant gases used in refrigeration and air-conditioning systems across our UK sites. This investment is projected to remove 2,145 tonnes of CO₂e emissions per year by 2015.
- **Smart meters:** we are continuing with 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.
- **Boiler temperatures:** we have installed Sabien M2G boiler controls at a number of sites. These act to monitor the temperature of the heating water at ten-second intervals. When heating demand increases, the control system uses the latest data and automatically decides whether more burners are actually needed. The result is a potential saving in gas consumption of 5-10 per cent.

Case study:

Testing next generation technologies

In 2012, we began trials of an electric vehicle that was custom built for Royal Mail. The zero-emissions French Mia van joined our West London fleet. This is the second electric vehicle to be trialled by the West London Distribution Centre, which already operates ten hybrid diesel vans.

The test programme builds on previous tests by Royal Mail into hydrogen-powered vehicles. The results of the six-week pilot programme, which was carried out in the Outer Hebrides, were published by Centre of Excellence for Low Carbon and Fuel Cell Technologies (Cenex) in October last year. For more information see: www.cenex.co.uk/resources. We have also installed technology that tells us how our vehicles are being used and will help us improve driver behaviour.



Case study:

Double decker trailers

As a result of introducing over 500 double decker trailers, we can now carry 50 per cent more mail in one vehicle. This has already reduced our annual mileage by more than 7.6 million miles, saving 7,000 tonnes of CO₂e. We also use route planning technology to help us increase the efficiency of our network.

Case study:

Modernising transport

The type of mail we deliver is changing from small letters to large, bulkier parcels. This requires us to rethink our approach to deliveries. To increase safety for our people and improve efficiency, we need to use more vans and trolleys, and fewer bicycles.

At the same time, modernising our delivery methods is helping to drive environmental efficiencies. Every cycle delivery and foot walk needs vehicles to support it – to provide postmen and women with replenishment pouches of mail, and to deliver their bulkier items. We are now phasing out these support vehicles, which tend to be larger, older and therefore produce more carbon emissions.

Our new Royal Mail fleet of energy-efficient vehicles will also stop the use of thousands of private cars on deliveries. Previously, it was common for postmen and women to use cars, and these emit sizable carbon emissions.





Case study:
Northampton – ‘Green’ Mail Centre

Opened two years ago, our South Midlands Mail Centre at Northampton is beginning to prove the value of its cutting-edge sustainable building design. So far, the building is 30 per cent more energy efficient than similar units.

The total annual CO₂e saving at our South Midlands Mail Centre is 415 tonnes compared to a similar facility.

Among the features helping to achieve improved environmental performance are:

- a biomass energy boiler fuelled by woodchips, which saves a total of 120 tonnes of CO₂e and £3,000 in running costs a year.
- a rainwater harvesting system, which collects water from the roof and then pumps on demand to be used for toilets and vehicle washing.
- smart water metering.
- solar panels capture the sun's heat to produce hot water, and a 700m² 'solar wall' at the back of the mail centre heats the building in winter.

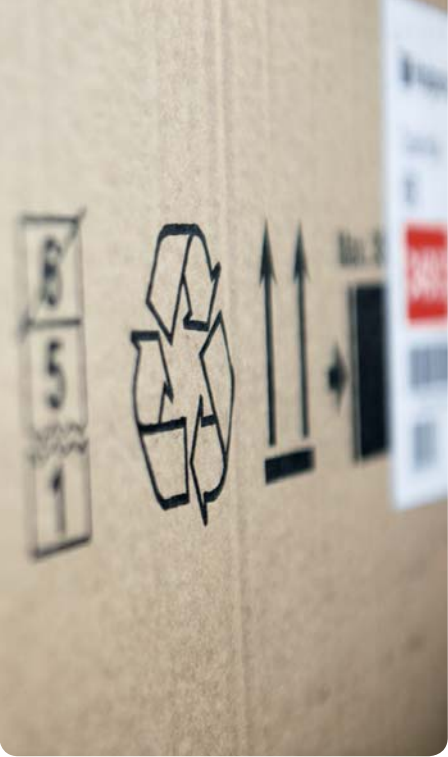
- an electronic building management system that controls the mail centre's energy use and temperature.
- sensors in the building that adjust the lights according to the available daylight and automatically switch them off when a room is not being used.
- parking places for those who give a lift to work to one or more colleagues.
- bike shelters to encourage staff to cycle to work.

- The total annual CO₂e saving at South Midlands Mail Centre is 415 tonnes compared to a similar facility.
- Energy reduction and energy efficiency measures alone contribute 240 tonnes of CO₂e saved.
- Renewable energy technologies account for 175 tonnes of CO₂e which would have otherwise been emitted if conventional fossil fuel sources had been used.
- Over the building's expected lifespan of 20 years this will mean a projected CO₂e saving of 8,292 tonnes.



Medway awarded BREEAM rating
Royal Mail's new 15,400m³ Medway Mail Centre in Kent achieved a 'very good' rating from BREEAM, the leading environmental assessment standard. The facility, which was opened in September 2012, incorporates solar walls, rainwater harvesting, bio-mass boilers and solar hot water heating.

Business travel
We have begun a major push to reduce the number of business-related journeys taken by our people. We are continuing to encourage our people to use conferencing facilities, including audio conferencing and office communicator. Royal Mail has clocked up over one million participant minutes in the last 12 months. Audio conferencing usage has increased by 30 per cent over the last two years.



Target waste recycling flight path

	2010-11	2011-12	2012-13	2013-14	2014-15
% recycling target	35%	55%	60%	65%	70%

Waste reduction
Our overall waste strategy is contained within the environmental pillar of our World Class Mail programme. It is structured according to the 5 Rs: refuse, reduce, reuse, recycle and reform.

Royal Mail has a target to recycle 70 per cent of recyclable waste by 2014-15. This is ambitious in scope when compared to municipal recycling targets of around 70 per cent by 2025.

We continue to work together with our waste contractor on a national mixed recycling scheme across our operations. This has involved the replacement of 30,000 bins with recycling bins and the deployment of a further 15,000 recycling boxes. Biffa now collects waste from around 99.5 per cent of our UK sites, where previously many sites had local arrangements.



Recycling performance
Returning cardboard: since 2008, we have baled unused flat-packed cardboard from our delivery offices for return to its suppliers. By doing this we earn rebates on our cardboard purchases and further cost savings as we no longer need to dispose of the cardboard ourselves. These savings equate to around £70,000 per year.

Uniform recycling: every year, Royal Mail replaces approximately 40 tonnes of employee clothing and footwear. The old uniforms are sent back to our clothing supplier, Dimensions. They sort the good returns from those that need to be disposed of. These disposals are then collected and shredded by UK Shred, a specialist recycling firm. Usable garments are 'de-branded' and then resold and reused. The shredded items are reused in the motor industry, primarily as seat mouldings.

Our attention going forward will focus on the top 200 sites that produce 59 per cent of our total waste footprint.

Recycling performance

Waste (tonnes)	2009-10	2010-11	2011-12
Total waste	21,757	30,374	34,267
Landfill waste	15,415	16,287	14,607
Recycled waste	6,342	14,087	19,760
% recycled	29%	46.3%	57.5%



Case study:

Installing LED technology

Our national delivery depot at Daventry stretches over a 30-acre site and operates for 24 hours each day. In September 2011, we introduced an innovative LED lighting technology as a way of reducing the environmental impact of artificial lighting.

The initiative involved replacing around 480 linear fluorescent lights with 140 LED lights. This actually enhanced the light quality for our staff. It also required fewer lighting points, and therefore reduced energy consumption and costs. In fact, peak energy demand in the sorting hall is projected to fall by 27 per cent, saving the equivalent of 61,712kg of CO₂e per year, while the depot's total electricity consumption dropped by 11 per cent. The point of payback for the £205,000 initiative is projected for late 2016.

Rubber bands
Royal Mail uses millions of rubber bands every year, at a cost of around £1.4 million. These are made from natural material, are non-toxic and degrade in a year or so, depending on weather conditions.

During 2011-12, Royal Mail introduced a number of new processes for collecting and reusing rubber bands. We also launched a major communication programme targeting littering. Our postmen and women are instructed not to drop bands while on their rounds, but to take them back to the office for reuse – something for which the bands are specifically designed. We encourage customers to return unused rubber bands too.



Case study:

Red buckets

A group of employees at our West Yorkshire site noticed thousands of rubber bands were being thrown away during standard operations. So they put out red buckets on the processing floor and collection pouches next to sorting machines. These were then taken to three red dustbins. In five weeks, the bins were brimming. The measure is helping save up to £7,000 per year.

As a result, the number of rubber bands that we used during the last 12 months has dropped by 10 per cent. We recognise that there is more to do, however, and we are committed to building on this progress.



Water strategy
Royal Mail recognises that water is a precious natural resource. We are committed to managing and reducing our use of it.

We do this by implementing technical solutions that reduce the amount of water we use and by encouraging behavioural change amongst our employees. We have fitted over 1,000 water saving devices to toilet cisterns to conserve water. We are also proactive in encouraging our employees to identify and report leaks, as this can help to prevent significant water wastage.

In our new buildings, such as the Northampton Mail Centre and Medway Mail Centre, we incorporate many water saving features, such as rainwater harvesting and smart water meters (see page 50 for more information).

Over the past year we have significantly improved the quality of our water data. As a result, we have seen an increase of 13 per cent in reportable water consumption. While water billing continues to be a challenge, we are seeing improved levels of accuracy since we included water use in our eCO₂HUB environmental management system (see page 48 for more information).



Water use	m ³
2009-10	1,679,213
2010-11	1,589,507
2011-12	1,793,954

Our products and services
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. We continue to work with the Direct Marketing Association to ensure we are consistent with PAS 2020, the industry standard for reducing the environmental impact of direct marketing.

Sustainable Advertising Mail: Royal Mail created Sustainable Advertising Mail so that our customers can meet their environmental commitments whilst continuing to market in the way that works for them. As part of this service, we provide customers with a Sustainable Advertising Mail calculator. This enables them to work out the CO₂e comparison, cradle to grave, of Sustainable Advertising Mail and non-Sustainable Mail mailings. Those that choose Sustainable Advertising Mail receive a price incentive. In addition, they are able to demonstrate their commitment to recycling, sustainability and reducing waste. To ensure the specification is up to date with current sustainable thinking, we have aligned it to PAS 2020 – the environmental standard for direct marketing. Royal Mail Wholesale also offers Responsible Mail, which provides the same environmental specification as Sustainable Advertising Mail.

Mailing house scheme: Royal Mail operates a mailing house scheme that promotes a high standard of mail presentation and addressing accuracy. The Scheme also incentivises mailing houses to be environmentally responsible. To be eligible, the mailing house production facilities must be environmentally accredited and provide a valid certificate to Royal Mail as evidence of this. 101 mailing houses have achieved the standard and are rewarded by us with a financial incentive, giving mailing houses that invest in a certified standard the opportunity to recoup their investment.

Forest Stewardship Council: Royal Mail was one of the first postal operators in the world to have its stamps and philatelic products certified by the Forest Stewardship Council (FSC) – meaning they have been made with fibre sourced from responsibly managed forests. FSC is a system of forest certification and product labelling that promotes the use of materials from well-managed forests and recycled sources.

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 neutralise residual emissions.

Priorities for 2012-13

- **Buildings:** we will invest over £10 million over the next four years in improving the energy efficiency of our buildings. We will focus on tackling the sites that currently use the most energy.
- **Water:** we will focus on baselining our water usage this year to help inform any future reduction strategies.
- **Waste:** our new supplier will be targeted to divert 80 per cent of our waste away from landfill by 2015-16.
- **Recycling:** we are planning a major internal communications campaign to raise employee awareness of the importance of recycling.

Further information

Department for Energy and Climate Change:
<http://www.decc.gov.uk/>

Environment Agency:
<http://www.environment-agency.gov.uk/>

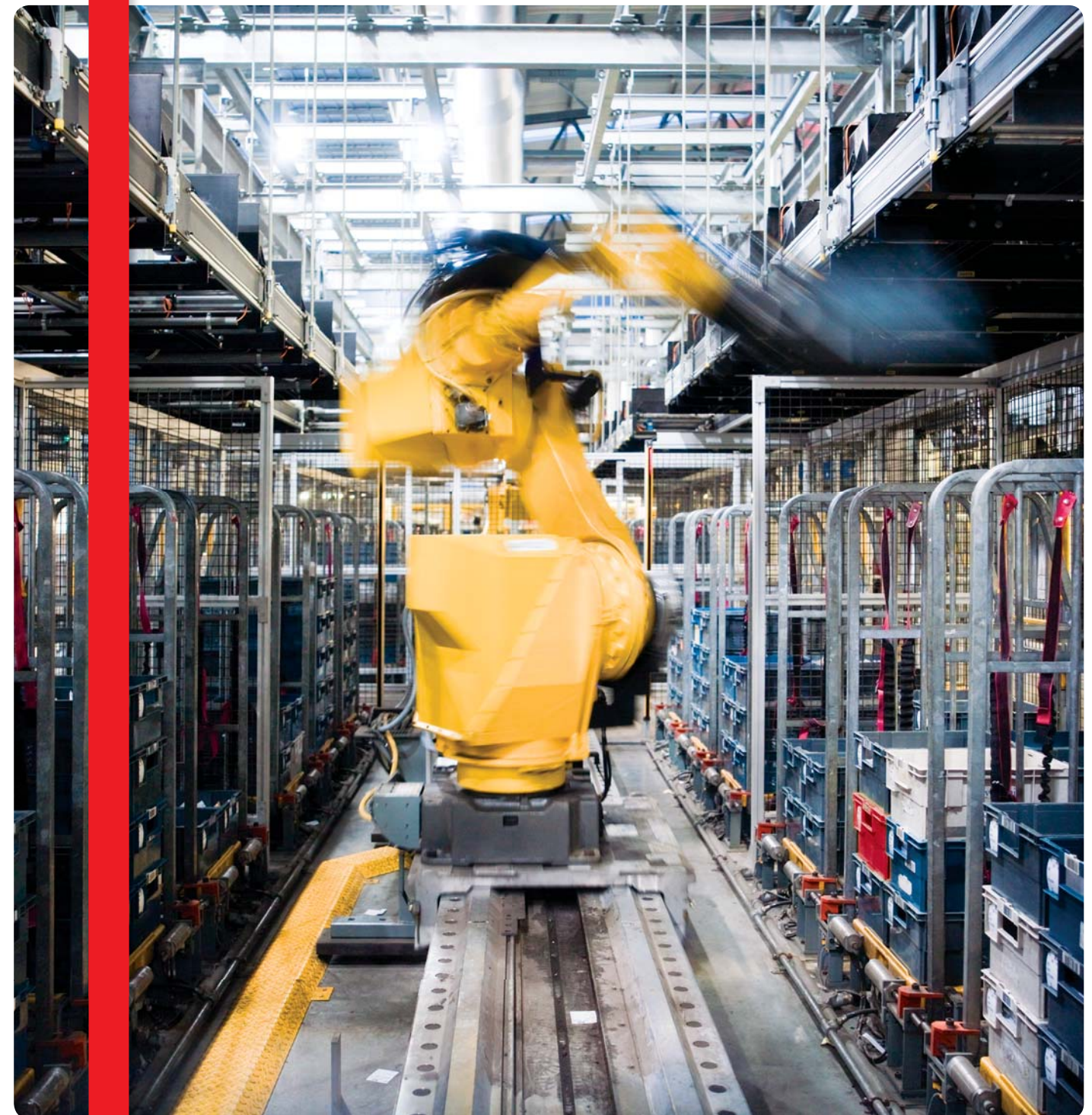
Carbon Trust:
<http://www.carbontrust.co.uk/>

Carbon Disclosure Project:
<https://www.cdproject.net/>

Biffa:
<http://www.biffa.co.uk/>

Woodland Trust:
<http://www.woodlandtrust.org.uk/>

Centre of Excellence for Low Carbon and Fuel Cell Technologies:
www.cenex.co.uk/resources



Employee data

LA1 – Total workforce by employment type, contract and region.

By region	Headcount	Rate
Anglia	17,621	11.7%
London	10,569	7.0%
Midlands	21,285	14.1%
North East	19,902	13.2%
North West	17,691	11.7%
Northern Ireland	3,606	2.4%
Scotland	12,824	8.5%
South East	20,846	13.8%
South West	26,002	17.2%
Non region-specific	810	0.6%
Total	151,156	

By contract	Headcount	Rate
Permanent	141,923	93.9%
Temporary	9,233	6.1%
Total	151,156	

By type	Headcount	Rate
Full time	125,106	82.8%
Part time	26,050	17.2%
Total	151,156	

LA13 – Distribution per category of gender, age, minority group, other diversity indicators. Also see page 32.

Summary age distribution	<30	30-49	50+
Governance body	0.0%	20.0%	80.0%
Senior Managerial	2.7%	67.9%	29.4%
Managerial	5.6%	63.1%	31.4%
Administration	10.0%	55.0%	35.0%
Operational	10.4%	56.1%	33.5%

LA2 – No. and rate of employee turnover by age, gender and region.

Leavers by region	Headcount	Rate
Anglia	1,449	0.96%
London	1,298	0.86%
Midlands	1,819	1.20%
North East	1,378	0.91%
North West	1,334	0.88%
Northern Ireland	275	0.18%
Scotland	1,328	0.88%
South East	1,609	1.06%
South West	2,143	1.42%
Non region-specific	68	0.04%
Total	12,701	8.4%

Leavers by age - simplified	Headcount	Rate
<30	2,438	1.6%
30 – 49	4,988	3.3%
50+	5,275	3.5%
Total	12,701	8.4%

Leavers by gender	Headcount	Rate
Female	2,177	1.44%
Male	10,524	6.96%
Total	12,701	8.4%

Joiners by region	Headcount	Rate
Anglia	1,105	0.73%
London	588	0.39%
Midlands	1,190	0.79%
North East	958	0.63%
North West	901	0.60%
Northern Ireland	96	0.06%
Scotland	937	0.62%
South East	1,244	0.82%
South West	1,737	1.15%
Non region-specific	25	0.02%
Total	8,781	5.8%

Joiners by age - simplified	Headcount	Rate
<30	3,823	2.5%
30 – 49	3,754	2.5%
50+	1,204	0.8%
Total	8,781	5.8%

Joiners by gender	Headcount	Rate
Female	1,411	0.93%
Male	7,370	4.87%
Total	8,781	5.8%

Global Reporting Initiative (GRI) Index

Our GRI Index has been checked by Corporate Citizenship. Corporate Citizenship confirms that in their view the Index meets the requirement of B+ as set out in the GRI G3.1 Guidelines.

G3 Indicator	Description	2011-12 response
Strategy and analysis		
1.1	Statement from the most senior decision-maker of the organisation.	pages 4-5.
1.2	Description of key impacts, risks and opportunities.	CRR 2011-12 pages 6-11, ARFS 2011-12 Our Strategy pages 12-18, Business Risk pages 50-53.

Strategy and analysis		
2.1	Name of the organisation.	Royal Mail Group.
2.2	Primary brands, products and/or services.	ARFS 2011-12 pages 31-36.
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures.	ARFS 2011-12 Group Legal Structure page 5, CRR 2011-12 page 7.
2.4	Location of organisation's headquarters.	100 Victoria Embankment London EC4Y 0HQ.
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the Report.	Royal Mail Group operates in over 42 countries. The vast majority of operations are in the UK, with over 90 per cent of employees based there.
2.6	Nature of ownership and legal form.	See ARFS 2011-12 Group Legal Structure page 5. Royal Mail Holdings PLC is directly owned by HM Government and is ultimate parent company of the Group.
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	ARFS 2011-12 Our Businesses pages 31-38.
2.8	Scale of the reporting organisation.	ARFS 2011-12 pages 31-37.
2.9	Significant changes during the reporting period regarding size, structure or ownership.	Post Office Limited and Royal Mail Group have become sister companies. Refer to page 6, 25 for further details.
2.10	Awards received in the reporting period.	Royal Mail Group won a Gold Managing Occupational Road Risk medal in the 2011 RoSPA Occupational Health and Safety Awards, and a Silver in the 2011 'Opportunity Now' Awards. Sustainable Mail received a Big Tick award for Sustainable Marketing and Innovation from Business in the Community (BITC).

Strategy and analysis		
3.1	Reporting period (e.g. fiscal/calendar year) for information provided.	Fiscal year 2011-12.
3.2	Date of most recent previous report (if any).	2010-11.
3.3	Reporting cycle (annual, biennial, etc).	Annual.
3.4	Contact point for questions regarding the Report or its contents.	corporateresponsibility@royalmail.com
3.5	Process for defining Report content.	page 66.

3.6	Boundary of the Report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	This Report covers all UK operations and associate companies where we have a controlling interest.
3.7	State any specific limitations on the scope or boundary of the Report (see completeness principle for explanation of scope).	Operations outside the UK, e.g. GLS, are not covered in this Report. Our UK operation accounted for over 90 per cent of our employees in 2011-12.
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	As above.
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the Report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Explanations for data points are provided in relevant sections of the Report, e.g. Our Environment, page 46 ; Health and Wellbeing, page 29 ; Employee Engagement, page 31 . Carbon emissions data for 2011-12 in the Our Environment section is calculated using 2011 Defra emission factors.
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g. mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	None.
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the Report.	None.
3.12	Table identifying the location of the Standard Disclosures in the Report.	pages 57-63.
3.13	Policy and current practice with regard to seeking external assurance for the Report.	pages 64-66.

Strategy and analysis

4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	ARFS 2011-12 Corporate Governance page 41.
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Separate Chairman and CEO roles.
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Seven, see ARFS 2011-12 Corporate Governance page 41.
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Shareholders are not applicable as UK government sole shareholder. Justsayit and other internal channels allow employees to communicate with senior management including the Board.
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).	ARFS 2011-12 Directors' Remuneration Report pages 72-83.

4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Board members are required to declare any conflicts of interest at the start of each Board meeting. Directors sign a contract annually identifying external roles that might lead to conflicts. For any conflicts identified, the Company Secretary puts processes in place to remove the risk of conflict, e.g. exclusion from relevant Board discussions. Two members – the Senior Independent Director and Chair of Audit – are appointed to ensure that this is carried out appropriately.
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics.	Our annual Board efficiency review identifies gaps in skills and knowledge. A review is also undertaken when a new Chair is appointed. We engage a search partner to identify candidates with particular skills, with final approval by the Secretary of State.
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation.	Our Code of Business Standards identifies our missions and values and our expectations of our employees. A revised version of the Code was released in late 2012.
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles.	CRR 2011-12 page 18 , ARFS pages 64-71.
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.	See material on performance evaluation of the Board at ARFS 2011-12 Corporate Governance page 65. Performance evaluation of the Board, its Committees and individual Directors takes place on an annual basis with the support of the Company Secretary. Individual member performance review is carried out as follows: the Chairman reviews the CEO and the non-executives; the CEO reviews the Chief Financial Officer and Managing Director; non-executives review the Chairman. The Chief Executive's Committee decides the Balanced Scorecard aspects; the Remuneration Committee reviews these annually and sets objectives for the CEO, CFO and Managing Director of Operations; this is approved by the Secretary of State and Treasury.
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	Governance in ARFS pages 69-70.
4.12	Externally developed economic, environmental, and social charters, principles or other initiatives to which the organisation subscribes or endorses.	United Nations Global Compact, see page 66.
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation: has positions in governance bodies; participates in projects or committees; provides substantive funding beyond routine membership dues; or views membership as strategic.	Public Sector Ethical Trade Working Group, Sedex.
4.14	List of stakeholder groups engaged by the organisation.	page 16.

4.15	Basis for identification and selection of stakeholders with whom to engage.	page 7, 16.
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	page 16, 23-25, 31-32.
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	pages 22-25, 31-32.

Economic

DMA	Objectives and results.	ARFS pages 16-17, 38-39. CRR 2011-12 page 40 Impact on UK Economy. ARFS pages 31-36 Our Businesses.
DMA	Responsibilities.	ARFS pages 64-71.
DMA	Policy.	ARFS pages 64-71.
DMA	Monitoring.	ARFS pages 64-71.
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	ARFS pages 83-95. Charitable Contributions CRR 2011-12 page 38, 40.
EC3	Coverage of the organisation's defined benefit plan obligations.	ARFS 2011-12 Note 9 Employee Benefits - Pensions pages 97-101.
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	We commissioned an economic impact assessment through the Centre for Economics and Business Research. Reference page 40 for key findings.

Environment

DMA	Objectives and results.	Environment Strategy page 46. Our Environment section pages 46-54.
DMA	Responsibilities.	Our recently appointed Environmental Governance Board oversees our environmental approach.
DMA	Policy.	We have always worked to manage our environmental impacts. To continue to improve our performance, we are in the process of developing an overarching Environmental Strategy and Policy, see page 46. Environmental Strategy.
DMA	Monitoring.	Our Environment section pages 46, 47, 51, 53. Site monitoring and implementation is under our World Class Mail programme page 15.
DMA	Environmental Performance Indicators.	page 46.
EN3	Direct energy consumption by primary energy source.	Purchased core gas = 1,855,667 GJ; oil (kerosene) = 2,949 GJ; diesel = 11,383 GJ; gas oil = 56,681 GJ; LPG = 1,334 GJ.

EN4	Indirect energy consumption by primary source.	Core electricity = 1,021,390 GJ; CHP = 138,427 GJ; photo voltaics = 161 GJ; wood chip = 60 GJ.
EN16	Total direct and indirect greenhouse gas emissions by weight.	page 47.
EN22	Total weight of waste by type and disposal method.	Total waste: 34,367 tonnes. Waste sent to landfill, non-hazardous: 14,604 tonnes; hazardous: 2 tonnes. Waste recycled, non-hazardous: 19,305 tonnes; hazardous: 454 tonnes.

Labour practices and decent work

DMA	Objectives and results.	Diversity, pages 32-34; Health and Wellbeing, pages 28-30; Learning and Development, pages 36-37; Labour Relations, page 32.
DMA	Responsibilities.	Responsibility lies with our HR team, led by Group Director of HR, John Duncan.
DMA	Policy.	We have a range of internal policies supporting fair labour practices and decent work, including our Code of Business Standards, Equality and Fairness Policy and Working with Unions Policy.
DMA	Monitoring.	We conduct regular reviews of our internal policies. Important feedback is also received through our Employee Opinion Survey. Regular monitoring is undertaken and forms a key element of our Corporate Scorecard, page 13.
LA1	Total workforce by employment type, employment contract and region.	Total UK workforce for 2012 (calculated on a headcount basis) was 151,156. See page 56 for further breakdown.
LA2	No. and rate of employee turnover by age, gender and region.	page 56.
LA4	Percentage of employees covered by collective bargaining agreements.	The vast majority of our colleagues (approximately 98 per cent) are covered by collective bargaining agreements. Only senior managers, of which there are just over 2,000, are not formally covered under collective agreements.
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Around 98 per cent are represented in formal health and safety arrangements with our unions. There is a corporate level safety and health committee which deals with strategic issues and is part of the Group policy and arrangements facilities. In addition there are regular meetings at Group and Business Unit level between the safety and health leads with the senior trade union safety representatives.
LA9	Health and safety topics covered in formal agreements with trade unions.	Our formal agreements with trade unions cover health and safety. All topics identified in GRI are covered by agreements or policies. Our UK standards emulate ILO standards.
LA13	Distribution per category of gender, age, minority group, other diversity indicators.	pages 32, 56.

Human rights

DMA	Objectives and results.	Diversity, pages 32–34 . Dignity and Respect, page 34 . Working with unions, page 32 . See our Transparency agenda in the ARFS, pages 57–59 .
DMA	Responsibilities.	Responsibility lies with our HR team, led by Group Director of HR, John Duncan.
DMA	Policy.	Our Code of Business Standards identifies our expectations of our employees. In line with UK legislation and our specific security requirements, all employees are required to demonstrate their identity and age. We operate in the UK and have no issues of forced or compulsory labour and we work with our unions in developing collective bargaining agreements, see page 32 .
DMA	Monitoring.	ARFS pages 57–59 .
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	In line with UK legislation and our specific security requirements all employees are required to demonstrate their identity and age. We also seek to manage child labour risks in our supply chain through our procurement process. All suppliers are expected to adhere to the UN Declaration of Human Rights. We undertake audits of high risk (by location or industry) sites to verify performance.

Society

DMA	Objectives and results.	pages 39–45 .
DMA	Responsibilities.	We maintain a Home Office-recognised professional criminal investigation team that complies with all tenets of the Police and Criminal Evidence Act, and a team of criminal lawyers that operates under the auspices of the Code of Public Prosecutors.
DMA	Policy.	Our Code of Business Standards sets out our expectations of employees. Our revised Code was released in late 2012.
DMA	Monitoring.	ARFS pages 57–59 .
S02	Percentage and total number of business units analysed for risks related to corruption.	All 23 units have been risk assessed.
S03	Percentage of employees trained in organisation's anti-corruption policies and procedures.	Bribery Act and its implication have been communicated to all managers and employees via e-mail, internal newspaper or WTLL (Worktime Listening and Learning) and all higher risk populations/units have been through workshops. In terms of the more general population, to date 62 per cent of all central function managers have completed our e-learning modules and been tested.
S04	Actions taken in response to incidents of corruption.	ARFS page 58 .
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	ARFS page 56 .

Product responsibility

DMA	Objectives and results.	ARFS pages 57–59 .
DMA	Responsibilities.	CR practices are embedded within Royal Mail, including in our marketing activities. We maintain a Home Office-recognised professional criminal investigation team that complies with all tenets of the Police and Criminal Evidence Act, and a team of criminal lawyers that operates under the auspices of the Code of Public Prosecutors.
DMA	Policy.	Our Code of Business Standards sets out our expectations of employees.
DMA	Monitoring.	ARFS pages 57–59 .
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	There were no prosecutions under Health and Safety regulation non-compliance for 2011–12. No improvement or prohibition notices were issued.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	pages 22–25 .
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	There were no incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship in 2011–12.

Scope and objectives

Two Tomorrows (Europe) Limited has undertaken independent assurance of the Royal Mail Group (RMG) Corporate Responsibility Report 2011-12, for the first time reported against the Global Reporting Initiative (GRI) Reporting Guidelines.

The scope of the assurance includes:

- data indicators as shown in the GRI Reporting Index covering Environment, Labour Practices and Decent Work, Human Rights, Society and Product Responsibility as identified by the prefixes 'EN', 'LA', 'HR', 'SO' and 'PR'.
- material claims made in the report.

We used the Global Reporting Initiative (GRI) Quality of Information Principles of Balance, Clarity, Accuracy, Timeliness, Comparability, Reliability as suitable criteria for providing limited assurance over this performance information.

Responsibilities and statement of independence

The Corporate Responsibility Report 2011-12 and the data it contains are the responsibility of Royal Mail Group.

Two Tomorrows (Europe) Ltd was not involved in the preparation of any part of the Report or data. We have no other contract with Royal Mail Group. We have provided CSR and CR report assurance to Royal Mail Group for the periods 2003-05, 2009-11 and prior to 2001 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, Anne Euler and Priti Nigam. Further information, including individual competencies relating to the team, can be found at: www.twotomorrow.com

Basis of our opinion

We reviewed consolidated Group data, underlying data collection systems and processes, as well as supporting evidence for sample checks on specific data. Checks for data, when generated at individual offices or mail centres, were not undertaken. Sample data was selected using the GRI materiality principle. We interviewed data owners to assess understanding of the systems, processes and data.

We reviewed drafts of the report and selected a sample of claims informed by the GRI materiality principle. We reviewed the accuracy of these claims by requesting and checking supporting evidence.

Our opinion

On the basis of the work undertaken, nothing has come to our attention to suggest that these data have not been properly collated from information reported at operational level, nor that the assumptions utilised were inappropriate. We are not aware of any errors that would materially affect the reported data in the CR report.

Observations and recommendations

Without affecting our assurance opinion we also provide the following observations and recommendations:

1. Overall, we were confident that Royal Mail Group has robust processes and systems in place to collect information for the in-scope KPIs included in the Report.
2. The Corporate Balanced Scorecard and Strategic Framework clearly articulate how KPIs are measured, the incentive structure and the resulting performance against SMART targets.
3. Business restructuring, such as the transition to separating from the Post Office Limited, has required changes to data collection practices, which are being implemented. We recommend that different reporting boundaries continue to be stated to aid interpretation of the data. Evidence and data collection processes for carbon footprint and emissions data are more complete and have improved since last year.
 - a. Royal Mail Group currently collects commuting CO₂ data and we recommend that this is included in future Scope 3 reporting.
4. Automation of all data sets has reduced the risk of errors and improved data reliability.
 - a. Royal Mail Group is continuing efforts to increase automation of energy and water data, and we would encourage these efforts in order to reduce estimation of electricity, gas and water data and increase accuracy and transparency of data flows. In particular, water data continues to be based on a significant number of estimates. We recommend reducing the volume of estimated data over time.
 - b. Further automation of people management information using the PSP system has resulted in data error risk reduction and improved auditability.
5. Waste metrics are now more complete, with additional streams being reported this year. This has resulted in the overall waste volume rising.
6. There is currently an assumption that data obtained from waste contractors is robust. We would recommend that in accordance with best practice Royal Mail performs periodic audits on waste data obtained from waste contractors in order to increase oversight and ensure robustness of data.

Two Tomorrows (Europe) Limited
London, 30 November 2012



Dave Knight – Sustainability Services Director

About this Report

Scope

This is our tenth Royal Mail Group Corporate Responsibility Report. It covers our UK operations and includes performance data for the financial year 2011-12. Given the significant improvements that we have made to our corporate responsibility strategy, the Report also contains reference to events that have taken place outside of the reporting period. Where that is the case, we make it explicit. Our last report was published in January 2012 and covered the financial year 2010-11.

Royal Mail Group's corporate responsibility strategy encompasses all Royal Mail Group business units, including Parcelforce Worldwide. On 1 April 2012, Royal Mail Group and Post Office Limited became sister companies. We have sought to separate out as much Post Office Limited data as possible in this Report. However, as Post Office Limited was part of Royal Mail Group up until the end of the financial year 2011-12, financial data includes Post Office Limited. In addition, the environmental data we have disclosed includes our Post Office Limited footprint. Our UK operations, including Post Office Limited, accounted for over 90 per cent of our employee base and 84 per cent of our revenues in 2011-12. All other data excludes Post Office Limited and relates to Royal Mail's UK operations.

Our materiality process

In 2011, we completed a major review of our corporate responsibility and community investment strategies. This exercise, as well as the ongoing work of our Communications Action Group (CAG), has informed all corporate responsibility activity, including the preparation of this Report.

The CAG considers all issues and events that present a good opportunity for the Group or that might present a reputational risk. Included within this remit is responsibility for shaping Royal Mail Group's corporate responsibility strategy and consideration of all issues related to corporate responsibility, including those that are related to Royal Mail's modernisation programme. The CAG meets monthly and is chaired by our CEO.

Differences from last year's Report

Just as we are improving the quality of our financial reporting, in addition we are seeking to strengthen our sustainability reporting in our annual Corporate Responsibility Report. This year, we are reporting against the Global Reporting Initiative (GRI) Index for the first time. Under the GRI, we have achieved a B+ rating.

Independent assurance

This is the fourth Royal Mail Group Corporate Responsibility Report which has been formally assured by Two Tomorrows (Europe) Limited. We appreciate this independent verification of and opinion on our reported activity. Please refer to the 'Independent assurance statement' on page 64 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. Our GRI Index has been checked by Corporate Citizenship. Corporate Citizenship confirms that in their view the Index meets the requirement of B+ as set out in the GRI G3.1 Guidelines.

We have printed only a limited number of hard copies of this Report, in order to minimise waste.



Royal Mail is ranked Platinum in Business in the Community's Corporate Responsibility Index.



ROBECOSAM
Sustainability Award
Bronze Class 2013

Royal Mail is a winner of RobecoSAM's sustainability distinctions for 2013.