



talking



listening



improving

Passionate about progress

Royal Mail Group plc
Corporate Social Responsibility

Summary Report 2006





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corporate social responsibility

This is the summary version of the 2006 CSR report, which provides an overview of our activities along with our performance over the 2005-2006 financial year. A more in-depth picture can be found in our full CSR Report, which is available as an interactive PDF at www.royalmailgroup.com

Corporate Social Responsibility (CSR) in Royal Mail Group plc is doing the right thing for our people, our business and the communities we operate in.

We do the right thing because our:

- Customers want to buy from companies that share their values
- Colleagues want to work for companies that provide a healthy and safe environment and whose values align to theirs
- Communities want companies that create the incomes, the jobs and contribute to the cohesion that builds the neighbourhoods where people want to live and work.'

CSR Awards

- **Winner – Corporate Social Responsibility category**
2006 World Mail Awards
- **Winner – European Best CSR Programme of the Year**
Strategic Risk European Risk Management Awards 2006
- **RoSPA sector award**
2006, Transport, Storage and Distribution sector
- **RoSPA sector award**
2006, Engineering sector, Vehicle Services
- **RoSPA gold award**
2006, Post Office Limited
- **Winner – Astor Trophy**
Royal Society for the Prevention of Accidents (RoSPA) Awards, 2006
- **Employer of the Year**
The Rehabilitation First Awards, 2006
- **Winner – Business in the Community UnumProvident Healthy Workplaces Award for Excellence, 2006,**
Parcelforce Worldwide
- **Winner – Traffic & Transport Management category**
City of London's Liveable City Awards, 2006
- **Gold Award – Payroll Giving Quality Mark, 2006,** Institute of Fundraising/HM Treasury
- **Two International Visual Communication Association Awards,** for gender training video, 2006
- **Silver Benchmarking Award**
BITC Opportunity Now Awards, 2006
- **Winner – Private Sector**
BITC Opportunity Now Awards 2006



foreword



Our performance last year was exceptional – both financially and in the quality of service we delivered to our customers – achieved in the face of full competition in the postal market for the first time in this country’s history.

On a personal note, as my feet keep reminding me, it was great to be part of the 18 strong Royal Mail team that completed this year’s London Marathon raising money for our major supported charity, Help the Hospices.

Support for such activities is one of the ways we are engaging with our people, a key aspect of our Corporate Social Responsibility (CSR) programme.

Through our CSR programme we aspire to be recognised as a responsible organisation, seeking to optimise the beneficial impacts inherent in our business and to reduce the negative impacts to the essential minimum required to deliver our business. The following report outlines the progress we are making and how

foreword

we are tackling the challenging issues we face.

Safety remains a key priority, to ensure we avoid harm to our people and customers. This year our safety performance has continued to improve, however we recognise the level of accidents remains unacceptably high. We are striving to improve our safety performance through a number of activities including an enhanced training programme for our managers, and the introduction of a Group-wide electronic incident reporting system, which will improve our identification and analysis of the causes of incidents.

This year has seen corporate citizenship rise up the agenda of UK plc businesses and we have responded by engaging with our internal and external stakeholders – talking, listening and improving. They have told us that issues such as carbon neutrality and ethical supply chain management are of increasing importance; issues

that we are starting to embrace through our public commitment to the United Nation’s Global Compact and our supply chain initiatives.

The coming year is going to be one of many challenges as we structure the business to compete more effectively. Our vision remains to be demonstrably the best and most trusted mail company in the world, consistently delivering excellent quality of service to our customers. The thought occurred to me halfway through the marathon, we still have a fair distance to go before reaching the finish line, but with the continued commitment of our people, supported by our award winning CSR programme, we will get there.

Adam Crozier

Chief Executive,
Royal Mail Group plc

at a glance...



- Our people make us the company with the largest number of payroll givers in the UK
- We have developed an online incident reporting system, which will be used at every site within the Group
- We have developed a pro-active well-being health promotion scheme
- We have developed Britain's first carbon neutral product as a key part of our carbon management programme
- We have redeveloped our education support programme. As part of this we have launched and distributed our Teachers Post publication to all 30,000 schools and colleges in the UK
- We have rolled out to our people the hard-hitting 'Talking Your Language' and 'With Friends Like These' videos as part of our diversity and inclusion programme.

Environmental	2005 -06	2004 -05	2003 -04	2002 -03	Trend Traffic Light
Building energy consumption (GWh) ¹	1151.7	1272.7	1230.1	1156.3	Green
Renewable energy (% of electricity consumption & GWh)	1.2% (5GWh)	1.2% (5GWh)	1.2% (5GWh)	1% (4GWh)	Green
Water usage (m ³)	2,254,720	2,166,066	2,378,682	-	Amber
Road fleet fuel procured (million litres)	153.9	160.5	159.0	158.4	Green
CO ₂ emissions from mail operations (CO ₂ kg per 1,000 items) ^{2 3}	18.7	19.9	21.8	26	Green
Total CO ₂ emissions (tonnes)	810,173.9	864,018.1	877,654.6	885,351	Green
Solid waste dispatch to landfill (tonnes)	47,126	48,074	49,153	-	Green

¹Externally generated power only

²Our CO₂ emissions have been calculated using the Defra Guidelines for Company Reporting on Greenhouse Gas Emissions that were current in July 2005.

³Based on our emissions from our transport operations only. The figure does not include include emissions from building energy, personal travel, authorised cars on delivery or commuting to work.

People – Health & Safety	2005 -06	2004 -05	2003 -04	2002 -03	Trend Traffic Light
Total accidents	25,679	25,808	35,948	40,525	Green
Total accidents per 1,000 Staff	128.93	132.4	172.7	185.7	Green
Absence accidents	7,553	7,603	9,566	-	Green
Days lost due to accidents	163,156	179,891	214,226	223,043	Green
Days lost to accidents per 1,000 Staff	832.4	922.7	1,140.2	1,034.7	Green
Total number of RIDDOR reportable incidents	5,239	5,598	7,273	9,185	Green
Total number of fatalities	10 (3 non employees, 7 colleagues)	8 (7 non employees, 1 colleague)	20 (18 non employees, 2 colleagues)	10 (9 non employees, 1 colleague)	N/A
Sick absence %	4.9%	5.6%	6.2%	-	Green
Medical Severance cost (£)	13.19 million	17.03 million	-	-	Green

Diversity	2005 -06	2004 -05	2003 -04	2002 -03	Trend Traffic Light
Total number of bullying and harassment cases received	832 ⁴	1,039	850	-	Green
Total number of investigations completed	859	1,163	633	-	N/A
Total number of bullying and harassment cases resolved within 28 days	341	319	155	-	Green
Number of people training in Diversity	All our people	All our people	65,397	-	Green

Social

Total colleague donations via our payroll giving scheme (£)	2,200,428	2,055,350	2,302,153	-	Green
Total charitable donations	£1.3million	£2million	£0.6million	£0.3million	Amber

⁴Excludes withdrawn complaints

who are we?

Royal Mail Group is unique in reaching everyone in the UK through the mails, Post Office® and parcels businesses – which directly employ almost 193,000 people in the UK.

Every working day Royal Mail collects, processes and delivers around 84 million items to 27 million addresses for prices that are amongst the lowest in Europe; each week we serve nearly 25 million customers through our network of 14,300 Post Office® branches and each year our domestic and European parcels businesses – General Logistics Systems and Parcelforce Worldwide – deliver some 337 million parcels.

overall CSR vision & strategy

We are facing a period of unprecedented change with the advent of competition; Corporate Social Responsibility is a key component in supporting the business to be recognised as a responsible organisation that seeks to optimise the beneficial impacts inherent in our business and reduce the negative impacts to the essential minimum.

Through improving our CSR performance and ensuring it is integrated into the way we work, we can make ourselves more productive and competitive. We are working to reduce the number of accidents, reduce our production of CO₂ and help make our people healthier. We recognise that the route to achieving and sustaining our goals is through our people and our relationship with customers, business partners, suppliers, communities and other stakeholders.

Sustainability

We have developed a sustainability strategy focusing on the environmental and sustainability aspects of our CSR activities. Over time, we will broaden it to include more of the social and economic elements.

The strategy reflects the current state of progress in environmental management in the company, but also gives direction as to how this can evolve into a more integrated sustainability strategy. The strategy provides a clear framework, objectives and targets against which we can work and which are clearly relevant to internal and external interests.

overall CSR vision & strategy

Supply Chain Management

We have made a number of major changes to supply chain management. All invitations to tender now include a standard sustainability schedule based on the UN Global Compact, to which potential suppliers are required to respond so that their CSR performance can be evaluated as part of the contract award process. Key performance indicators are then built into contracts with significant CSR risks, so that the suppliers' and subcontractors' social, ethical and environmental performance can be monitored and verified. Tighter controls on the admission of new suppliers are reducing the risk of orders being made to companies with poor CSR performance.

Governance

Responsibility for our Group wide CSR performance remains with our Group Director, People and Organisational Development. Under our Group Director the senior management structure for CSR has been revised with a new Director of Engagement & Inclusion being appointed, reporting to the Group Director, People and Organisational Development.



overall CSR vision & strategy

The Director of Engagement & Inclusion role is accountable for the overall coordination of our culture agenda, with particular emphasis on the leadership framework and behaviours.

To this end a clear engagement plan has been devised, with the aim of integrating expert activity better with operational and commercial focus.

To facilitate this the following expert areas now report to the director:

- Corporate Social Responsibility (CSR)
- Diversity & Inclusion
- Involvement & Communications
- Organisational Design & Development

Stakeholders

As part of the last CSR reporting cycle we encouraged stakeholder feedback via a questionnaire. This questionnaire asked for feedback about the format, the preferred length and what the reader would like more or less coverage of. The responses we had back about the report have been used to inform and change some of the focus, including more information about health, and made the report easier to navigate by having discrete sections on each subject area, which can be read in isolation.

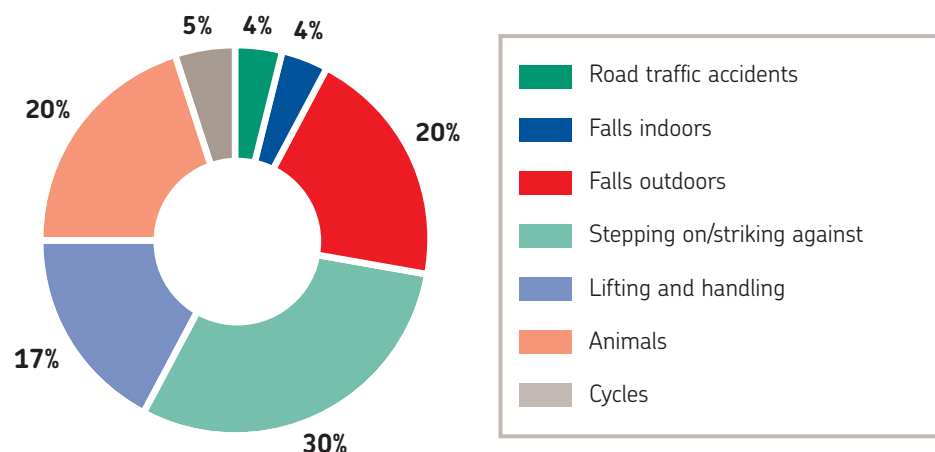
We are developing partnerships with organisations like The Environment Council and institutions such as the Universities of Bath and Hull to develop our stakeholder engagement programme.

Although our accident level remains too high the number of accidents sustained by our people continues to fall.

The number of reportable accidents fell to 5,239 in 2006, down from 5,598 in 2005.

The main causes of accidents continue to be those associated with our universal service, falling outdoors, tripping and striking objects.

Safety impacts (main accident causes) 2005/06



Progress

Much of this improvement comes as a result of progress against commitments made in last year's report:

Driver Training – a working group has been set up to coordinate road risk issues across the business

Safety Road Shows – held throughout the country by Royal Mail

Serious/fatal accident process – reviewed and re-communicated

Challenging unsafe behaviours – built in to our senior leadership model

Incident Reporting – We have introduced an electronic reporting system for the Electronic Reporting of Incidents for Collation and Analysis (ERICA). This will make it simpler to report incidents and make it easier to identify the causes.

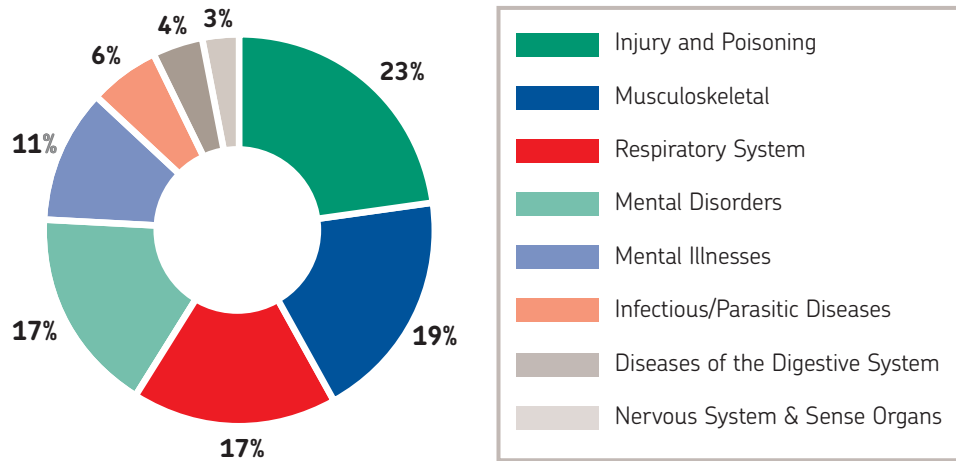
Strategy for 2006/2007

- We will review current safe systems of work as part of a group wide review of compliance issues
- We will improve and standardise the risk assessment process across the group
- We will continue with the rollout of ERICA and use the data collated from the system to inform policy
- We will review and assess the safety of our delivery routes
- We will review our road risk controls
- A full fire-training programme will be completed by October 1st 2006
- We will integrate the outcomes of the study carried out in partnership with the Health and Safety Executive into the footwear we currently provide our people
- We have set up a working group to address the issue of overweight mail bags in our network.



Our sick absence continues to fall year on year with an 18% improvement in attendance this year. However there is still much to do to help ensure the well-being of our people.

Main causes of sick absence for 2005/06



Progress

Much of this improvement comes as a result of progress against commitments made in last year's report:

Rehabilitation clinics – we have introduced clinics for the treatment of musculoskeletal illness or injury for our people

Physiological support – we have continued to provide support to our people who suffer trauma

Men's Health Week – we continue to promote Men's Health Week this year focusing on Mental Health

Physiotherapy – we have introduced a national physiotherapy and occupational therapy service.

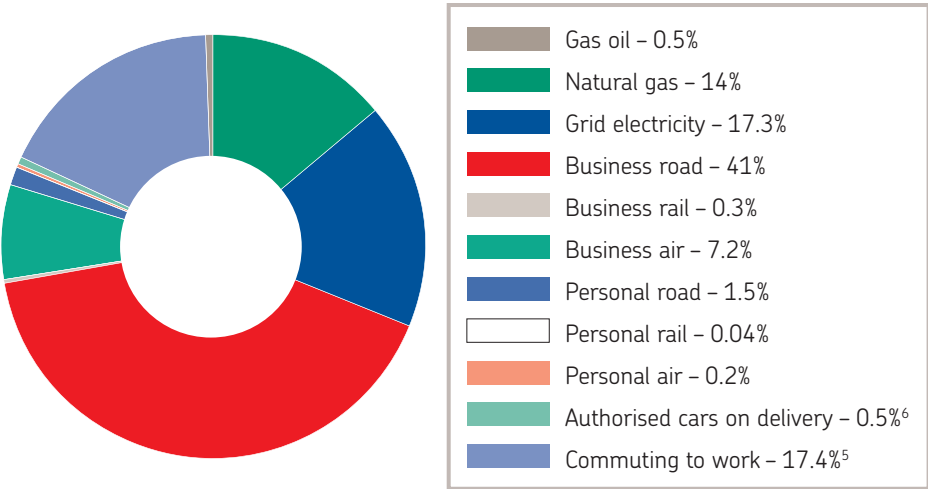
Strategy for 2006/2007

- We will run a number of proactive well-being health promotions on issues like stopping smoking, and we will run a Health Bus visiting sites across the country
- We will develop and implement 'best' health practices
- We will pilot remedial exercise treatment for chronic stress cases
- We will extend employee assistance providing 24/7 access for our people and their dependents to information, counselling and advice on a range of personal and legal matters
- We will review and enhance policies and standards to promote the employment of older people as our normal retirement age is moved from age 60 to 65
- We will support medical research studies including cognitive behaviour therapy as a workplace intervention for stress and investigate any relationship between obesity and work.



Our CO₂ emissions continue to fall year on year. However there is much more that can be done to enable us to continue to cut our emissions and reduce our impacts.

Carbon Dioxide emissions by source 2005/06



⁵ Our indirect CO₂ emissions resulting from commuting to work have been estimated using national average transport modal splits provided by the Office of National Statistics. We recognise our actual footprint may be different to the national average due to our shift based working patterns.

⁶ The CO₂ emissions resulting from the authorised cars on delivery have been estimated, using an average profile of our delivery routes and the Department of Trade and Industry's national spilt of petrol and diesel cars.

Case Study: Energy Pilot

Allan Walker, Delivery Manager Brunswick Road who led the pilot in Edinburgh said about the energy pilot:

“The biggest task will be to educate people to understand and take the time to turn off

printers and computers even when they are out for lunch. I think that what will also be great is that people will learn energy saving tips from this project that they can take forward into their home lives.”

Progress
Much of this improvement comes as a result of progress against commitments made in last year's report:

Energy Pilots – We ran pilots for saving energy at six sites; a national rollout is now being planned

Biodiversity Gardens on our own sites – We are encouraging sites to create them, we are currently working to develop a garden at our Langley site

Bio diesel – Trials of bio-diesel have provided positive results, 50% of our fleet now use bio-diesel

Water – We have commenced a programme of water surveys and leak repairs at the 50 highest consuming sites, which will result in a reduction in the annual water consumption by approx 150,000 m³

Waste – We are investigating recycling furniture through a charitable organisation.

- Strategy for 2006/2007**
- We will continue working to identify and manage our carbon footprint
 - We will continue to increase our proportion of renewable energy towards our target of 50% by 2010
 - We will extend our carbon neutral mailing product over the next twelve months
 - We will continue to further develop our carbon management programme, part of this is a 100 day crash programme supported by the Carbon Trust.





We continue to promote employee engagement and the development of our social policy, through payroll giving, volunteering, education and recruiting from socially excluded groups. The amount raised for payroll giving has risen in the last year. Our people make us the company with the largest number of payroll givers in the UK, with over 46,000 of our people giving in the last year.

Progress

Much of this improvement comes as a result of progress against commitments made in last year's report:

Raise £1million for Help the Hospices, our major supported charity – we are on course to reach our target, through activities like running the London Marathon

Recruit 2,500 new payroll donors for Help the Hospices during the partnership – we have already exceeded this target with 2,696 recruited to date

Introduce new education packs for use in secondary schools and in adult education – we have revitalised and launched Teachers Post to support this along with six new and updated packs

Have 20,000 of our people involved in volunteering activities for Help the Hospices – we are steadily building our network of community coordinator's to promote colleague engagement

We have extended our recruiting from socially excluded groups – we have established partnerships so we can engage effectively with people from a number of different areas of social exclusion. We are now beginning to recruit and offer placement opportunities as part of our 'business as usual' recruitment processes.

Strategy for 2006/07

- We will continue to work with our major supported charity Help the Hospices, by continuing to develop the network of community champions and raise money for them. We have extended our partnership with Help the Hospices until 2008
- We will continue to recruit from socially excluded groups building on the activities in the last year
- We will continue to revitalise payroll giving working in partnership with Payroll Giving in Action and continuing to raise the profile within our company, to make our colleagues aware of the opportunity to support the charity of their choice.
- We will continue to create a national employee volunteering programme and promote engagement.

Case Study: Community Co-ordinator



Mark Henson, a Royal Mail Community Co-ordinator based in Greenford has become heavily involved with the hospices in his local area. He has recently arranged for a team of Royal Mail employees to ride from their local hospice to a twin hospice in Paris, which is over 300 miles. The aim was to raise over £45,000 for Harlington Hospice.

We have a zero tolerance to bullying and harassment and encourage people to report any behaviour that falls below the standards expected of our people. The number of bullying and harassment cases continue to reduce, however we are not being complacent and are continuing to proactively manage diversity.

Progress

Much of this improvement comes as a result of progress against commitments made in last year's report:

Mentoring for women and ethnic minorities – we have recruited a number of volunteers to mentor as a pilot

Deployment of the 'With Friends Like These' and language videos – deployment to our people is continuing with completion due in February 2007.

Review of childcare provision – we are recruiting a childcare coordinator to be piloted in London for one year, to implement the recommendations of the childcare provision strategy

Representation of women and people from ethnic groups in all management positions – we have undertaken activities across the Group. We have specifically looked at Black minority ethnic (BME) managers

Race Equality Plan – we are running 'cultural awareness training' sessions.



Strategy for 2006/07

- We will implement our Gender Action Plan, which includes a 'root and branch' review of many of our policies and practices in relation to women
- We will maintain our working relationship with the Equal Opportunities Commission (EOC) in line with our Framework Agreement arising from the EOC's suspended formal investigation
- We will undertake an equal pay audit
- We will continue to develop practical solutions for customers with disabilities improving access to our business services
- We will review all our people policies to ensure that no one from any racial group is treated less favourably than any other.



corporate security



The security of the mail is of paramount importance to the Royal Mail Group. External offenders are primarily responsible for the very small percentage of mail that is stolen. Consistent focus on our 'mail integrity' procedures will continue to deliver a positive downward trend in losses.

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



Post Office® rural network

The Post Office® has in the last 18 months run pilots of innovative ways of providing its services in rural areas. A report to Government featuring these was published in March 2006, we currently await the Government's response.

The report looked at a number of pilot studies where Post Office® services were provided in more than 50 villages through a range of ways other than the traditional village branch office. The innovative ways included:

- partnerships with local rural service providers such as mobile libraries and the police
- "core and outreach" arrangements where a subpostmaster running a branch in a larger village provides Post Office® services in smaller communities in premises such as a pub or a village hall, or mobile services involving a van with online links to the network.

Post Office Ltd has developed a series of propositions to more efficiently serve rural areas at the request of the Secretary of State for Trade and Industry. The results suggest that these schemes can play a role in a more sustainable rural network, but they are only part of a wider and increasingly challenging picture. They may make the rural network more efficient but they cannot on their own make the rural network commercial.



If you have any comments about this report, or would like to request a copy of this report in an alternative format, please use the link on our website or contact us at the following address:

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