



Royal Mail Group

Royal Mail Group Ltd

United Nation's Global Compact
Communication on Progress (INTERIM)

October 2007

NB – this submission is currently an interim progress report and a full COP will be published with our 2006-07 Corporate Social Responsibility Report by the end of 2007.



Principle 1 – Businesses should support and respect the protection of internationally proclaimed human rights.

All of our new business policies are written to reflect the principles of the Human Rights Act and demonstrate fairness and the recognition of peoples' rights at work. This process is ongoing. As reported in the last CSR Report, our Diversity & Inclusion Team continues to encourage the business to actively consider Human Rights when writing or amending policies.

We have a health and safety policy which defines the organisational structure and arrangement for managing the hazards and risks associated with our activities for the whole of the Royal Mail Group; in addition there are area policies and local policies for all our operational sites throughout the United Kingdom.

The health and safety management system in place, which operates through Royal Mail Group, follows the guidance issued by the UK Health and Safety Enforcing Agency (HSE) publication "Successful Health and Safety Management " (HSG65) of which the component parts of the system are:

Policy

We set out the high standards of health and safety we expect of our employees. Our policies are designed to support our business performance. Through our policies we intend to satisfy the expectations of the shareholders, employees, customers and society at large and influence activities and decisions made by our people.

Organisation

We have defined our organisational structures, roles and responsibilities to deliver the policies expectations, and create a positive culture with involvement and participation at all levels. Visible and active leadership of senior managers in every part of the business is a fundamental principle of our organisation

Planning and implementation

We have a planned and systematic approach to policy implementation with the aim to minimise the risks created by our activities to the lowest practicable level. We have set performance standards and measure against them through our CSR (Corporate Social Responsibility) Framework programme and these reviews identify any risks and actions taken to minimise them.

Communication

We have a dedicated CSR communication intranet library throughout the Royal Mail Group, which is utilised to communicate a variety of CSR and operational information to our people during a thirty minute weekly Work Time Listening and Learning Session. We also allow our people to feedback on a variety of aspects of their workplace, their manager and their jobs through the annual Have Your Say.

These results are then built into a joint employee and management Improvement Plan where the Chairman of Royal Mail monitored improvements. Other communication channels we utilise are our communication paper "The Courier" which is posted to every employee home, poster campaigns and by letter.

Measurement of performance

We measure and monitor a number of CSR Key Performance Indicators (KPIs) supplied from the management information teams within the individual safety, health, environment and social engagement areas. The KPIs reflect the prevailing strategy and targets within each discipline.

CSR Scorecards are prepared and distributed across the Group and the individual Companies on a weekly, monthly and quarterly basis, with the Holdings and Governance boards reviewing the results compared to targets on a quarterly basis. In addition the Data Provision Team offers an Adhoc Report service to cater for one-off information and analyses requests not already covered by our standard and specialist Reports. These reports are normally requested to focus on the CSR strategy to enable the Companies to look at the negative and positive results of strategies or to guide them in setting strategy.

Reviewing and auditing performance

We are continually committed to learning from our experiences, gaining from lessons learned and improving our health and safety performance, we strive for continuous improvement of our CSR Framework and are currently developing specific audits for all the types of business units in Royal Mail.

The management system is designed to take into account all the relevant areas of risk that may affect our colleagues. We also monitor our workforce demographics through the Diversity and Inclusion team; we continue to monitor trends in terms of recruitment, promotion and a number of other workplace situations.

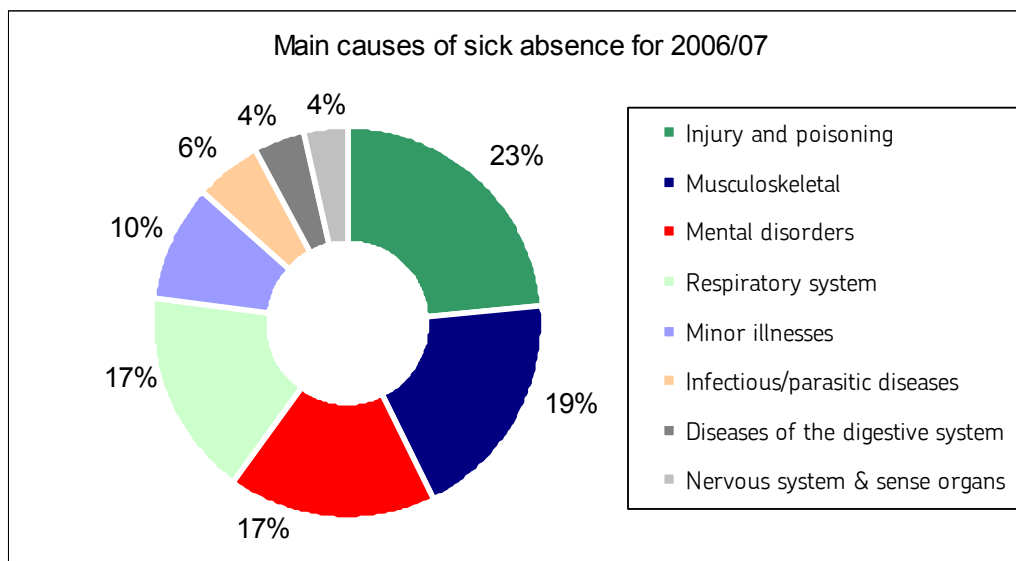
We are currently delivering a massive training programme to all our fleet drivers relating to road risk and how to improve their driving skills. The training includes improving their awareness of fuel efficiency, pre user checks, safe driving, stopping distances, environmental awareness and learning from best practices. The expected outcome of this should be fuel efficiencies and reduced vehicle accidents and improved driver culture. Measurement of how effective the training has been will be through fuel savings and reduced number of accidents involving our fleet of vehicles.

We have redesigned our standard safety-training course, which is designed to ensure that our managers can meet their safety responsibilities and have the skills to manage risks in the workplace. We have redesigned the course based on colleague feedback as part of our ongoing training review process.

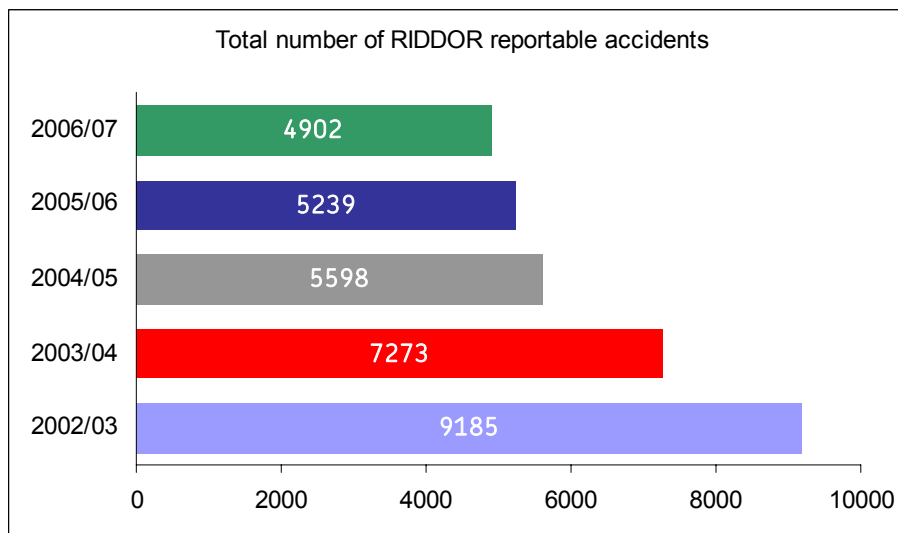
Post Office Ltd are improving the clarity of the safety message through developing three Health and Safety Training videos on Fire/Manual Handling, Slips, Trips and Falls, Working Safely at the Counter and Working with Computers. These were implemented in 2007.

In the last year Parcelforce Worldwide has ensured every manager including directors has received a full days training on safety. Managers are currently being invited to a training course where they sit through a mock trial of a court case where an employee was killed as a result of an accident at work. This has helped to raise awareness of the manager's responsibilities but also the employees.

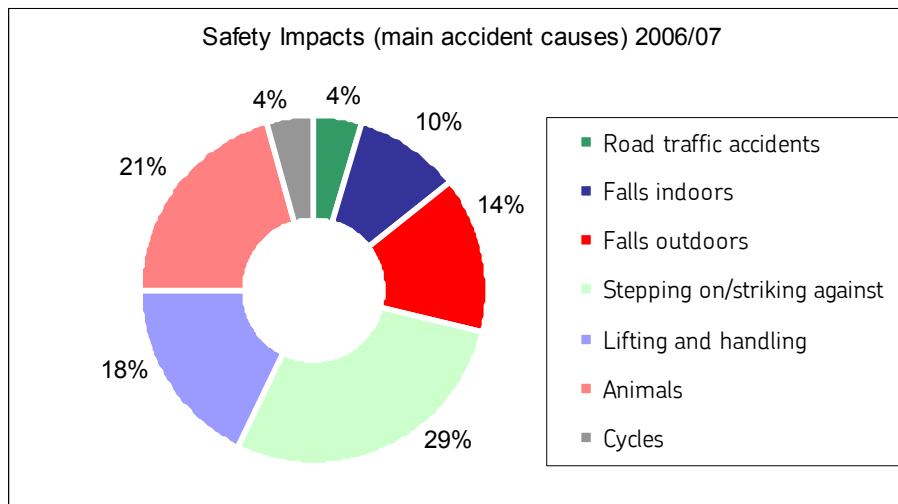
A summary of our health and safety performance



Our performance against the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 (RIDDOR)



Main causes of accidents.



Comparison of accident statistics since 2000/03

	2006/07	2005/06	2004/05	2003/04
Total accidents	23,453	25,679	25,808	35,948
Total accidents per 1,000 staff	122.99	128.93	132.4	172.7
Absence accidents	6,986	7,553	7,603	9,566
Days lost due to accidents	149,710	163,156	179,891	214,226
Days lost due to accidents per 1,000 staff	795.63	832.4	922.7	1,140.2
Total number of RIDDOR reportable incidents	4,902	5,239	5,598	7,273
Total number of fatalities	10 (9 non-employee, 1 colleague)	10 (3 non-employee, 7 colleagues)	8 (7 non-employee, 1 colleague)	20 (18 non employee, 2 colleagues)

Principle 2 - Businesses should make sure that they are not complicit in human rights abuses.

We have a specific bullying and harassment policy, which is vigorously supported, by all levels of our employees, the Communications Workers Union (CWU), AMICUS/CMA including the Chairman and Chief executive.

We have invested in specific Diversity Managers in every operational area of Royal Mail Group. This is a clear demonstration of our commitment to be sincere and diverse organisation. An outcome of having area Diversity Managers is that we recognised cultural differences throughout the business and identified that education of our people was paramount.

Recruitment of employees must meet our Mails Integrity Obligation where applicants are treated with dignity and respect at every stage of recruitment, induction, employment and leaving the business.

We have a dedicated bullying and harassment hotline where employees can call to report any incidents. These incidents are recorded and are then followed up by a dedicated team of people where the incident is investigated within a desired timescale.

We have in every Royal Mail site a Dignity, Respect at Work group (DRAW) where a selection of employees regularly meet to identify areas of concern in relation to the principles of the group objectives. The CWU, CMA and senior managers have signed up to the commitment

During recruitment process we perform strict vetting of all candidates to ensure they meet our Mails Integrity and security standards, confirming they do not pose a risk to the business, employees, customers or our reputation.

All our colleagues have undergone training in Diversity and Inclusion. This ensures they understand how to respect each other's human rights. Specific diversity standards have been developed and are now part of the management procedures within the organisation. When successful recruits are employed they are part of our teams and are trained in our many procedures and standards including diversity and inclusion.

Through our Have Your Say surveys we can measure bullying and harassment incidents through specific questions, these results are analysed and actions are considered for the strategic plan to improve performance.

Principle 3 – Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

We do not have a formal freedom of association policy, but in practice this is not necessary as freedom of association is a matter of normality in our business; however we comply with the Safety Representatives and Safety Committees Regulations 1997 where we are committed to ensuring we continue with our good working relationships with the recognised trade unions the Communication Workers Union (CWU) representing non-managerial colleagues and Amicus-CMA representing managerial colleagues

We have in place many procedures for all our employees for recruitment, training, discipline, dismissal, health and safety. In the event of reviewing these procedures or policies then we as a matter of respect and through good business sense consult with our trade unions. These consultation meetings can in effect take place at every level of the organisation, however with strategic business issues these are held nationally, but at the front line level local discussions also take place, with the main objective is to ensure changes are adopted by all parties and people are treated with dignity and respect.

We assist the unions to carry out their roles by providing them with suitable resources. These include offices, IT equipment, notice boards; time allocated for union and committee meetings, collection of union dues through our payroll system and paid time off to conduct union duties such as inspections, appeals or annual meetings

We shall continue to have joint representative meetings with our recognised unions at all levels within our business and our objective is to do the right thing for the business and our people.

All our c. 190,000 people are free to make their own decision whether or not they join the union and we are keen to ensure that the way our people are treated is not affected by their union membership status.

Principle 4 – Businesses should strive towards the elimination of all forms of forced and compulsory labour.

Our Sustainable Development Charter commits our suppliers to comply with International Labour Organisation (ILO) standards – including eliminating forced and compulsory labour.

All our colleagues employed by Royal Mail Group earn more than the minimum wage; we undertake internal social audits of gender and ethnicity.

Royal Mail Groups Responsible Procurement Policy

Royal Mail Group (RMG) recognises the importance of good corporate citizenship and of promoting and maintaining high standards of social, ethical and environmental (SEE) conduct. We are also committed to ensuring that our suppliers and contractors adopt a similar responsible approach. RMG is a signatory to the Global Compact, a widely adopted United Nations standard for responsible business, covering human rights, labour rights, the environment and anti-corruption. As a globally recognised and universally applicable set of standards, the ten Principles of the Global Compact form the basis of our SEE code for suppliers.

All suppliers and contractors issued with the Responsible Procurement Policy should ensure that it is communicated to relevant employees within their organisations.

Our Commitment

RMG will evaluate the performance of its supply chain to ensure it works with responsible suppliers that comply with the standards detailed in this policy.

In particular, RMG will:

- ❑ Ensure that suppliers are aware of this policy.
- ❑ Request that suppliers acknowledge awareness of this policy.
- ❑ Monitor the performance of suppliers to ensure compliance with this policy.
- ❑ Encourage suppliers to set targets to improve their practice and performance on social, ethical and environmental (SEE) issues, through a sustainable procurement process that is based on the principle of active and continuous SEE improvement at all levels of the supply chain.
- ❑ RMG will also seek evidence, where this is reasonable and practical to obtain, of adherence to SEE standards throughout the suppliers' own supply chains, including performance of subcontractors and primary producers
- ❑ Use evidence of suppliers' compliance with this policy, including active engagement in controlling and reducing SEE risks and improving their performance, as a significant part of the supplier selection and contract award process, and during ongoing supplier management.

RMG will at its discretion conduct supplier audits either by itself or in collaboration with other organisations' procurement functions, or via independent third parties, to verify SEE conduct, and will proactively share the results of these audits with other organizations and through the Royal Mail Group Corporate Social Responsibility Report. Whilst following a policy of continuous improvement, ultimately RMG reserves the right to terminate contracts with suppliers in the event of serious and persistent failure to meet agreed standards, or where suppliers consistently fail to take agreed corrective action within a defined timescale.

Our Expectations

RMG expects suppliers to act responsibly in all areas of business activity and to adopt and apply standards that are consistent with RMG internal standards on social, ethical and environmental issues and with the ten UN Global Compact principles.

General

RMG expects suppliers to:

- ❑ Act in compliance with all relevant laws & regulations.
- ❑ Adopt requirements similar to those contained in this policy for their own suppliers, as appropriate.

Occupational Health, Safety and Environment (OHSE)

RMG expects suppliers to:

- ❑ Ensure compliance with national legal & regulatory requirements and applicable RMG policies and procedures on OHSE.
- ❑ Ensure health, safety and environmental risks are identified, minimised and managed.
- ❑ Provide their own employees with safe working conditions, in accordance with relevant laws and regulations.
- ❑ Provide appropriate health, safety and environmental training to employees.
- ❑ Identify and implement opportunities for continual improvement in health, safety and environmental performance.

Social

RMG expects suppliers to:

- ❑ Adhere to the UN Universal Declaration of Human Rights and comply with the eight fundamental ILO Conventions. ¹
- ❑ Treat employees with respect and dignity.
- ❑ Ensure employees understand their employment conditions and are provided with fair and reasonable pay and terms.
- ❑ Prevent unlawful discrimination in any form. ²
- ❑ Prohibit physical or verbal abuse, threats and bullying or other harassment of employees.
- ❑ Ensure working hours of employees comply with national laws and industry specific regulations.
- ❑ Ensure no person is employed who is below the minimum legal age for employment.

- ❑ Ensure no person under 18 years of age is employed for any hazardous work.
- ❑ Prohibit forced, bonded or compulsory labour so that employees are free to leave their employment after reasonable notice.
- ❑ As far as any relevant laws allow, allow all employees freedom to join, or not to join, an employee representative body.

Ethical

RMG expects suppliers to:

- ❑ Prevent unfair, unreasonable and unethical business practices.
- ❑ Prevent the use of any form of bribery or improper offers of payment to or from employees or organisations.³
- ❑ Respect confidentiality and protect confidential information.
- ❑ Acknowledge the interdependency between business and the communities in which they operate in order to minimise the negative impact of core business activities.

Notes:

¹ these relate to freedom of association (No 87 & No 98), the abolition of forced labour (No 29 & No 105), equality (No 100 & No 111) and the elimination of child labour (No 123 & NO 182).

² forms of discrimination may include sex, race, colour, nationality, language, ethnic or racial origin, marital status, sexual orientation, age, religion, part-time working status, disability or political persuasion.

³ RMG has adopted a Procurement Probity Policy, which provides guidelines for

RMG employees and seeks to ensure that dealings with suppliers are entirely ethical and above board.

Royal Mail Group has also developed a robust procurement CSR Audit whereby all suppliers must confirm that they have read and understood Royal Mail's Responsible Procurement Policy and that they agree to comply with the standards and procedures set out in the policy. Specific questions are raised in the areas of Children and Young Workers, Working Hours, Workers Benefits, Wages and Forced or Bonded Labour. Copies of supporting documentation to support questions answered are also to be provided.

Principle 5 – Businesses should undertake the effective abolition of child Labour

We expect our suppliers to comply with our Sustainable Development Charter commitment of meeting ILO standards – including the prohibition of child labour. We operate primarily in the United Kingdom and comply with laws on the age of employment; we also operate in the European Union and comply with laws on the age of employment.

Royal Mail's Responsible Procurement Policy states:

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For products and services manufactured or provided from low cost countries where the risk of child labour is higher, Royal Mail requires the vendor to complete a CSR self-assessment covering the following standards:

- a) Employment is freely chosen
- b) Freedom of association and the right to collective bargaining
- c) Working conditions are safe and hygienic
- d) Child labour shall not be used
- e) Living wages are paid
- f) Working hours are not excessive
- g) No discrimination is practised
- h) Regular employment is provided

- i) No harsh or inhumane treatment is allowed

The self-assessment has been followed up in a number of cases by on-site audits which during FY 2006/7 covered vendors and subcontractors in South Africa, Pakistan and Sri Lanka. Planned on-site audit activity during 2007/8 includes China. External organisations including Bureau Veritas and SGS have also been used over the last 12 months to carry out on-site audits of manufacturing locations.

Principle 6 – Businesses should eliminate discrimination in respect of employment and occupation

As a business we take our responsibility to protect our people from discrimination extremely seriously. Royal Mail Group are core members of Employers Forum on Age, Opportunity Now, Race for Opportunity (RFO) and the Employers Forum on Disability. We have in place policies and procedures to guide and educate our people, as well as to deal with any discriminatory practices as and when they occur. We have a grievance procedure structure in place across the business, which ensures that complaints are handled fairly.

Groups have been set up throughout Royal Mail Group under the title of Dignity and Respect at Work (DRAW) which are significantly altering the way people treat their colleagues in the workplace.

We have committed to recruiting a number of volunteers at different management levels and gender mix to undertake the role of mentor. We have worked with an external company to develop and deliver the training.

Recruitment of Black, Minority or Ethnic Managers (BME)

Within Royal Mail Group a project has been set up to research why the number of BME managers is not reflective of the number of BME front line colleagues.

Research is now being undertaken to identify where, if any, barriers exist.

The areas of research include:

- A review of promotion boards over the last 6 months
- A review of the management recruitment processes including advertising
- A review of assessors
- A review of temporary promotions
- Taking feedback from the BME Managers Network
- Benchmarking with the Metropolitan Police

There has been an implementation of an award winning 'Dignity & Respect at Work' programme and we have delivered diversity awareness training to over 175,000 employees.

Principle 7 – Businesses should support a precautionary approach to environmental challenges

We have a Group-wide investment appraisal process that considers the Corporate Social Responsibility (including sustainability) risks and impacts of our projects and initiatives. In addition environmental considerations are also taken into account, where material, to supplier selections and tender adjudications for our procurement contracts. We have also trialled a whole life costing approach to procurement decisions, whereby the energy consumption and carbon emissions associated with the manufacture, operation and disposal of automation equipment was used as a tender criterion for a contract award.

Externally facing we have developed a Responsible Mail programme whose aims include creating a sustainable future for direct mail. A key element of this programme is an holistic focus on reducing the impacts across all stages of a mail item's lifecycle. Our five-stage approach, which is already being used in our Carbon Neutral Door to Door product, covers:

1. Data - using clean, well-targeted and well-managed address data
2. Creative - using ethically sourced recyclable/recycled materials
3. Production - using suppliers with like-minded environmental policies
4. Delivery - using operators committed to carbon reduction
5. Disposal - providing recipients with recycling advice.

Through this programme we are also supporting the UK's Direct Marketing Association (DMA) to develop an industry-wide environmental standard for direct mail.

Principle 8 – businesses should undertake initiatives to promote greater environmental responsibility

The issue of climate change has recently emerged as one of the most significant mainstream environmental, political and social themes of recent years. In recognition of this increased significance, and the business opportunities presented by a proactive management approach in this area, we have established a Group-wide Carbon Management Programme. The programme consists of nine projects – i) communications and employee engagement ii) innovation iii) commercial opportunities iv) supply chain management v) fuel and transport vi) building efficiency vii) area/unit accountability viii) KPIs, data and reporting and ix) residual carbon offsetting. The projects are focused on delivering our 2010 corporate sustainability targets:

- ❑ Reduce normalised CO₂ emissions by 25 per cent *
 - ❑ Reduce normalised transport related CO₂ emissions by 20 per cent *
 - ❑ Reduce normalised building related CO₂ emissions by 10 per cent *
 - ❑ Reduce normalised volumes of containerised solid waste to landfill by 25 per cent *
 - ❑ Reduce fresh water consumption by 5 per cent *
- * all relative to 2004-05
- ❑ Achieve carbon neutrality in our direct operations by 2015

To become carbon neutral we recognise the pressing need to firstly reduce emissions through improved internal operational efficiency as a means to cutting our energy and fuel usage before considering any supply alternatives. This is why the key priority of the building efficiency and transport fuel strands is for emission avoidance and demand reduction. Only then will we examine all possibilities for replacing existing fuel sources with low-carbon supply options such as on-site renewable energy. Finally we will look at offsetting residual emissions through reputable schemes.

Examples of recently deployed initiatives include –

- ❑ 100 per cent of our electricity consumption at our c. 2,100 offices in Great Britain now comes from certified renewable sources, such as small-scale hydro, onshore wind and biomass – equating to c. 370 GWh pa. In addition we are working in partnership with our electricity supplier to deploy energy efficiency communications material to our people.
- ❑ The procurement of 140 double-deck trailers, to add to 83 already in use, each with the capacity to hold 50 per cent more mail than conventional trailers. The use of the trailers will reduce the road miles and carbon emissions of that part of our operation by around 20 per cent.

Principle 9 – Businesses should encourage the development and diffusion of environmentally friendly technologies

A key ethos of our Carbon Management Programme is focused on the identification and implementation of environmentally friendly cost effective technologies primarily to increase the efficiency and reduce fuel and energy consumption in our buildings and transport modes. Through this approach we are working in partnership with key suppliers to trial and deploy new technologies such as electric vehicles and automatic meter readers to provide accurate and timely energy consumption figures.

One example of a new technology being deployed with significant environmental benefits is vehicle telemetry, which will reduce the carbon footprint of 8,000 of our commercial vehicles across the UK by 5 per cent. This telemetry provides the functionality to track metrics such as fuel consumption, acceleration, speed and braking patterns, allowing us to focus training interventions. In addition, all of our 190,000 people are participating in training sessions that will help them switch to greener motoring.

Principle 10 – Businesses should work against all forms of corruption, including extortion and bribery.

We have a Group wide Code of Business Standards that details the standards we expect from all our people. Included within the scope of this code are bribery, extortion and conflicts of interest issues. In addition we expect our suppliers to comply with International Labour Organisation standards covering these areas.

We are one of the few large companies that uses its own resources to investigate and prosecute crime. We are supported in this by a partnership with Crimestoppers, which offers our people a completely confidential service to report crime committed against the business. We conduct all investigations in line with Human Rights derived policing practices. We have a zero-tolerance approach to dishonesty and an absolute commitment to the security of the mail.

Royal Mail's Responsible Procurement Policy states the following:

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- ❑ Acknowledge the interdependency between business and the communities in which they operate in order to minimise the negative impact of core business activities.

Most contracts let by Royal Mail are subject to a Public Procurement Process which provides that companies that have been convicted of any of the offences listed in paragraph 1 of Regulation 23 of The Public Contracts Regulations 2006 dealing with criminal activity and corruption are disqualified from participation in tendering exercises.

Royal Mail is also implementing in September 2007 a vendor declaration process; in order to be added to the Royal Mail vendor database, a company must declare their adherence to the necessary probity standards as detailed above. This includes a declaration, for vendors involving in handling or transport of mail that the vendor will comply with the requirements of the Mail Integrity code issued by the mail regulator Postcomm.

Contracts with such vendors include a reporting schedule to demonstrate continued compliance with the Code, e.g. the use of Criminal Record checks to ensure that personnel employed in mails handling activity do not present a risk of criminal activity. These checks are currently carried out by Disclosure Scotland.