## **Royal Mail Group**

# Corporate Responsibility Report 2012-13







This is our eleventh Royal Mail Group Ltd Corporate Responsibility Report. This Report sits alongside the Royal Mail Group Ltd Annual Report and Financial Statements 2012–13 and is our primary source for non-financial reporting for 2012–13. Our last report was published in January 2013 and covered the financial year 2011–12. On 15 October 2013, upon flotation on the London Stock Exchange, Royal Mail plc became the ultimate parent company of Royal Mail Group Ltd. The new Group structure is presented on page 7.

### Special purpose financial statements

As previously announced, Post Office Ltd was transferred from under the ownership of Royal Mail Group Ltd to become a fellow subsidiary undertaking of Royal Mail plc on 1 April 2012, one week into the 2012–13 reporting year. Accordingly, to enable comparative analysis, special purpose, consolidated financial statements for Royal Mail Group Ltd, excluding Post Office Ltd, have been prepared for 2012–13 and 2011–12.

### Adiusted 52-week basis

The 2012–13 financial year was a 53-week year. To provide meaningful comparisons, revenue and operating costs it has also been presented on an adjusted 52-week basis. The adjustment removes the 53rd week's revenue and incremental costs associated with that revenue.

### Scope of non-financial reporting

This Report covers the Group's UK and international parcels and letters delivery businesses operating under the Royal Mail and Parcelforce Worldwide brands. The UK represents 92 per cent of our operations by full-time-equivalent employees and 83 per cent of our revenue in 2012–13. Our primary focus is therefore on the UK. We will, however, be increasing the coverage of GLS from 2013–14.

This Report includes performance data for the financial year 2012–13. Because of the privatisation of Royal Mail Group, it also covers important developments that have occurred beyond the end of the financial year. Where that is the case, we make it explicit.

Where stated, data contained in this Report has been restated from previous years to exclude Post Office Ltd. This includes environmental (greenhouse gases, waste and water), safety and community investment data. Post Office Ltd represented 4.4 per cent of the employee population of Royal Mail Group Ltd in 2011–12.



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## Foreword by Moya Greene, our CEO



## I am pleased to report that 2012-13 saw us continue to make good progress on many fronts.

Just over three years ago our core UK business had significant cash outflows. Last year, our reported Group operating profit<sup>[1]</sup> grew from £152 million to £440 million. The core UK business delivered solid parcel volume and letter revenue growth. With this strong commercial performance we are able to make a major contribution to the UK economy through the jobs we create and the taxes we pay. We remain a core part of the UK's social fabric.

This report primarily focuses on the 2012–13 reporting year. However, because of the privatisation of our company, there are some important developments that we report on that occurred following the end of the financial year.

## Our strategic approach

Our vision is to be recognised as the best delivery company in the UK and across Europe. A key part of our business strategy and our corporate responsibility strategy is to ensure a sound and sustainable Universal Service for the benefit of everyone in the UK.

As a company that touches all communities across the UK, our corporate responsibility strategy is best viewed through our impact on our multiple stakeholders. To further strengthen our reporting and strategy, we introduced a stakeholder panel this year. Representatives of business, supplier and community interests, and external experts from Corporate Citizenship, came together to discuss the key issues facing Royal Mail and their expectations of the business. We have used this data to help shape our report and direct our activities.

We assess the effectiveness of our programmes through external benchmarks. I am pleased to report that this year we maintained a Platinum ranking in Business in the Community's Corporate Responsibility Index, with a score of 96 per cent. We also completed RobecoSAM's Corporate Sustainability Assessment for the second time in 2013. Based on the methodology used to calculate the Dow Jones Sustainability Index (DJSI), our score ranks Royal Mail Group among the DJSI World and DJSI Europe member scores for the Transportation industry.

## Our customers

We are focused on getting things right for our customers and being their first choice. Royal Mail Group Ltd is the market leader by revenue in the UK parcels and letters market. Being customer focused is one of our strategic priorities.

To be their first choice, we must get the basics right and be easy to do business with. We gather customer feedback extensively across our business and use this insight to increase customer satisfaction, reduce complaints and improve the whole customer experience.

We have made good progress in addressing issues on redirection, redelivery and misdelivery, where complaints have reduced since 2009. We are giving recipients of parcels more choice, for example through our Delivery to Neighbour scheme and our recently announced 'click and collect' service. I am pleased to be able to report that our research shows that our mean business customer satisfaction score is 74, an increase of four points on last year. We are putting the customer at the heart of everything we do.

## Our people

Our people are key to our transformation and the delivery of our business success. We provide good-quality jobs. Research we commissioned by the Centre for Economics and Business Research (Cebr) showed that we make a significant contribution to social inclusion through the vital employment and earnings we bring to many of the country's more deprived areas.

I know that most of us – our employees, our unions, the whole company – share a common goal: to help secure Royal Mail's future so it can grow as a business and remain successful. Ten per cent of the company was set aside for eligible employees – the overwhelming majority of Royal Mail Group Ltd employees in the UK. Just over 100 million shares were offered for free (Free Shares) to eligible employees. As shareholders, colleagues have a meaningful stake in the company and the potential to benefit from its future success. For more detail, please see page 24.





£800,000 RAISED FOR PROSTATE CANCER UK

## We are honoured to provide the Universal Service to more than **29 million addresses** across the UK

In mid-December 2013, we agreed in principle a ground-breaking new agreement on an agenda for growth with our main union, the CWU. It is about improving industrial relations, creating a can-do culture and a joint commitment to delivering business success. The agreement includes legally-binding terms covering employee pay, protections and industrial stability. The industrial stability framework sets out a new approach to resolving workplace issues at a much faster pace and without disruption. We will provide updates to the agreement on our website.

## Our communities

We connect millions of customers, companies and communities, including those in the most remote rural areas. We make commerce happen in the process. Our contribution to the UK at this difficult time for the economy is significant. That is because we are one of the largest employers in the UK and most of our operations are based in this country. For the 2012–13 financial year, Cebr estimated that we made the seventh largest contribution to the UK economy out of all UK corporations. We had a total economic impact of more than £9.6 billion, made up of direct and indirect contributions to the wider economy, which was slightly higher than the previous year's £9.4 billion.

We have also had great success in our new Charity of the Year partnership with Prostate Cancer UK. With the backing of our colleagues we raised £800,000 by year end, including matched giving, and by June 2013, we had raised over £1 million.

## Our environment

We are working hard to reduce our environmental impact. We have strengthened our approach to environmental management during the year. We have established a new Environment Governance Board (EGB) to help drive our performance. The EGB undertook a detailed materiality assessment to review our most significant impact areas, including our targets. We have reconfirmed our main environmental focus areas and developed a new Environment Policy. Managing and reducing our impact in a responsible manner will help us save costs, compete more effectively and deliver a good service to our customers.

## Moving to the private sector

On 15 October 2013, Royal Mail floated on the London Stock Exchange. We are now a listed company, majority-owned by investors, including employees (who currently hold the single biggest stake other than the Government), institutions and members of the public. Being a listed company means we now have access to capital when we need it to support our strategy. We believe we will combine the best of the public and private sectors. Our strong commitment to our corporate responsibility agenda and to our stakeholders remains unchanged.

## In summary

Corporate responsibility is a core part of our focus on being a sustainable and stakeholder-focused business. It is integral to our success. We have a long heritage of contributing to our communities. Our people go the extra mile, both serving our customers and supporting good causes in their local communities.

We summarise our key achievements in 2012-13 on pages 16 and 17 of this report. Here we also set out areas we will seek to strengthen and a clear work programme for the coming year. Future priorities are also summarised at the end of the Customer, Colleague, Community and Environment chapters. While we have significantly moved on our agenda in 2012-13, there is more to do.

We know that it is the dedication of our people that has enabled our success to date and forms the basis of our strong brand. Looking forward, we will continue to ask a lot of them to ensure continued progress. I am grateful for their ongoing support. I know that we will work through the current challenges and that together, we will drive our business forward and realise our collective objectives.

Moya Greene Chief Executive Officer

[1] After transformation costs.

## At a glance



Royal Mail Group is one of the UK's largest companies and one of its best known brands. We are proud to be the sole provider of the Universal Service in the UK. We make commerce happen by connecting companies, customers and communities across the country.

Our vision is to be recognised as the best delivery company in the UK and across Europe. On 15 October 2013, we became a private company, listed on the London Stock Exchange. Our purpose remains the same – delivering, six days a week, to more than 29 million addresses.

This report covers the Group's UK and international parcels and letters delivery businesses, operating under the Royal Mail and Parcelforce Worldwide brands. The UK represents over 90 per cent of our full-time-equivalent employees and our primary focus is therefore on this country. We will, however, be increasing the coverage of GLS from 2013–14.

**150,000** EMPLOYEES



**EMPLOYEE WAGES** 

AND SALARIES

UK PARCELS, INTERNATIONAL AND LETTERS COMPRISES OF OUR ROYAL MAIL CORE NETWORK AND OUR EXPRESS PARCELFORCE WORLDWIDE BRAND **£2.5 BILLION** SPEND ON SUPPLIERS





**Delivering:** 







6 DAYS A WEEK TO 29 MILLION ADDRESSES



WE DELIVER 99% OF LETTERS IN THE UK

**Collecting from:** 







**79,000** BUSINESSES

**Processing through:** 



8 REGIONAL DISTRIBUTION CENTRES



Contributing:



£7 IN EVERY £1,000 UK ECONOMIC OUTPUT 60p

CAN TAKE A LETTER FROM A POST BOX IN LAND'S END TO A MAILBOX IN JOHN O'GROATS OVERNIGHT

Numbers quoted on this page are approximate.

- [1] UK-based wages and salaries, not including pensions or social security benefits.
- [2] The Centre for Economics and Business Research found that Royal Mail Group contributes 0.4 per cent to the UK's total Gross Domestic Product, rising to 0.7 per cent when including our wider economic impacts.





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## 1.1 About Royal Mail Group

Proud to be the sole provider of the Universal Service in the UK, Royal Mail reaches everyone.

## Who we are

Royal Mail Group Ltd is one of the UK's largest companies and one of its best known brands. We are proud to be the sole provider of the Universal Service in the UK. We deliver the six-day-a-week, one-price-goes-anywhere Universal Service to more than 29 million addresses across the UK.

**Royal Mail** was found to be one of the **10 most influential brands in the UK** in 2012, alongside organisations such as **Amazon, BBC** and **Marks & Spencer**<sup>[1]</sup>

Royal Mail Group Ltd represents a key component of the UK's economic and social infrastructure. We provide services to private individuals, companies and communities. Our postmen and women are an important part of their local communities. As a business, we help generate considerable economic activity.

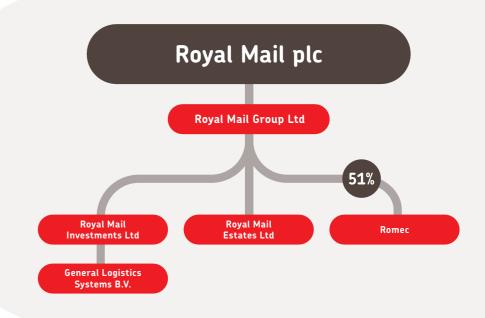
In 2012–13, a study by the Centre for Economics and Business Research found that Royal Mail contributes 0.4 per cent to the UK's total gross domestic product (GDP). Including our wider economic impacts, that figure rises to 0.7 per cent of GDP, amounting to an annual economic contribution of £9.6 billion.

### Our businesses

Our UK Parcels, International and Letters (UKPIL) business is comprised of two strong and trusted brands: our core Royal Mail network, responsible for delivering letters and parcels in line with its Universal Service Obligation, and Parcelforce Worldwide, a leading provider of collection and delivery services for express parcels.

General Logistics Systems is one of the largest ground-based deferred parcel delivery networks in Europe. It is a pan-European business, providing reliable parcel and express services as well as logistics solutions.

With the move to the private sector, the organisational structure of the Group has altered in 2013. On 15 October, upon flotation on the London Stock Exchange, Royal Mail plc became the ultimate parent company of Royal Mail Group Ltd. The Group primarily operates within the United Kingdom, including a number of subsidiaries, associates and joint ventures.



[1] Ipsos MORI Influential Brands 2013.

### Where we are

We are proud to deliver the Universal Service, but it does require a high fixed-cost network. The transformation of Royal Mail Group Ltd is helping to ensure the sustainability of the Universal Service by putting our Company on a sound financial footing. We are continuing to improve our customer focus and are modernising our business to ensure our UK network can accommodate increasing parcel volumes and meet customer needs.

Our brand is one of the UK's most trusted. That puts Royal Mail in a strong position. Our transformation programme is well on track and is ensuring that we will be a strong competitor in the UK's changing postal services market.

The last two years have seen some of the most important legislative and regulatory changes with respect to postal services in the Group's history. Our new regulatory framework, introduced in April 2012, provides the foundation for a sustainable Universal Service, allowing us to compete more effectively. However, we need ready access to investment to allow us to quickly seize and respond to opportunities that arise.

The privatisation of Royal Mail provides us with access to the capital we need. Private ownership will better enable Royal Mail to invest in its business for growth.

## Our financial performance

We continue to make good progress. Powered by our strategy, Royal Mail is delivering strong financial performance.

## Key highlights in the year ended 31 March 2013

- Group revenue increased by 5 per cent on a like-for-like basis.
- Letter revenue was up 3 per cent and UKPIL parcel revenue increased by 13 per cent on a like-for-like basis.
- Operating profit after transformation costs before other exceptional items of £403 million is £251 million higher than last year, on an adjusted basis, mainly due to revenue growth.
- We saw a 5 per cent growth in parcel volumes on a like-for-like basis. Reported parcel volumes were 1,081 million items, compared with 1,016 million items in 2012.
- Operating costs have increased by 3
   per cent on a like-for-like basis, benefiting
   from productivity improvements and tight
   cost management.



### Our future

We believe that Royal Mail will combine the best of the public and private sectors. Our vision is to be recognised as the best delivery company in the UK and across Europe.

As discussed in Our Strategy (page 10), our vision is underpinned by three strategic priorities:

### Being a successful parcels business:

Leveraging our network reach and our strong brand to ensure we can capture increasing parcel volumes as a result of the growing popularity of online retailing in the UK. Using our new regulatory freedom for parcels to develop new offerings and compete more effectively in the marketplace. Ensuring our combined UK network can accommodate increasing parcel volumes and meet customer needs through the completion of our modernisation programme.

Managing the decline in letters: Managing the structural decline in the letters market by becoming more productive and effective, and ensuring we remain the carrier of choice for the delivery of letters in the UK. Harnessing the new regulatory freedoms we have won to ensure we make a reasonable, commercial return for the letters we deliver. Making marketing and business mail more valuable to our customers by increasing the data and insight they can gather.

**Being customer-focused:** Putting the customer at the heart of everything we do to ensure that we continue to be the delivery partner of choice. Being easy to do business with, and building new propositions that truly meet customer needs.

## This report

This report covers the Group's UK and international parcels and letters delivery businesses, operating under the Royal Mail and Parcelforce Worldwide brands. The UK represents over 90 per cent of our full-time-equivalent employees and our primary focus is therefore on this country. We will, however, be increasing the coverage of GLS from 2013–14.







**GROUP REVENUE** 



**LETTER REVENUE** 



**OPERATING PROFIT** [1]



	Reported 52 weeks 2012 £m	Adjusted 52 weeks 2013 £m	Reported 53 weeks 2013 £m
Group external revenue	8,764	9,146	9,279
Operating profit after transformation costs	152	403	440
Free cash inflow/outflow	154	334	334

Group figures include General Logistics Systems. Financial year runs from April 2012 to March 2013.



We believe that **Royal Mail will** combine the best of the public and private sectors

[1] After transformation costs.

## 1.2 Our strategy

## Our vision is to be recognised as the best delivery company in the UK and across Europe.

Our vision is underpinned by three priorities: capitalising on growth in online retailing to grow our parcels businesses; continuing to mitigate structural decline in the letters market by maximising the value of mail; and by being customer-focused. By doing this, we believe we can drive sustainable, profitable growth and secure a sustainable future for our Company.

## Our corporate strategy

## Our corporate strategy has three priorities:

- **1.** Firstly, being a successful parcels business. The UK parcels market has shown continued growth, thanks to the growth of online retailing. We are investing in our parcels networks and our tracking technology to meet customer needs. A long-term investment programme in our core, UK network will ensure we have the capability we need to accommodate the changing traffic mix from letters to parcels.
- **2.** Our second strategic priority focuses on managing the decline in letters. We have already transformed how we sort letters. automating the handling process in our Mail Centres. 79 per cent of letters are now sequenced to delivery point. We are pressing on with our programme of delivery revisions, changing the way we deliver to more than 29 million addresses across the UK. This also allows us to effectively manage growth in parcel volumes and at the same time improve our productivity. Changes in the regulatory framework last year have given us greater commercial freedoms. These enable us to respond better to market changes. We have already taken steps to simplify and improve many of our propositions. We are also helping our customers derive more value from the mail they send through our direct marketing offering, MarketReach.

3. Thirdly, we need to continue to be a customer-focused company. In this competitive market, our customers have a choice. We are developing the services we offer to ensure they meet our customers' needs. We are investing in technology to provide the tracking services our customers look for. We are working with our customers to anticipate times of peak demand and ensure we can deliver the high-quality service they expect.

## Integrated responsibility

Our corporate responsibility strategy is an integral part of realising our core strategic priorities. Indeed, 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. It is essential to our business success that we behave responsibly and sustainably in relation to our people, customers, suppliers, communities and environment.

## Our corporate responsibility strategy supports our strategic priorities, ensuring long-term performance by:

- Delivering economic and social benefit to the communities we serve
- Driving colleague advocacy of the Group and its community role
- Reducing the environmental impact of our business and operations
- Managing our modernisation programme responsibly
- Communicating our management of corporate responsibilities openly and transparently

PRIORITY ONE **BEING A SUCCESSFUL PARCELS BUSINESS** 



PRIORITY TWO MANAGING THE **DECLINE IN LETTERS** 



PRIORITY THREE



This table shows the links between our core strategic priorities and our corporate responsibility aims and demonstrates how our corporate responsibility strategy supports the delivery of our corporate strategy. It also summarises some achievements against each corporate responsibility objective for the year 2012-13.

## Corporate strategy priority Supporting CR objective

Deliver economic and

communities we serve

social benefit to the

### Achievements in 2012-13







page 54

We commissioned the Centre for Economic and Business Research (Cebr) to quantify our contribution to the UK economy. The study found that we rank seventh of all UK companies. We add £9.6 billion a year to the UK economy, including indirect impacts, making an overall contribution of 0.7 per cent to Gross Domestic Product. This means that for every £1,000 of UK economic output, Royal Mail contributes £7. Cebr also measured our impact on social inclusion in the UK. Through our provision of high-quality jobs we bring vital employment and earnings to some of the UK's poorer regions - Royal Mail employment is disproportionately weighted towards areas with high levels of deprivation and where job opportunities are fewer. In addition, since 2006, our apprenticeship schemes, training postmen and postwomen, engineers and mechanics, are worth £21.2 million based on a conservative estimate.





Drive colleague advocacy of the Group and its strategy

People page 42 We are a people business. Our colleagues are fundamental to our ability to succeed. Throughout 2012–13, we continued to deliver a wide-reaching communications campaign to keep people informed of our transformation programme and its objectives. 170 senior managers delivered around 600 face-toface sessions to answer questions and get feedback between July 2012 and March 2013. In spite of significant change within the business, our annual Employee Engagement score increased in 2013, and over seven out of ten say they still want to work for us in two years' time.





Reduce the environmental impact of our business operations

**Environment** page 64

In 2012–13, we worked on updating our environment strategy. We also established a new Environment Governance Board to help drive our performance.

During the year we reduced carbon emissions per £1 million revenue by 4.2 per cent. We also achieved recertification of the Carbon Trust Standard; reduced water use by 12.6 per cent; reduced the amount of waste we send to landfill by 23 per cent and increased the amount we reuse, recycle and recover (i.e. energy from waste) to 66 per cent.







People page 42

Through our modernisation programme, we are becoming more productive and effective. For example, 79 per cent of letters are now sequenced to delivery point. We are continuing to improve our processes to handle the increasing number of parcels in our network, while maintaining our Quality of Service standards, improving the safety of our people and managing change responsibly. In consultation with our unions, we have made significant commitments to job security, including an overarching objective to complete our modernisation programme without compulsory redundancies, and a commitment to remain a predominantly full-time workforce.





Communicate management of corporate responsibility openly and transparently

Independent Assurance page 92

We have again strengthened our Corporate Responsibility Report this year. Data and assertions have, for the first time, been assured under the dual standards of AA1000AS and ISAE 3000. Using AA1000AS ensures content is material and relevant to stakeholders, while using ISAE 3000 provides additional comfort in the robustness of data. We appointed the accounting firm Ernst & Young to carry out this assurance.

We have also reported against an additional eight Global Reporting Initiative (GRI) indicators, compared with last year's report, to provide further transparency around our corporate responsibility performance.



## **Delivering our strategy**

Our corporate responsibility strategy is reviewed and supported by senior leaders within the business (see Corporate Responsibility Governance on page 13). Supporting this, we have a comprehensive structure of delivery tools that promotes clear responsibilities and targeted measurement to achieve our aims. In this way, responsibility is integrated throughout the business.

At the highest level, our Strategic Framework sets the overarching key performance indicators (KPIs), reviewed by the Chief Executive's Committee (CEC). On the ground, our policies, procedures and training engage and inform our people. Using our three strategic priorities as focal points, each cascaded level works towards achieving our vision: to be recognised as the best delivery company in the UK and across Europe.

## Corporate Responsibility Delivery

## Integration of corporate responsibility throughout the business is driven by a set of delivery frameworks and tools.

## Strategic Framework



• The Framework monitors the successful delivery of our business strategy.

- During the reporting period, the framework has been revised to mirror our new strategic priorities and is now made up of 16 key objectives supporting our business success, each supported by measurable KPIs.
- Corporate responsibility is a key element of seven of these main objectives, which include improve safety, engage our people, deliver what we promise and maintain our trusted brand.
- Performance and progress are reviewed on a regular basis by the CEC.

## **Corporate Balanced Scorecard** (see schematic on page 13)



• Supports the implementation and execution of our strategy by linking managers' remuneration to both business and individual KPIs.

- Managers' bonuses are linked to the scorecard.
- 50 per cent of KPIs are corporate responsibility-related, specifically targeting people and customer issues.
- Managers' agreed targets and appraisals are aligned with the four areas of People, Customer, Performance and Financial.

## World Class Mail (page 14)



 Driving continuous improvement at the frontline, engaging and involving our people in transformation.

• Improving performance in safety and productivity through a comprehensive seven-step system.

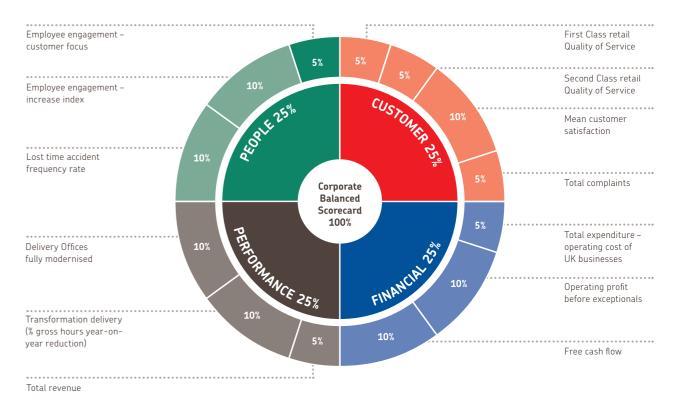
## Policies, procedures and training



- Corporate Responsibility Policy: Developed during the reporting period, this sets out our strategy, governance and commitment to corporate responsibility including our support of the United Nations Global Compact (UNGC) and Universal Declaration of Human Rights.
- Responsible Procurement Code of Conduct: Requires all suppliers to adhere to the United Nations Universal Declaration of Human Rights and act in accordance with the Ten Principles of the UNGC. These include provisions against labour abuses, such as forced labour and child labour, as well as prohibitions against corruption and bribery.
- Environment Policy: Developed during the reporting period, this sets out our commitment to environmental management. This is due to be published in 2013–14.
- Other relevant support includes the Royal Mail Code of Business Conduct and the Equality & Fairness, Bullying & Harassment and Anti-Bribery policies and associated employee training.

## Corporate Balanced Scorecard

The four quadrants below (People, Customer, Performance and Financial) and their respective KPIs reflect our Corporate Balanced Scorecard for the year 2012–13. As the business changes, we may adapt our KPIs in future years to reflect changing priorities. The Scorecard KPIs are reviewed and agreed by the CEC, Remuneration Committee and, during the reporting period, the Shareholder Executive.



## Corporate responsibility governance

The corporate responsibility strategy is approved by the CEO and monitored by the Chief Executive's Committee (CEC). CEC members report directly to the CEO, who is the chair. The CEC includes: Managing Director Operations & Modernisation, Chief Finance Officer, Chief Customer Officer, Managing Director Consumer & Network Access, CEO General Logistics Systems, Director Group Human Resources, General Counsel, Company Secretary, Managing Director Strategy & Communications, Chief of Staff, Director CIO & Technology and the Director Regulation & Government Affairs. The CEC undertakes an executive review of the strategy on a regular basis.

The Managing Director of Strategy and Communications is accountable to the CEO for carrying out implementation of the corporate responsibility strategy, supported by the corporate responsibility team, who carry out delivery and reporting of associated activities. Other members of the CEC take responsibility for the corporate responsibility aspects of the people, customer and environment strands within the overall business strategy.

Design of the strategy is shaped by the Communications Action Group (CAG), which is chaired by the CEO. The CAG is responsible for identifying good opportunities and also risks to the Group's reputation, as well as defining the strategy and considering all the issues, including those related to modernisation.

Environment strategy is driven by the Environment Governance Board, which proposes targets for approval by the CEC, and ensures delivery of performance improvements. It meets quarterly and is chaired by the Director of Health and Safety. It consists of senior managers accountable for functional areas concerned with material environmental issues.

Royal Mail Group Ltd Board receives regular updates on corporate responsibility activities, including, for example, monthly health and safety briefings. It is also kept abreast of progress against the Strategic Framework blocks and reviews and approves the Corporate Responsibility Report every year.



## Measuring our progress

We aim to be independently rated as one of the most responsible companies in the UK. Business in the Community's (BITC) Corporate Responsibility Index is one good way of measuring the strength of our sustainability programme. Platinum is the highest ranking. In 2012, we achieved a Platinum ranking in the CR Index, scoring 96 per cent, up from a Silver (87 per cent) ranking in 2010. We have retained this ranking for 2013.

We also completed RobecoSAM's Corporate Sustainability Assessment for the second time in 2013. Based on the methodology used to calculate the Dow Jones Sustainability Index (DJSI), this benchmarks companies' sustainability performance in economic, social and environmental criteria compared with peers from around the world. The assessment found that Royal Mail Group Ltd is positioned among the leading companies globally in sustainability. Our overall score of 80 ranks Royal Mail among the DJSI World and DJSI Europe member scores for the Transportation industry.

In the DJSI-based assessment we achieved or matched best-in-industry scores for five criteria: codes of conduct/compliance/corruption & bribery, supply chain management, corporate citizenship and philanthropy, labour practice indicators & human rights and human capital development. We also performed well in stakeholder engagement and risk and crisis management. However, both the DJSI and BITC assessments highlighted a need to strengthen our approach to environmental management. As a result, during the reporting period we have worked to review our strategy and have introduced a new Environment Governance Board, to strengthen our governance. We also developed a new group-wide Environment Policy. For more information see our Environment Strategy on page 65.

## **Key facts**

- All of our Mail Centres<sup>[1]</sup> and approximately 40 per cent of our Delivery Offices have started the WCM journey. We are aiming to implement WCM in all of our Delivery Offices by the end of 2013–14.
- 11 Mail Centres and five Delivery Offices have been awarded Bronze status by the World Class Manufacturing Association.
- We trained an additional 36 WCM auditors to meet growing demand. At year-end we had 64 auditors in place to assess the achievements of our sites.

## World Class Mail

World Class Mail (WCM) is key in driving our modernisation programme. Introduced in late 2008, WCM is a comprehensive system for the continuous improvement of efficiency, safety and quality in the workplace through root cause analysis, use of counter measures, and employee involvement and engagement.

WCM is structured into ten technical areas, or pillars. These cover our operational activity, such as people development, the environment and cost deployment. The pillars are supported by ten management criteria, including attributes such as management commitment and organisational competence. Each pillar

has seven steps, based on the Japanese philosophy of Kaizen, meaning continuous improvement, which must be completed to reach World Class status.

At the heart of WCM is the embedding of certain common values across Royal Mail's operations, including the treatment of high performance as standard, opportunities for enhancing employees' training and skills, and the generation of a sense of pride and opportunity in the workplace. We rigorously audit the implementation of WCM programmes across the business, to help celebrate the success of all those involved.









## 1.3 Our progress and future priorities

This provides an overview of our key achievements in 2012-13, areas that we look to strengthen and our priorities for 2013-14.

## Our customers (see page 35)

## Key achievements 2012-13

- 74: our business customer satisfaction score, up from 70 in 2011–12.
- 82 per cent of customers are satisfied with the attitude of Royal Mail's delivery staff.<sup>[1]</sup>
- Improving customer options through our Delivery to Neighbour scheme and the recently announced (May 2013) 'click and collect' service.
- Introduced our MarketReach service in July 2012 to help companies and their agencies derive more value from mail.

## Areas to strengthen

- The number of complaints we received increased in 2012–13. We work to identify and address the root causes of complaints.
- We will also continue to ensure that our people have the right skills and knowledge to deliver a more customer focused business.

### Priorities for 2013-14

- Meet our Quality of Service targets, as set by Ofcom.
- Make improvements to delivery offices with specific performance issues, including: investment in facilities and training of colleagues and improving behind-the-scenes retrieval processes for parcels.
- Launch barcoding of machinable, addressed letters, enabling tracking through network from sender to receiver
- Update parcel shipping and parcel IT systems, investing in a range of solutions to ensure customers can easily integrate their systems with ours.
- Continued focus on the largest areas of customer complaints – working to understand root causes, deploying sustainable solutions and driving down complaints.
- Improve customer information and service channels, making it quicker and easier to access help and making it easier to do business with Royal Mail.



## Our people (see page 42)

## Key achievements 2012-13

- 20 per cent reduction in our lost time accident frequency rate
- Over three fifths (62 per cent) of our employees say they are proud to work for us
- Over 50,000 days formal training were delivered for approximately 31,000 people
- 11 new facilitators trained for our Springboard programme to support the development of our frontline female employees.

## Areas to strengthen

- Seven people lost their lives in connection with our activities in the past year. We work to establish root causes of accidents and identify lessons we can learn. We communicate findings across the Group and discuss at Board meetings. Our aspiration is zero fatalities.
- Ensure that more of our people feel valued and recognised.
- Increase gender diversity across the workforce, and particularly in operational functions, where our workforce is 14 per cent female.

## Priorities for 2013-14

- Strengthen manager-team relationships, communicating changes, ensuring job expectations are clear and that performance is evaluated and rewarded.
- Develop a new way of working with our unions to resolve disputes without unilateral action.
- Build on the success of the Walk Risk
   Assessment Programme, using the self-assessment methodology and risk management process to address other areas of risk.
- Extend our employee wellbeing offerings with healthy eating initiatives, an extension of gymrelated offerings, and improvements to the Feeling First Class Programme.
- Equip colleagues with necessary skills and capabilities by expanding our Workplace Coach programme and introducing additional WCM Champions and Champion Supports.
- Increase the number of women applying for roles, especially in the frontline, through targeted recruitment and more flexible working.







OUR COMMUNITIES



......

## Our communities (see page 54)

## Key achievements 2012-13

- £800,000 raised for Prostate Cancer UK, our Charity of the Year, by March 2013. By the first anniversary of the partnership in June 2013, we had raised over £1 million.
- As a single company network, we had the greatest number of employees in the world register to take part in Movember, and we raised the most amount of money, including matched giving, at over £525,500.
- 11 per cent increase in colleague fundraising and 185 per cent increase in matched funding by the business at a time when donations to charities are reducing.
- Awarded Gold Class status from the Chartered Institute for Purchasing and Supply for our supply chain management, including its integration with corporate responsibility.

## Areas to strengthen

- Supporting and encouraging our people to participate in volunteering activities within our communities.
- Refresh our educational programmes to ensure they continue to be relevant and engaging for young people.

## Priorities for 2013-14

- Further support colleagues' volunteering efforts, assisting local communities and driving colleague engagement.
- Raise over £2 million, including matched giving, for Prostate Cancer UK.
- Re-launch the Young Letter Writers Competition to increase its reach and impact.
- Maximise our support for communities, encouraging take up amongst employees of our range of community grants.
- Further categorise key suppliers into 'critical' and 'important' suppliers and expand performance management reporting to an additional 33 suppliers to further mitigate risk.
- Create a hub of communications and events for the contract management community to enable collaboration and knowledge sharing.

## Our environment (see page 64)

## Key achievements 2012-13

- We established a new Environment Governance Board during the year to help drive our performance. We also undertook a materiality assessment to ensure we are addressing our most significant impact areas.
- We reduced the amount of carbon emissions we produce per £1 million of revenue by 4.2 per cent during the year. Electricity emissions reduced by 2.1 per cent.
- We also reduced the amount of water we use by 12.6 per cent and the amount of waste we send to landfill by 23 per cent.

## Areas to strengthen

- Continue to drive down carbon emissions to reach our 2020–21 reduction target. We are committed to implementing effective emissions reductions options across our building, fleet and transport use.
- Rubber band littering continues to be a focus. We plan to review and re-launch our awareness raising campaign to help continue to reduce rubber band littering and the associated impacts.
- Improve environmental governance and management systems under the direction of our newly established Environment Governance Board.
- Increase coverage in our sites of the environmental management system, ISO14001.

### Priorities for 2013-14

- Launch our new Environment Policy.
- Achieve certification to ISO14001 in an additional 10 of our core network sites, and identify how this could be applied more widely throughout the business.
- Show improved performance in our management of waste, energy and water use.

16-17

## 1.4 Key performance indicators

This table shows our progress against our corporate responsibility key performance indicators in the last financial year.

Customers	Target	2011-12 Performance	2012-13 Performance	Status
First Class Quality of Service <sup>[1]</sup>	93% Quality of Service for First Class retail <sup>[2]</sup> products, adjusted for force majeure <sup>[3]</sup>	92.7%	92.5%	<b>Not met in 2012-13</b> See page 40
Second Class Quality of Service <sup>[1]</sup>	98.5% Quality of Service for Second Class retail <sup>[2]</sup> products, adjusted for force majeure <sup>[3]</sup>	98.7%	98.7%	Achieved in 2012-13 See page 40
Customer satisfaction <sup>[1]</sup>	Improve our average (mean) customer satisfaction score, as measured in our monthly business customer survey	70	74	Achieved in 2012-13 See page 36
Customer complaints <sup>[1]</sup>	Reduce the number of complaints received by our Customer Service team	457,600 <sup>[4]</sup>	486,400	<b>Not met in 2012–13</b> See page 39





People	Target	2011-12 Performance	2012-13 Performance	Status
Lost time accident frequency rate (LTAFR) <sup>[1]</sup>	Reduce the LTAFR (previously RIDDORs)	1.47	1.17	Achieved in 2012-13 See page 46
Total accidents	Reduce the number of work-related accidents	15,859	13,878	Achieved in 2012-13 See page 46
Days lost due to accidents	Reduce the number of days lost due to accidents	69,930	44,405	Achieved in 2012-13 See page 46
Fatalities	Towards zero work- related fatalities	6 <sup>[5]</sup>	7	<b>Ongoing</b> See page 46
Sickness absence	Reduce the sickness absence among our workforce	4.0%	4.2%	<b>Not met in 2012-13</b> See page 47
Engagement <sup>[1]</sup>	Increase our employee engagement score, as measured in the Annual Employee Opinion Survey	49	50	Achieved in 2012-13 See page 44
Customer focus <sup>[1]</sup>	Increase our Customer Focus score, as measured in our Annual Employee Opinion Survey	63[6]	65	Achieved in 2012-13 See page 36
Learning and development	Ensure employees are appropriately equipped with skills and knowledge	NA	Trained over 2,100 Workplace Coaches and introduced 163 new World Class Mail Champions and Champion Supports	<b>Ongoing</b> See page 48
Diversity and inclusion	Introduce 12 trained facilitators for the Springboard development programme in order to put 1,000 female employees through in 2013-14	NA	Trained 11 facilitators. Six new programmes planned by end March 2013, with 458 applicants	<b>Ongoing</b> See page 49

<sup>[1]</sup> This is a key performance indicator in our Corporate Balanced Scorecard.

<sup>[2]</sup> Retail includes stamped and metered mail, plus account mail. It excludes access mail and special delivery.

<sup>[3]</sup> This accounts for the impact of factors that are beyond Royal Mail's control, such as weather and the logistical impact of the London 2012 Olympic and Paralympic Games.

<sup>[4]</sup> A new complaint type was introduced for 2012–13. P739 complaints now include a new category for items not located at the Delivery Office, which were previously reported as claims. The 2011–12 number has been restated from 439,600 complaints to provide a like-for-like comparison.

<sup>[5]</sup> This was reported as seven in 2011-12. Since then, it was found in court that we were not involved in one incident.

<sup>[6]</sup> The 2011–12 score for customer focus was incorrectly reported in the 2011–12 Corporate Responsibility Report as 70.

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Communities	Target	2011-12 Performance	2012-13 Performance	Status
Charity of the Year	Raise £2 million, including matched giving for Prostate Cancer UK over a two-year period	NA	Raised £800,000 including matched giving	<b>On track</b> See page 57
Colleague engagement	Increase support for charities through payroll giving, matched giving and fundraising	£3 million raised by colleagues	£3.2 million raised, with a four per cent increase in payroll giving and a 11 per cent increase in employee fundraising	Achieved in 2012-13 See pages 54, 58
Volunteering	Roll out a volunteering programme for apprentices on the Duke of Edinburgh's Award (DofE) Scheme	NA	Introduced a 12-month DofE volunteering programme focused on our Charity of the Year and apprentices' chosen good causes	Achieved in 2012-13 See pages 51, 58
Suppliers	Phase in our new Supplier Relationship Manager System across RMG through training and supplier engagement programmes	NA	55 suppliers engaged; on-the-job training for contract management employees with 90 per cent of contract owners now in place	<b>Ongoing</b> See page 61
Environment	Target	2011-12 Performance	2012-13 Performance	Status
Carbon emissions	Ensure that our CO <sub>2</sub> e emissions at the end of 2020-21 are reduced by 20 per cent against our baseline year (2004-05)	721.6k tonnes CO <sub>2</sub> e	746.5k tonnes CO <sub>2</sub> e, 16 per cent below emissions in our baseline year 2004–05	<b>On track</b> See pages 67–68
Waste	Divert 70 per cent of waste from landfill by 2014-15. Interim target of 60 per cent diversion by 2012-13	58 per cent of waste diverted from landfill; 13.9k tonnes of waste to landfill; 19.2k tonnes recycled	66 per cent of waste diverted from landfill; 23 per cent reduction in waste to landfill; 10.7k tonnes of waste to landfill; 20.3k tonnes	Achieved in 2012-13 See page 69

to landfill; 20.3k tonnes diverted from landfill.

consumed, a reduction

Achieved in 2012-13

See page 70

1,508k m³ water

of 12.6 per cent

Performance	Target	2011-12 Performance	2012-13 Performance	Status
Group revenue <sup>[1]</sup>	Increase Group revenue	£8,764 million, reported, 52-week basis	£9,279 million, reported, 53-week basis	Achieved in 2012-13 See page 8 and 2012- 13 Annual Report and Accounts (ARA)
Delivery hours reduction <sup>[1]</sup>	Percentage year-on- year reduction in the gross hours spent on delivery activities	2.2%	1.9%	<b>Achieved in 2012-13</b> See 2012-13 ARA
Delivery Offices fully modernised <sup>[1]</sup>	Increase number of Delivery Offices that have been modernised	408	860	Achieved in 2012-13 See page 43

Financial	Target	2011-12 Performance	2012-13 Performance	Status
Operating costs <sup>[1]</sup>	Manage costs - total expenditure for UK businesses, excluding all exceptional items	£6,950 million, reported, 52-week basis	£7,247 million, reported, 53-week basis	Ongoing See page 8 and 2012-13 ARA
Group operating profit <sup>[1]</sup>	Increase Group operating profit before exceptional items	£381 million, reported, 52-week basis	£635 million, reported, 53-week basis	<b>Achieved in 2012-13</b> See page 8 and 2012-13 ARA
Free cash flow <sup>[1]</sup>	Increase free cash flow	£154 million	£334 million	Achieved in 2012-13 See page 8 and 2012-13 ARA





Manage and reduce

our use of water

 $1,726k m^3 of$ 

water consumed

Water

[1] This is a key performance indicator in our Corporate Balanced Scorecard.

## 1.5 Moving to the private sector

We can combine the best of the public and private sectors. Our strategy supports a sound and sustainable Universal Service for the benefit of everyone in the UK.

On 15 October 2013<sup>[1]</sup>, after the reporting period, Royal Mail Group Ltd was floated on the London Stock Exchange. We are now a listed company, majority-owned by investors, including employees, institutions and members of the public. As a private organisation, we will no longer have to rely on the Government for money to invest and innovate.

In the competitive market we operate in, we need to be more nimble to seize the opportunities available to us. As a private company, we will be able to move faster and take advantage of those opportunities. Like many major companies, we need access to capital from time to time. Being a listed company on the London Stock Exchange means we will have the opportunity to access capital when we need it. Since Deutsche Post was floated in 2000, it has invested over £20 billion in its business<sup>[2]</sup>.

In the lead up to privatisation we looked to attract high-quality investors including pension funds, insurance companies, mutual funds and private individuals. In addition, 10 per cent of shares in Royal Mail (just over 100 million shares in total) were set aside for the overwhelming majority of Royal Mail Group Ltd employees at the time of flotation – for free. This means that, besides the Government, our employees currently have the single biggest stake in our company. As shareholders in the company, there will be greater alignment between the interests of our employees and the business.

## **Customers**

We operate in a very competitive sector. We know we need to get it right first time as our customers have many choices and can take their business elsewhere.

Our great customer service will be a big advantage for us in the private sector. It is underpinned by the legal commitments around the six-days-a-week, one-pricegoes-anywhere Universal Service.

Our customers include many small and medium-sized enterprises (SMEs) such as small businesses and PowerSellers on eBay. They represent an important part of our customer base. They will also reap the benefits as we work to develop stronger relationships, provide greater on-demand services and easy-to-use systems, and improve accessibility to a wider range of customers. Easy access to our services will continue through Post Offices – the largest retail network in the UK – as discussed on page 25.



"The key objective of our reforms to the postal market is to protect the **one-price-goes-anywhere**, **six-days-a-week service** that businesses and communities throughout the country rely upon"

Vince Cable MP, Secretary of State for Business, Innovation and Skills







- Our customers will continue to enjoy a high-quality Universal Service, protected by law. The Universal Service six-days-aweek collection and delivery at a uniform price is enshrined in the Postal Services Act 2011. Changes could only be implemented with the consent of both the Houses of Parliament and Secretary of State.
- We will continue to deliver to a very high standard. Quality of Service is one of the key drivers of our success and the regime that applied to Royal Mail under public ownership continues to apply under private ownership.
- Privatised postal operators deliver a high-quality standard. Privatisation of postal services elsewhere in Europe has seen private postal operators maintain high quality of service levels. Deutsche Post and Austrian Post both deliver more than 95 per cent of letters the day after posting.
- Our services will remain good value for money. That will not change. Royal Mail's average inland stamp price (for letters up to 100g) is 55p, which compares favourably with equivalent prices in Germany (57p) and Italy (87p). The comparable price in France is 54p.
- We will continue to deliver to rural areas.
  Under private ownership, the rural areas we serve will continue to receive a full, six-days-a-week collection and delivery service at a uniform tariff.

## Colleagues

Our people are naturally concerned about what privatisation means for them. We know that there are three specific issues they want to know about, namely:

- What it means for jobs and pay
- How Free Shares work
- What it means for customers

We have communicated extensively with our colleagues – both on the frontline and managers – to improve understanding and provide reassurance during this time of change. This includes briefing packs sent to employee homes:

- What privatisation means for you
- What privatisation means for managers
- Managers brief
- A Courier Special on privatisation

Our communications programme is outlined in the Our People section of this report (pages 42–45). Jobs, Free Shares and customers are discussed here.

<sup>[1]</sup> This report covers our reporting period from April 2012 to March 2013. However, because of privatisation, we have also included important developments that have occurred beyond the financial year.



### Jobs and pay

The privatisation of Royal Mail does not change employee terms and conditions. Employees continue to be employed by the same company, Royal Mail Group Ltd. Employee pay, pension and other benefits continue to be as set out in our agreements.

In mid-December 2013, we agreed in principle a ground-breaking new agreement on an agenda for growth with our main union, the CWU. It is about improving industrial relations, creating a can-do culture and a joint commitment to delivering business success. The agreement includes legally-binding terms covering employee pay, protections and industrial stability. The industrial stability framework sets out a new approach to resolving workplace issues at a much faster pace and without disruption. We will provide updates to the agreement on our website.

## Free Shares

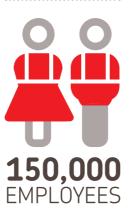
At the time of flotation 10 per cent of the company (just over 100 million shares in total) was set aside for eligible employees. These shares were offered for free (Free Shares) to eligible employees. More than 99 per cent of eligible employees - the overwhelming majority of Royal Mail Group Ltd employees in the UK - chose to receive Free Shares.

This is the largest free stake of any major UK privatisation. More employees were able to take part in the Free Shares Offer than in any other UK privatisation for almost 30 years. It means that, besides the Government, our employees currently have the single biggest stake in the business.

We have confirmed that each eligible full-time employee is entitled to 725 Free Shares in Royal Mail. Based on the closing mid-price on 15 October 2013, this means the initial market value of their allocation was £3,545.25. Under HMRC rules, the maximum amount of Free Shares that can be allocated to an individual employee in any tax year is £3,000. Eligible employees will therefore receive their Free Shares in two allocations.

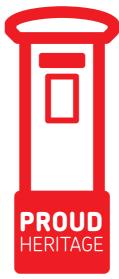
The final value of an individual employee's Free Shares will be determined by Royal Mail's share price, if and when an employee decides to sell their stake. The Free Shares are being held in a tax-advantaged Share Incentive Plan (SIP). Under HMRC rules, the shares need to be held in the SIP for at least three years. Eligible employees can sell or transfer their Free Shares out of the SIP after three years and will be able to sell or transfer them completely tax free after five years. In the meantime they will receive any dividends the Company may pay, and will be able to instruct the SIP Trustee to vote on their behalf at shareholder meetings. As shareholders, colleagues have a meaningful stake in the company and the potential to benefit from its future success.

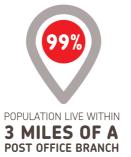
Employees who were eligible for Free Shares also had the option to apply to buy additional shares through the Employee Priority Offer. Eligible employees could purchase shares at the same price as any other investor. However, they were given priority over members of the public when shares were allocated, receiving the amount they had applied for up to £10,000 when other retail investors received up to a maximum of £750 of Royal Mail shares.











## **Communities**

## Supporting communities

We are proud to provide the Universal Service and of the role we play in the economy. We make commerce happen by connecting companies, customers and communities across the UK. Research by the Centre of Economic and Business Research indicated that in the last year our success has moved us up one place, from eighth largest in the UK in terms of economic footprint in 2011–12, to seventh largest in 2012–13. Our considerable contribution to the economy will remain. Indeed, we believe that Royal Mail will be able to be more successful in the private sector.

Following privatisation, Royal Mail continues to deliver the Universal Service to every community in the UK. We continue to provide a full, six-days-a-week collection and delivery service at a uniform tariff, including to rural and remote communities. Only Parliament could decide to reduce this service provision.

## Working with Post Office Ltd

Post Offices are at the heart of many communities across the UK. The presence of a Post Office counter in an independent business often supports the financial viability of the 'last shop in the village.' Post Offices provide a range of postal, Government and financial services to isolated communities, and 99 per cent of the population lives within three miles of a Post Office branch.

Formerly sister companies, Royal Mail and Post Office Ltd are now separate companies, working closely together in their mutual interest. The two businesses have signed a long-term agreement, which provides the framework around which they work since they were legally separated in April 2012. The long-term commercial agreement ensures that Royal Mail services are available through all Post Offices in the future.

It is in both Royal Mail and Post Office Ltd's interest to ensure a strong, comprehensive post office network. Combined with Government funding of the Post Office, and allowing Royal Mail to access external capital, separation will safeguard the future of both companies and the commercial relationship between them. Separation has also given Post Office Ltd

management greater freedom to focus on its customers and growing its revenue base.

We believe capital investment and transformation of Royal Mail will result in more business going through Post Offices – particularly from the growing parcels market – and a stronger post office network. At the same time, the Post Office Network Transformation programme will result in longer opening hours at Post Offices, and greater flexibility for postal–service users. This will allow Royal Mail's customers greater access to parcel facilities and benefit both companies.

Royal Mail, working with Post Office Ltd, announced in 2012-13 the launch of the UK's largest 'click and collect' network. This is to support online shopping growth by providing greater choice of convenient parcel delivery options for online retailers and their customers. Around 10,500 Post Offices will be taking part in the initiative, which will enable online retailers to offer shoppers the opportunity to order items for collection at their local branch.

## Maintaining our character

Royal Mail is proud of its heritage. It is one of the best-known brands in the country. This is a strong and valuable asset for investors. There would be no incentive to rebrand or change its iconic visual symbols such as post boxes.

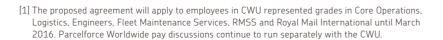
The Sovereign will continue to approve all stamp issues. The Secretary of State has the power to ensure her image appears on stamps, and the image of any future sovereign. This process is safeguarded in the Postal Services Act 2011 (Section 62 – UK postage stamps bearing an image of Her Majesty).

A key part of our heritage is held within the British Postal Museum & Archive (BPMA), established by Royal Mail in 2004 to manage the public records of The Royal Mail Archive. This represents our history and we continue to protect and promote this from the private sector. Stamps form part of the public record and could only be sold with the agreement of The National Archives and other Government bodies. The long-term funding agreements signed between Royal Mail and the BPMA continues beyond privatisation.

"It cannot be right for Royal Mail to come cap in hand to ministers each time it **wants to invest and innovate**. The public will always want Government to invest in **schools and hospitals ahead of Royal Mail**"

Vince Cable MP, Secretary of State for Business, Innovation and Skills, July 2013





## 1.6 Our stakeholders

We engage our stakeholders as a part of our every day business, from customers, suppliers and colleagues through to communities, the Government and regulators. As Royal Mail transforms, we are gathering essential feedback on our progress and performance. We are ensuring we understand stakeholder views and expectations, and helping them understand our need for change. This also helps us identify where our operations have the greatest impact and where corporate responsibility can deliver the greatest benefits.

## **Determining materiality**

To align our Corporate Responsibility Report more closely with our stakeholder interests and needs, in 2013 we introduced a stakeholder approach to our materiality assessment. Our specific aims were to identify current and future opportunities and challenges that shape our corporate responsibility strategies and actions.

We held a roundtable discussion involving Royal Mail Group Ltd employees, stakeholder representatives (acting for supplier, community and business interests) and external corporate responsibility experts from Corporate Citizenship. An issues list was collated from existing stakeholder feedback. Also, an industry media review was devised for discussion at the panel and used to identify key responsibility issues facing Royal Mail.

### Issues raised for inclusion were:

- What privatisation means to the business and its stakeholders
- How employees are engaged and invested in throughout change
- How we manage our environmental impacts of the property estate and fleet
- How we support local communities
- How Royal Mail is addressing diversity in its workforce

Our Corporate Responsibility Report is the primary medium by which we communicate our responsibilities. The stakeholder feedback has been used not only to inform the contents of this report, but also how we present information, for example through the use of additional infographics to convey important information. In response to feedback, we have also reflected on the journey of Royal Mail: where we have come from, where we are now and our vision for the future.

An issues list was collated from existing stakeholder feedback and an industry media review for discussion at the panel and used to identify key responsibility issues facing Royal Mail





measuring performance and minimising risks in the supply chain

28-29

### Stakeholder Progress during 2012-13 Looking ahead to 2013-14 Who they are What they expect from us How we engage **Customers** • Provision of the six-day-a-week, • Around 15 million customer • Reduced redirection complaints • Continue focus on activities to drive • Business and consumer customers as a result of our targeted work to down the largest areas of customer one-price-goes anywhere Universal conversations a year through phone, ..... Service at competitive prices email, letter and twitter address this complaints · Senders and receivers of mail High-quality and consistent service • Our frontline postmen and women • Introduced simple, flexible options to • Improve first-time delivery engage with our customers at point meet customer needs e.g. tracked of collections and on deliveries returns and Delivery to Neighbour Value for money Add value to bulk mail by barcoding six days a week • Updated www.royalmail.com to make • Develop our parcel services • Our sales team of account managers: it easier to use such as our 'click and collect' service in field, desk, new business and specialists partnership with the Post Office Ltd • Introduced consumer customer surveys • Our www.royalmail.com website to better understand their needs Invest in local enquiry offices to provide a better experience for customers · Business and consumer customer collecting their parcels surveys and focus groups Colleagues • 150,000 RMG employees • Continue to drive down accident • Weekly Work Time Listening • Significant fall in workplace • Engagement on issues of importance accidents as a result of our focus numbers and lost time accidents to the company and Learning sessions on safety and minimising risk • 16 per cent female • Unrivalled standards of health • JustSayIt (a direct email link Actively pursue legal action or support our people in taking to the CEO) • Widespread employee engagement and safety • 10 per cent minority ethnic programme to keep colleagues legal action - against the owners informed of the changes across the of dangerous dogs • Equality and fairness Royal Mail TV • 6 per cent identify themselves business and the reasons for it throughout workplaces as having a disability • Improve gender diversity, proactively • Intranet and myroyalmail.com • Improved employee engagement score encouraging female applicants and · Learning and development support ..... in our annual Employee Opinion Survey supporting development through our · Our monthly magazine, Courier, Courier Springboard programme Specials and Newsflashes sent direct to employee homes • Postcards, posters and daily and weekly emails sent to business units or individuals' homes • A programme of 'town halls', forums, conferences and on-site engagement with senior managers and leaders across the business Suppliers • Over 7,000 suppliers • Fair and transparent contracting and • Group procurement monitors Achieved the Chartered Institute of • Attain CIPS Platinum Certification ordering processes, and payment in compliance with our Responsible Purchasing and Supply (CIPS) Gold accordance with agreed terms Procurement Code of Conduct Certification - at year end, only 15 • Our annual procurement spend is • Expand our SRMS, other organisations worldwide had approximately £2.5 billion including training and supplier achieved this • Clear, relevant information on Royal • Participation in the Public Sector engagement programmes to Mail's requirements and standards Ethical Sourcing Working Group improve understanding • Delivered our Supplier Relationship Management System (SRMS),

Stakeholder Looking ahead to 2013-14 Who they are What they expect from us How we engage Progress during 2012-13 Unions • Agreed commitments to job security, • Communication Workers Union • Fair and respectful treatment • Weekly meetings held between • Pay settlement including maintaining a predominantly (CWU) - an estimated 80 per cent of CWU representatives and frontline of members operational and administrative grade operational managers to discuss full time workforce and aiming to • Agree a new model for how we work employees are members resource to workload, reviewing core complete the modernisation programme together, with closer alignment between Consultation and engagement costs, upcoming work and additional without compulsory redundancies on issues of importance to CWU and Royal Mail, developing resource requirements • Unite Communication and industrial stability mechanisms as part the company Managers' Association (Unite CMA) • Collaborated to develop our of this agreement - an estimated 40 per cent of our • Daily/ad-hoc meetings as required to approach to safety • Negotiating improvements managers are members of Unite CMA review resourcing and in support of to terms and conditions Pensions reform individual members Agreed new approaches to attendance and absence management and on • Complete modernisation revisions and • Dedicated specialist industrial relations bullying and harassment set out future for operational change team regularly consulting with unions to address business-wide issues such as jobs, pay, privatisation and transformation Local communities • Reach our £2 million fundraising · Communities across the UK • Operating in a socially responsible way • Supporting our people in making a Made a total economic contribution difference to local communities of more than £9.6 billion target, including matched giving, for ..... Prostate Cancer UK • Charities and non-government • Require appropriate access • Raised £800,000, including matched organisations to services Collaborative working with • Further support colleagues' charity partners giving, for our Charity of the Year volunteering efforts, encouraging Prostate Cancer UK and assisting our people to give back to communities. • Our colleagues have donated around £48 million through payroll giving since 1989 • Delivered around 6.2 million items of mail for free under Articles for the Blind **UK Government** • During the reporting period, Royal · Continue to modernise and • During the reporting year, the UK • Implemented Royal Mail Group Ltd's • Government became a Mail Group Ltd was 100 per cent strengthen Royal Mail Group Ltd business strategy minority shareholder in Royal Mail Government was kept up to date through regular performance reviews owned by the UK Government Group Ltd when it was privatised and is asked to approve Royal Mail on 15 October 2013 • The Government announced plans Group Ltd's business strategies • The Shareholder Executive within the to extend legal protection over dog • Relationship interface redesigned for Department for Business, Innovation attacks to cover those that take place & Skills manages the Government's • Regular day-to-day engagement on private property. This followed the government as a shareholder and from relationship with Royal Mail Group Ltd publication of an independent report through our Government Affairs a policy perspective & Regulation and Group into dangerous dogs, commissioned by

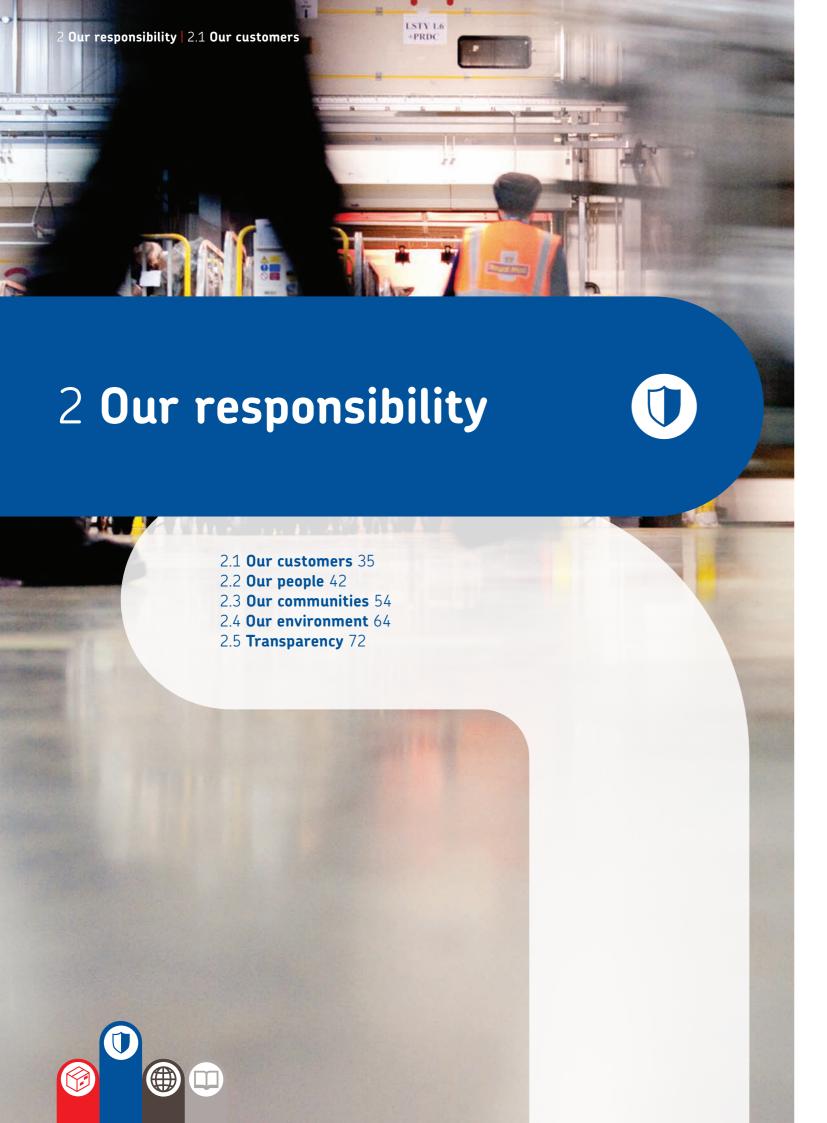
Communications departments

Royal Mail Group Ltd Chairman,

Donald Brydon CBE



Stakeholder Progress during 2012-13 Looking ahead to 2013-14 Who they are What they expect from us How we engage **Ofcom** • Independent regulator for the UK • Regular updates on compliance with • Regular engagement through • Significant deregulation took place, • Carry out ongoing monitoring of Royal the Universal Service, including reporting, face-to-face meetings allowing Royal Mail Group commercial Mail Group's compliance with the new communications market providing data to enable monitoring and consultation responses and operational freedoms to adapt to a regulatory framework considerably challenging market against this • Responsible for, among other things, · Monitor the mail market safeguarding the UK's Universal Relationship managed by the Regulation Service Obligation • Responses to public consultations • Review of Postal User Needs was and Compliance departments and the sustainability of the published in March 2013 regarding the regulatory framework Universal Service • Ofcom published their statement on direct delivery competition in March 2013 Universal Postal Union (UPU) • United Nations (UN) body, which has • Engagement on issues of importance • RMG takes a leading role at the UPU • At the four-yearly Congress, the Doha · Implement decisions taken at Congress 193 member states, dedicated to the to develop the organisation, the UN Postal Strategy was adopted development of the global postal service and the Universal Service • Providing leadership and expertise in • Continue and deliver the inter-the UPU on topics of importance to • Great Britain was re-elected to the Congress issues via the Postal • Supports and maintains the global • Commitment to and participation in Royal Mail Group Postal Operations Council, one of the Operations Council postal network, setting the rules for the various bodies two governing bodies of the UPU international mail exchanges among • RMG attends the bi-yearly governing • Deliver the structures and work its member countries body meetings, participates in key • Took on positions of leadership in programmes mandated by Congress forums and attends ad-hoc meetings several Committees and working • Coordinates efforts to modernise groups, in areas of importance to • Observe the annual UPU Council of Royal Mail Group Ltd products and services, stimulate Administration session, on behalf of mail volume growth and improve the Great Britain customer quality of service www.upu.int International Post Corporation (IPC) • Leadership (at CEO level) as a • Developed Quality of Service • Continue development of • Dedicated to improving service • Participation in meetings, forums quality, promoting cooperation member of the IPC Board and conferences measurement, operational and e-commerce platforms and interoperability, and providing IT enhancements informed intelligence about the • Continue Quality of Service Participation in working groups postal markets Increased focus on service measurement and operational services enhancements to better serve to support international mail exchange Provision of expert resources www.ipc.be e-commerce customers **PostEurop** • Regional union of the UPU in Europe • To take a leading role at the • Royal Mail Group is an elected member • Prepared for the 2012 UPU Congress Attend 2013 Plenary Assembly with 52 postal operators. Its aim Management Board and working of the Management Board on implementation with focus on ...... is to promote further cooperation group level ...... e-commerce • New strategy, structure and among the European posts and • Participation in working forums, resource model agreed at 2012 improve services • Engagement on key European meetings and focus groups Plenary Assembly and global issues www.posteurop.org • Royal Mail Group contributed responses to the European Commission on e-commerce, VAT and data protection



## 2.1 Our customers

We are focused on getting things right for our customers and being their first choice. Royal Mail is the market leader by revenue in the UK parcels and letters market. Being customer focused is one of our strategic priorities. As a responsible brand of long standing, our customers trust us to deliver.

## **Key facts**

- We collect from around 205,000 post boxes, post offices and businesses
- We deliver to more than 29 million addresses, six days a week
- We delivered over one billion parcels in 2012-13
- Approximately 99 per cent of letter volumes in the UK are delivered by Royal Mail
- We handle around 58 million addressed items each day

## **75 per cent** of consumers agree that "My postie provides a good service"[1]

## Key achievements

- 74: our mean business customer satisfaction score, up from 70 in 2011-12.
- 70: our mean consumer customer satisfaction score in March 2013, having steadily increased from 66 in April 2012, when the survey was first introduced.
- 82 per cent of customers are satisfied with the attitude of Royal Mail's delivery staff.[1]
- Improving customer options through our Delivery to Neighbour scheme and the recently announced (May 2013) 'click and collect' service, utilising the Post Office network for secure parcel collection across the UK.
- Introduced our MarketReach service in July 2012 to help companies and their agencies derive more value from mail.

## Our customer strategy

Royal Mail Group Ltd is the sole provider of the Universal Service in the UK. We reach everyone. Whether our customers live in the centre of a large city or operate a business from a remote corner of the countryside, we deliver to their door, six days a week.

Our customer strategy is focused on continually improving the customer experience. **We are:** 

- Becoming a more customer-focused business: investing in training for our postmen and women; rolling out handheld scanners to all frontline employees to better track and trace deliveries; aligning managers' remuneration with customer focus.
- Ensuring products are continually relevant and valuable: updating customer insight to identify future needs; developing deeper and more commercial customer relationships via sales training; and enhancing, extending and improving our products.
- Making more customers more satisfied: identifying the root causes of customer complaints; making it easier to find out information online; and making it easier for customers to send and receive mail.

Private ownership allows us to continue to invest in customer service improvements. Customers will continue to enjoy a high quality Universal Service. We will continue to deliver to a very high standard. Our services will remain good value for money and we will continue to deliver to rural areas.

[1] Ipsos MORI Consumer CSI and Brand Tracker Survey 2012-13.

We have received recognition for our efforts to continuously improve our performance;

- We jumped 34 places to rank 17th out of 500 UK companies in this year's Business Superbrands survey – believed to be our highest position for some time. This is based on the opinions of marketing experts, business professionals and thousands of UK consumers.
- We won the prestigious Sales Support Team of the Year at The British Excellence in Sales & Marketing Awards.
- Royal Mail and Parcelforce Worldwide came first and third in a Money Saving Expert Survey of the best parcel carriers in January 2013.
- We achieved first place for email responses (up from seventh in 2011) in the International Customer Management Institute Top 50 Call Centres for Customer Service 2012 award for our Door-to-Door service. We ranked sixth for calls (up from 22nd).

## Understanding customer needs

We want to be first choice for customers, whether they are individuals or businesses. That means getting the basics right and providing them with what they want. We talk to our customers to find out what is working for them, what they think of Royal Mail and what needs to improve.

We gather customer feedback and insights to help us shape our products and services and to address any areas of concern.

Our business customer satisfaction survey provides a useful measure of how we are doing. We survey about 700 business customers every month, from the very large to the very small, investigating general satisfaction levels, and inquiring about their experience with us. This year, we moved from reporting net customer satisfaction scores to mean customer satisfaction scores. The net customer satisfaction score does not account for some responses (e.g. 'fairly satisfied' and 'neutral' responses) while the mean customer satisfaction score takes all answers into account. We believe all responses are equally important and the mean score therefore provides us with a better view of our performance. This year, we achieved a score of 74, an improvement of four points on 2011-12.

### **Business customer priorities**

- Being easy to do business with
- Providing value for money
- Delivering on the basics: collecting and delivering successfully and in line with expectations.

We also introduced a survey of consumer customers who contact us, asking them their opinion about Royal Mail and their experience of our services. We survey around 3,000 people per month and satisfaction scores have steadily improved from 66 (out of 100) in April 2012 to 70 in March 2013.

## **76 per cent** of consumers are **more likely to reuse** a particular online retailer if they use **Royal Mail for deliveries**<sup>[1]</sup>

## Consumer customer priorities

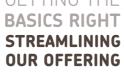
- Items arriving in good condition
- On time deliveries.

In addition to surveys we conduct targeted research with specific groups. The resulting insights helped us re-shape the parcels portfolio this year (see page 37). This research also pushed us to take a fresh look at the speed of delivery and tracking capabilities – two areas that customers flagged as being of particular importance to them in our parcel business.

After our customers, our own people are best positioned to tell us how customer focused our products and services really are. We use our annual employee survey to gauge what they think. Their viewpoint on customer focus, which comprises one of our Corporate Balanced Scorecard measures, has increased by two points over the last 12 months meeting our stretch target of 65. [2]











## AND AUTOMATING OUR NETWORKS

## Delivery to Neighbour

After a successful trial in early 2012 and the go-ahead from Ofcom on 1 October 2012, we deployed the Delivery to Neighbour scheme across the UK. Our postmen and women can now leave parcels with a neighbour if the recipient is not at home. Feedback from people in the areas where we trialled Delivery to Neighbour revealed that 92 per cent[3] of customers whose items were left with a neighbour were satisfied with the overall experience. People can, however, choose to opt out of the scheme. By March 2013 only 0.53 per cent had chosen to do this. We were previously the only major parcel carrier in the UK who was not allowed to leave items with a neighbour, when no-one was at home.



## **Christmas deliveries**

The Christmas period is an important time for us. It's a peak period and we need to show that we can continue to meet our customer promises. Our comprehensive planning for Christmas 2012 paired with our more efficient operations meant that we had great success. We recruited approximately 20,000 temporary staff to handle increased Christmas traffic, with eight temporary parcel sorting centres opening at the beginning of November. We also extended local Delivery Office opening hours to make it as convenient as possible for people to pick up parcels after receiving a 'Something for You' card. The core UK network handled 125 million parcels in the UK over the four weeks to 23 December 2012, while Parcelforce Worldwide handled eight million express parcels. During the peak period over Christmas, the Royal Mail network, on average, delivered more than 2.2 times the average daily delivered parcels. Our Delivery to Neighbour scheme and an extra redelivery day on Sunday 23 December meant that we delivered more first class retail parcels first time, and our redelivery complaints reduced by 4 per cent compared with the same period in 2011.

## Being easy to do business with

Our customers will only choose us first if they find it easy to do business with us. We need to provide simple and flexible options that suit our customers' needs, at the right price.

Our transformation is helping us manage the changing balance between parcels and letters, allowing us to effectively deliver both through a common network. Strategically, we are focused on capturing the growth in online retailing to ensure a sustainable and profitable Universal Service, as the number of letters we handle continues to decline.

## For parcels, we're focused on:

- **Getting the basics right.** Streamlining our parcels offering to make it easier for customers to choose the right service for them. We have simplified our terms and conditions, too, and provided our colleagues with more of the tools they need to deliver increasing numbers of parcels.
- **Getting the technology right.** Investing in IT to offer our customers the services they expect from a parcels operator, including SMS messaging and tracking services.
- Expanding and automating our networks. Investing to adapt the Royal Mail network to handle more parcels and expanding the capacity of Parcelforce Worldwide's express network.

We redesigned our parcels portfolio, responding to customer feedback to keep it simple; make the speed of delivery clear; and provide more features. We have streamlined our First Class offering with fewer weight bands (from 15 to seven) and two parcel categories (small and medium). We also introduced a 1–20kg Second Class Signed For option. We continue to respond to changing customer needs and support the growth of the UK parcels market.

We also announced, in May 2013, the upcoming launch of our new 'click and collect' service – partnering with the Post Office network to provide secure parcel collection facilities through around 10,500 Post Office branches.

There is an ongoing decline in letters, partly due to e-substitution. However, this is still an important element of our mail. Letters (including marketing mail) accounted for over 50 per cent of our revenues in 2012–13, including statements, magazines, greeting cards and social letters.

<sup>[1]</sup> Delivery Matters by Hall & Partners, published April 2013.

<sup>[2]</sup> The 2011-12 score for customer focus was incorrectly reported in last year's Corporate Responsibility Report as 70. The actual score was 63.

## Our letters strategy targets:

- Using our new regulatory freedom to receive a commercial return for the letters we deliver. Price increases in April 2012 are a key driver of UK Parcels, International and Letters improved profitability.
- Investing in our operations to improve efficiency and in tracking business mail.
   We have put in place initiatives to make traditional mail more attractive to customers.
- Leveraging our position in marketing mail to reach customers in new and innovative ways.

In July 2012, we launched our new MarketReach service. This enables customers to maximise the impact of marketing mail to support their business growth. Direct Mail is the fourth largest advertising channel in the UK.

We also redesigned our website to make it easier to deal with us online and we continue to expand our tracking services. Our postmen and women are now equipped with almost 50,000 handheld scanners, helping customers better track and trace their parcels. We have a target for a total of approximately 73,000 scanners to be in use by Christmas 2013.

In 2013–14, we are launching a major initiative that will see barcodes added to letters, so that large companies can track their mail through the postal network. Businesses will be able to improve their efficiency and customer service by staffing operations, such as call centres, based on the exact date customers receive statements or business mail. This will also enable them to improve the effectiveness of marketing mail campaigns and more accurately link associated communications activities, for example, a text message, with delivery of their mail.

## Tracked Returns

With the increase in online shopping, returns are also increasing, as people try items at home and return them if they are not wanted. Being able to easily and confidently return items is important to both online businesses and their customers. At the start of April 2013, we added a tracking facility to our returns product. This provides online businesses with a choice of delivery speeds, inclusive compensation and free proof of posting. Returns are easily accessible through the Post Office - 99 per cent of the UK population lives within three miles of a post office. Efficient returns means our business customers can more easily manage sales and improve customer service, while their customers can easily and confidently return items.

Tracked using our handheld scanners, the system also means greater efficiency with automated logging of returned items for each customer.

## Communicating with our customers

Clear communication with customers is one of the foundations of good customer experience.

We use a variety of communication channels to inform and support our customers by telephone, email, letter and twitter. We communicate updates to services, potential disruptions (e.g. due to severe weather) and address customer complaints and queries. Our website displays up-to-date information about our network and services.

**73 per cent** of eBay sellers using Royal Mail or Parcelforce Worldwide are very or **extremely satisfied** (compares with 58 per cent for the next best competitor)<sup>[1]</sup>

A rapid response time is key for customers, and Royal Mail has embraced social media as a means of engagement. By April 2013, our Twitter account @RoyalMail had attracted around 32,000 followers, providing a direct connection for customer queries and feedback as well as a platform for us to share information, for example on organising redeliveries and managing mail while away.

### **Customer communications:**

- 6.8 million customers received letters about operational transformation
- 6.62 million conversations with consumer customers
- 1.48 million calls with business customers
- 74,000 messages sent via Twitter.

We continue to make our communication channels and processes more accessible and customer friendly in our drive to be easy to do business with.



6.8 MILLION CUSTOMERS RECEIVED LETTERS

RECEIVED LETTERS
ABOUT OPERATIONAL
TRANSFORMATION



6.62 MILLION CONVERSATIONS WITH CONSUMER CUSTOMERS





## **Excellence in Customer Service**

Business customers look to deliver advertising campaigns through unaddressed leaflet distribution. Our Door-to-Door service offers advice on campaigns to make sure their messages reach the right households. We have on average around 20,000 customer conversations per month and work hard to deliver excellent customer service. Since 2010, our Door-to-Door team has been recognised in the Top 50 Call Centres for Customer Service - an initiative that measures the customer service offered by some of the nation's best-known brands such as Nationwide, British Gas and Virgin Atlantic. In 2012, Royal Mail achieved first place for emails (up from seventh in 2011) and sixth place for calls (up from 22nd in 2011).

## Fixing problems

Regrettably, the number of complaints we received increased last year from approximately 457,600<sup>[2]</sup> to 486,400. We are working hard to reduce the number of complaints we receive. Four issues cause over 60 per cent of Royal Mail complaints: misdelivery, redelivery, redirection and P739 or 'Something for you' cards. We have introduced a number of measures to improve the service our customers receive, such as the Delivery to Neighbour programme (see page 37).

## To understand and address the root causes we:

- Track complaints by type and geography
- Establish targets for each Royal Mail area
- Communicate with colleagues on what the issues are and how they can be resolved
- Encourage the sharing of locally designed best practice

We are also introducing more convenient delivery options and easier collections processes, including improvements in our Delivery Office.

Our focus on improving the experience of customers using the redirections service has resulted in a 10.4 per cent reduction in redirection complaints year on year. Success was driven by senior leader support at the national level and local activity plan development by Delivery Office teams. We are applying this focused approach to other complaint categories in 2013–14. This is starting to deliver results: there was a 10 per cent reduction in the total number of complaints in the first quarter of 2013–14, compared with the same period in 2012–13.

We remain committed to driving down the number of complaints and fixing things promptly when they go wrong.



## Case study

## Fixing problems for Mazuma Mobile

During our operational transformation programme, we moved our work for phone recycling firm Mazuma Mobile to our new Mail Centre in Hemel Hempstead. Mazuma Mobile told us it was unhappy with the move because it was no longer receiving the same level of service as before.

The customer experience team worked with the local operational team to review the pipeline to the customer. As a result, we made changes to the dispatch times and to drivers' start times. This restored the level of service that Mazuma Mobile was used to and resolved their concerns.

In order that Mazuma Mobile understood what changes were being made and the reasons for them, we invited the company's representatives to the Mail Centre in order to see how our new operations at Home Counties worked.

"The enthusiasm that came across from the whole team – including the various employees we met and spoke to on the floor – was both very informative and inspiring. It was very nice to catch up again and gain more of an understanding with some of the "knock-on" effects that late deliveries into Hemel Hempstead can and will have on our deliveries. There is no comparison with the new facility to the old plant we visited a couple of years back in Watford, and it gives us some understanding of the modernisation that Royal Mail has been going through. You now have superb premises to which I know the Watford team are rightly proud of."

Mike Cahill, Financial Director, Mazuma Mobile



<sup>[1]</sup> eBay usage through Post Office Ltd.

<sup>[2]</sup> A new complaint type was introduced for 2012–13. P739 complaints now include a new category for items not located at the Delivery Office, which were previously reported as claims. The 2011–12 number has been restated from 439,600 complaints to provide a like-for-like comparison.

## **Quality of Service standards**

Delivering when we say we will is a key component of our service standards. Royal Mail has demanding Quality of Service targets set by Ofcom as part of our obligation to deliver the Universal Service.

This year, including force majeure adjustments<sup>[1]</sup>, we delivered 92.5 per cent of First Class retail<sup>[2]</sup> items on time, just missing our target of 93 per cent. We are disappointed not to have achieved our goal. However, our performance still means that over 1.2 billion First Class stamped and metered items were delivered on time, first time, against a backdrop of significant operational change. We exceeded our target for Second Class retail<sup>[2]</sup> items, delivering 98.7 per cent of items on time, against a target of 98.5 per cent. Our Special Delivery service achieved a performance of 98.2 per cent, against our stretching target of 99 per cent.

The modernisation of Royal Mail provides the basis for us to achieve our service standards, improving efficiency across our common letter and parcel network. We are driving improvements in the pipeline to be more productive and effective. For example, 79 per cent of letters are now sequenced to delivery point (see page 43).

Carlisle was the top performing delivery post code in 2012-13, with 94.9 per cent of First Class Mail delivered on the next working day.



## **Delivering tickets for** London 2012

Royal Mail was proud to play its part in the Olympics. We were the chosen provider to deliver tickets for the London 2012 Olympic and Paralympic Games. Eighteen months of operational planning and a dedicated customer service team ensured that collection and delivery services for customers remained excellent throughout the Games period. Tickets were tracked through our system, with customers receiving SMS notifications both letting them know when the tickets would arrive, and upon successful delivery. We delivered 1.6 million envelopes enclosing approximately 7.5 million tickets to customers, with over 98 per cent of them arriving first time, on time.

## Pricing

Last year, Ofcom's decision on a new regulatory framework for UK postal services gave Royal Mail greater freedom in the way we set our prices.

Ofcom put a cap on Second Class stamps for letters of 55p. indexed in line with CPI (consumer price index) for seven years. There was no cap for First Class stamp prices. We raised prices in April 2012 to help us safeguard the one price goes anywhere Universal Service.

We know that no one likes price increases when the economy is as tough as it is right now. In 2012, we ran a Christmas stamp scheme to support around 5 million customers from low-income households. Customers in receipt of Pension Credit, Employment and Support Allowance, Unemployability Supplement or incapacity benefit were able to buy stamps at 2011 prices for Christmas 2012. We also introduced a new payment option for postage that offers an alternative for organisations mostly charities - that cannot reclaim VAT.

In March 2013, we confirmed that stamp prices would remain at 2012 prices.



**ON TIME** 









We revised our parcels portfolio in April 2013. We simplified the range for ease of understanding, providing clear choices, simpler pricing and fewer weight bands, making it easier for people to select the right service. We continue to respond to changing customer needs and support the growth of the UK parcels market (see page 37).

Royal Mail's average inland stamp price (for letters up to 100g) is 55p, which compares favourably with equivalent prices in Germany (57p) and Italy (87p). The comparable price in France is 54p.

The proportion of businesses who felt Royal Mail rates were competitive increased during 2012-13, despite significant price rises<sup>[3]</sup>

> A report by Ofcom in March 2013 concluded that the Universal Postal Service prices remain affordable for both residential and business customers.

"The evidence we have collected indicates that universal postal services are affordable for both residential consumers (including low income and other vulnerable consumers) and businesses (including small and medium businesses) at current prices. We have reviewed the price changes that are due to take effect from 2 April 2013 (as announced by Royal Mail in March 2013), and consider that universal postal services will continue to be affordable following these changes."[4]

## Priorities for 2013-14

During 2013, we are concentrating our attention on the following areas:

- Meet our Quality of Service targets, as set by Ofcom.
- Make improvements to Delivery Office with specific performance issues, including investment in facilities and training of colleagues, and improving behind-the-scenes retrieval processes for parcels.
- Launch barcoding of machinable, addressed letters, enabling tracking through network from sender to receiver. Aim to convert all business customers over three years.
- Update parcel shipping and parcel IT systems, investing in a range of solutions to ensure customers can easily integrate their systems with ours.
- Continue focus on the largest areas of customer complaints, working to understand root causes, deploying sustainable solutions and driving down complaints.
- Improve customer information and service channels, making it guicker and easier to access help and making it easier to do business with Royal Mail.



<sup>[2]</sup> Retail includes stamp and meter mail, plus account mail. It excludes access mail and special delivery

[3] Ipsos MORI Business Customer Satisfaction Index 2012-13

[4] 'The affordability of universal postal services', Ofcom, published 19 March 2013







## 2.2 Our people

Royal Mail has long been part of the fabric of the UK. Our people interact with customers on a daily basis. Our colleagues are trusted and respected.

We are going through a significant period of change. Our transformation programme is one of the largest undertaken in the UK in recent history. We have recently moved from the public sector to the private sector. Through this change, we are committed to creating a safer, more secure organisation for our employees and one that is better able to offer the service our customers expect.

## Our workforce profile:

(refer to pages 49-51 and 75-76 for additional statistics)

- 124,000 postmen and women
- 64 per cent of employees have been with Royal Mail for over 10 years; 31 per cent have been with the business for over 20 years
- 10 per cent of our employees are from ethnic minorities
- 84 per cent of our people are male;
  16 per cent are female
- 73 per cent of our workforce is employed on a full time basis.

## Key achievements 2012-13

- 20 per cent reduction in our lost time accident frequency rate
- Over three fifths (62 per cent) of our employees say they are proud to work for us
- Over 50,000 days formal training were delivered for approximately 31,000 people
- Developed a Joint Statement on Bullying and Harassment in cooperation with our unions
- 11 new facilitators trained for our Springboard programme to support the development of our frontline female employees.

## Our people strategy

We are a people business. Our colleagues are fundamental to our ability to succeed as we handle more parcels, manage the decline in letters and enter the private sector.

### We are focused on ensuring:

- We have the right mix of people in our workforce
- Our people have the right knowledge and skills for the job
- We create a customer-focused culture with safe and engaged people
- Colleagues are fairly rewarded within a stable industrial relations climate.

124,000 POSTMEN & WOMEN

10% EMPLOYEES FROM ETHNIC MINORITIES

84% MALE 16% FEMALE



## Over **90 per cent** of our **UK parcels** are handled through the **core Royal Mail network**.





## Privatisation and our people

This is a difficult time for our people. We know that our colleagues are concerned that their terms and conditions might change following privatisation. We are working hard to provide reassurance to our colleagues.

We have communicated extensively with our colleagues – both on the frontline and managers – about what privatisation means for them and the company. **This includes through briefing packs sent to employee homes:** 

- What privatisation means for you
- What privatisation means for managers
- Managers brief
- A Courier Special on privatisation

The privatisation of Royal Mail does not change employee terms and conditions. Employees continue to be employed by the same company, Royal Mail Group Ltd. All terms and conditions remain in place, on the same basis, as set out in our agreements.

In the lead up to privatisation we looked to attract high-quality investors including pension funds, insurance companies, mutual funds and private individuals. This included our employees through the Government's Free Shares Offer. Further information is provided in the Moving to the Private Sector section (pages 22–25).

## Transforming Royal Mail

Since 2007–08, Royal Mail has been undergoing a major transformation programme which has covered every aspect of its operations, namely: collection, processing, logistics, sorting and delivery. We are becoming better equipped to handle the increasing numbers of parcels in the network, whilst maintaining Royal Mail's quality of service standards and improving employees' safety.

Our people have shown flexibility and commitment in making the large-scale changes required to compete effectively in a competitive market. During 2012–13, we more than doubled the number of Delivery Offices undergoing modernisation: up from 408 in 2011–12 to 860. This represents over 60 per cent of our Delivery Offices. The remainder are due to be modernised by March 2014. Since the start of the journey, we have introduced:

- 995 new, refurbished or upgraded machines for efficient and accurate sorting of mail. Eight out of ten letters are now automatically sorted in the order they will be delivered.
- 11,490 shared delivery vans, and greater use of light weight and high capacity trolleys servicing the increased numbers of parcels we deliver.
- 50,000 handheld scanners to better track and trace items.
- World Class Mail in all of our Mail Centres<sup>[1]</sup> and around 40 per cent of Delivery Offices.



We know that change can be difficult for our people. Rationalisation and consolidation of our estate is a necessary part of our transformation. Whether we are in the public or private sector, we need to be smaller and more efficient. The Company has extended until April 2014 its existing voluntary redundancy terms for those impacted by modernisation and renewed its commitment to maintaining a predominantly full-time workforce. We offer practical advice, information and guidance to affected colleagues through our Clear Choice and Next Steps programmes and through bespoke, tailored services. Initiatives include:

- Advice centres where colleagues can talk to experienced HR Managers about site changes.
- Awareness events providing information on voluntary redundancy from external suppliers and providers.
- Enrichment days enabling employees to trial working in a new Mail Centre or Delivery Office.
- One-to-ones with external career coaches to help make informed choices on next steps.
- Outplacement workshops and one-to-ones with external providers, supporting colleagues who choose voluntary redundancy as they move into job searches, self-employment or retirement.



On the Move

Gavin Conway was a part-time reserve postman at Teeside Mail Centre for eight years. He is now working in the revenue team at Tyneside. "I was devastated when I heard Teeside was going to close," says Gavin. "It was only three miles from home and the hours suited me. But I ran my own business for more than 20 years, so I know that change has to happen sometimes for a business to progress. I had three options switch to deliveries, which I didn't fancy doing. move to Tyneside and travel 41 miles each way, or take redundancy. I think the Clear Choice programme handled it really well. Moving to Tyneside was my first choice and I'm really happy here. I got comprehensive training for the role and it's a fantastic team."

## **Employee engagement**

Employee engagement is one of the key drivers in our business success. It is one of the three people KPIs on the Corporate Balanced Scorecard, alongside safety and employee customer focus.

We have focused on building employees' understanding of our business future and reasons for change. We have aimed to build manager and team relationships and have shared customer issues, enabling our people to understand what customers complain about and to develop solutions.

Our second annual Employee Opinion Survey was carried out in March 2013, tracking and benchmarking employee satisfaction and engagement. We achieved a seven per cent rise in respondents compared with our first surveyup from 68 per cent in 2011-12 to 75 per cent in 2012–13. We also increased our engagement score by one point, to 50, meeting our target.

67 per cent of employees would recommend Royal Mail services to a friend or family member, 7 per cent higher than the Ipsos MORI norm for large organisations.

## Other encouraging outcomes include:

- Over three-fifths (62 per cent) of our people feel proud to work for us (61 per cent in 2012), with a similar proportion (61 per cent) saying they are satisfied with their current job.
- 72 per cent of colleagues say they still want to work for Royal Mail in two years' time (71 per cent in 2012).
- Three per cent increase in how optimistic people feel about their own future in Royal Mail Group Ltd.

However, there are areas where we need to do better. We need to ensure more of our people feel valued and recognised (34 per cent, up from 33 per cent in 2011–12) and increase the number of people who feel involved in decisions that affect them and their work (35 per cent, up from 33 per cent in 2011-12).





OF COLLEAGUES **WANT TO WORK** FOR ROYAL MAIL IN TWO YEARS' TIME



## Internal communications

Throughout 2012–13, we continued to deliver a wide-reaching communications campaign to keep people abreast of our transformation programme and its objectives.

More recently, we have shifted our focus to the Government's privatisation agenda. We have increased communications in an effort to help people understand what privatisation means for them, our customers and communities. Our communications have included:

- On-site engagement: 170 senior managers have delivered around 600 face to face briefing sessions in the field to answer questions and get feedback (July 2012-March 2013).
- Town halls: seven events in early 2013. hosted by members of the Executive Leadership team, including Moya Greene, CEO and addressing up to 1.000 colleagues at a time. Around 60 events are planned for 2013-14.
- Conferences: our annual Operations and Modernisation conference attended by around 2,600 managers and union representatives and two senior management forums with an average of 800 people attending each one.
- Work Time Listening and Learning: weekly updates by managers to all employees.
- **Employee newspaper:** 12 Couriers and 13 Courier Specials delivered to colleagues' homes (to March 2013).
- RMTV: weekly programmes broadcast on internal TV and online.
- Postcards, posters, Courier newsflashes and email updates

## Just Say It

Employees can send Moya feedback directly through our Just Say It email channel. She receives and responds to hundreds of messages from colleagues asking guestions about Royal Mail's future and suggesting ideas for business improvements. As a result of feedback, we have introduced clearer information for customers on our Parcelforce Worldwide "while you were out" cards; improved accessibility to our customer contacts on the Royal Mail website; and made general improvements in mail handling processes and procedures within operational units.

### Our unions

We recognise two unions, the Communication Workers Union (CWU) and Unite/CMA. We estimate that approximately 80 per cent of our operational and administrative grade employees are members of the CWU and approximately 40 per cent of our managers are members of the CMA.

We share a common goal: to help secure Royal Mail's future so it can grow as a business and remain successful.

In mid-December 2013, we agreed in principle a ground-breaking new agreement on an agenda for growth with our main union, the CWU. It is about improving industrial relations, creating a can-do culture and a joint commitment to delivering business success. The agreement includes legally-binding terms covering employee pay, protections and industrial stability. The industrial stability framework sets out a new approach to resolving workplace issues at a much faster pace and without disruption. We will provide updates to the agreement on our website.

Last year the number of days lost due to strike action increased from 592<sup>[1]</sup> to 1366 (balloted strikes: 497. unballoted strikes: 869).

At the local level, CWU representatives and site managers meet weekly. They discuss resources and workload, review core costs and discuss any issues that arise.

In 2012-13 we also worked closely together to develop our approach to safety (see page 46) and bullying and harassment (see page 48).

## Rewarding performance

We continue to develop a robust and consistent approach to performance management. In addition to senior management, middle managers' bonuses are now linked to both corporate and individual performance against the Corporate Balanced Scorecard (see page 13) where previously they were only linked to corporate performance. Managers must also show that objectives are achieved in the right way, demonstrating good leadership behaviours such as working collaboratively with colleagues and leading by example. The move ensures that all managerial objectives are aligned to our business strategy, and that high performance is encouraged and rewarded.







## Safeguarding our workforce

Employee safety is an enduring priority for us: it is measured as one of the KPIs on our Corporate Balanced Scorecard. A safer workplace means less harm to our people and more efficient operations.

KPIs	2010-11	2011-12	2012-13
Total accidents	19,043	15,859	13,878
Lost time accident frequency rate (LTAFR)	1.79	1.47	1.17
Days lost due to accidents	87,478	69,930	42,393
Total number of fatalities	5	6[1]	7
Sickness absence	4.1%	4.0%	4.2%

This year we changed our Balanced Scorecard safety KPI from RIDDORS (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) to lost time accident frequency rate (LTAFR). This provides a more accurate and representative measure of safety because it takes into account hours worked and therefore reflects hazard exposure time. It also provides a better view of performance trends. Many other organisations use this measure for reporting, enabling us to benchmark our performance. This includes PostNL, British Gas (Centrica) and BT.

## Our safety initiatives

We have continued to take great strides in driving down accident rates. We achieved a 20 per cent reduction in LTAFR during the year. The total number of accidents decreased by 12.5 per cent while the days lost due to accidents decreased by almost 40 per cent. We estimate this has saved the business around £3.6 million.

## Safety initiatives have focused on managing risk, including:

- Self-Assessment Audits, helping local managers identify and focus on safety issues most relevant to their sites.
- Walk Risk Assessment Platform enabling frontline staff to identify delivery round hazards and define follow up actions to minimise risk.
- Yard Risk Assessments, improving vehicle safety on our premises (see Vehicle safety case study).

We strive to improve our safety performance in everything that we do. It is with great regret that we report seven people lost their lives in connection with our activities in the past year. All the fatalities were associated with road traffic accidents with our vehicles. We liaise closely with the relevant authorities and undertake our own detailed investigations to establish the root cause of each accident and, where possible, determine what lessons we can learn. The findings are communicated across the Group and discussed at the monthly meeting of the Board. We are improving our processes to ensure that recommendations from the independent investigations team are dealt with in a timely manner. Our investigations have alerted us to potential dangers arising when we reverse our vehicles. We are tackling this hazard by installing reversing sensors on our vans.



DOG ATTACKS DECREASED BY



TOTAL NUMBER OF ACCIDENTS DECREASED BY 12.5%





.....

**EMPLOYEES** 



## Vehicle safety on our premises

Car parks on our sites are generally home to many Royal Mail vehicles and are sometimes used by customers. This presents a safety risk to the people using the yard. To address the issue of accidents and incidents involving vehicles on our premises, we have worked with our employees and unions to develop a Yard Risk Assessment process. This involves completing a checklist of potential hazards to identify and address potential safety risks. Improvements have included allocated parking bays, separation of business and customer car parks and designated walkways. The feedback from frontline staff and managers has been very positive. Kilmarnock Delivery Office manager James Jarvie says: "We've completely changed the yard. A new one-way system is in place. We've fitted speed bumps and introduced yard rules for everyone to follow. We haven't had a single incident since."

## Dangerous dogs

Dog attacks pose a serious risk to our postmen and women every day. During 2012–13, there were 2,411 dog attacks. This is a 24 per cent reduction compared to last year, however any attack is one too many.

We have made progress on tackling the threat dangerous dogs pose to our people. In 2012 our Chairman, Donald Brydon, announced the launch of an independent, judge-led inquiry to gather evidence on this issue and make recommendations for action. In November 2012, Sir Gordon Langley published his report, making clear the necessity for Government action and proposed measures to protect postmen and women.

In February 2013, the Government announced that it is planning to extend legal protection over dog attacks to cover those that take place on private property. Since the year end, this legislation has been put firmly on the agenda through the announcement of the Anti-social Behaviour, Crime and Policing Bill in the Queen's Speech in May 2013. Following the Langley report's recommendations, we are establishing a process where attacks on our people are more likely to be the subject of legal action. In addition, we will take a more robust approach to the suspension of deliveries where dogs pose a danger to our postmen and women.

Our Group Safety, Health and Wellbeing and Security and Criminal Law teams are working to establish a process to more actively pursue dog owners whose dogs attack our postmen and women. We also ran a joint dog awareness campaign with the CWU in July 2012. There was a 21 per cent reduction in dog attacks over July and August 2012 compared to the same period for 2011.

## Wellbeing

We aim to provide good wellbeing support for our people. This helps us attract the best people, boost workplace morale and enables us to provide a good service to our customers. A healthy workforce also reduces cost through absences and time off work.

Our sickness absence rate this year increased from 4.0 per cent in 2011–12 to 4.2 per cent for 2012–13. This stands against our target of 3.9 per cent. The increase is largely due to a spike in January and February 2013 of absences attributed to flu and flu-like illnesses. We are committed to helping our people maintain their health and to driving down both the number and duration of sickness absences.

In 2012–13 we focused on addressing long-term absences (greater than 30 days' duration). We have developed a new Attendance Policy and management guide for deployment in 2013 with the agreement of our unions. This introduces specific action points for managers and employees, with the goal of supporting colleagues back into work.

### Our wellness offerings include:

- Online wellbeing portal: providing access to wellness check-ups, and health and fitness advice and support.
- **Health fairs,** offering free heath checks and advice for employees.
- On-site gyms and external gym memberships: we upgraded all our 39 on-site gym facilities and offer an off-peak gym membership scheme for those without access to an onsite gym.
- Employee Assist Service, HELP: offering counselling, manager coaching and financial and legal advice.
- Occupational health support system: improvements to our system to enable managers to book physiotherapy and counselling treatment for employees directly.

Our colleagues can also access to grants in times of need through the Rowland Hill Benevolent Fund (see page 48).

Our efforts to develop a strong wellbeing programme saw Royal Mail win the prestigious Personnel Today 'Health at Work' award in 2012.



[1] This was reported as seven in 2011–12. Since then, it was found in court that we were not involved in one incident.



## **Case study**

## Rowland Hill Benevolent Fund

A healthy workforce is imperative to our business success. The Rowland Hill Benevolent Fund provides grants to Royal Mail colleagues, pensioners and their families in times of need. The Fund was founded as a permanent memorial to the postal reformer Sir Rowland Hill, who retired as Secretary to The Post Office in 1864. Its principle objective is to relieve beneficiaries of financial distress. It offers grants and short-term loans to address all aspects of financial need. from assistance with chronic health problems, to managing debt to funding home modifications for mobility aids. Royal Mail contributes around £50,000 a year, in addition to around £60,000 in in-kind support costs, e.g. for facilities, services and HR support. The Fund also receives contributions from Royal Mail employees and pensioners through payroll giving. In 2012-13, the Fund helped 393 people, an increase of almost 100 cases compared with 2011–12 and gave out £337,693 in grant aid compared with £261,850 during 2011-12.

## Dignity and respect

Royal Mail is committed to creating and maintaining a working environment that is free from bullying and harassment, and where we treat each other with dignity and respect.

We encourage employees to inform their line manager if they become aware of any discriminatory behaviour. Employees who are found to have committed an act of discrimination or harassment are subject to disciplinary action, including possible dismissal.

We take all reported instances of bullying and harassment seriously. We continue to raise the profile of discriminatory behaviour. In the last year, we have:

- Agreed a new Joint Statement on Bullying and Harassment with our unions.
- Reviewed our Code of Business Standards, summarising our core values, policies and expectations.
- Launched our "Enough" campaign, highlighting the damaging impact of inappropriate banter and the responsibility of every colleague to challenge inappropriate behaviour or language.
- Delivered Work Time Listening and Learning sessions with a focus on bullying and harassment.

We are currently working with the Portsmouth Business School to examine ways that we can empower our people to challenge verbal bullying. This will form the basis of a new campaign in 2013–14

## Training and career development

As Royal Mail is modernising, so are the skills of our people. We are achieving this through our extensive internal development programmes. We invested around £22.2 million in training last year, to ensure our people have the skills they need to do their jobs well.

Approximately 31,000 people undertook formal training during the year, equating to around 50,000 days of training. This is in addition to extensive World Class Mail and on-the-job training that occurs regionally. We continually monitor and track the success of our programmes to ensure they remain relevant and effective.

### Activities during the year included:

- Re-launched the Operational Workplace Coach programme: over 2,100 Coaches now support performance improvement and colleague development in their units.
- Trained an additional 163 World Class Mail Champions and Champion Supports.
- Developed the Certificate of Professional Competence for our drivers - well received and rated by independent auditors.
- Launched the Delivery Simulator programme, ensuring delivery managers have the skills they need for the modernisation of the business.
   By end March 2013 over 400 people had completed this.

We have also introduced an Executive Leadership Development Programme for our senior leaders. Eighty-three leaders attended the programme during the year, which is run in conjunction with Oxford University's Saïd Business School. It comprises three modules, which focus on strategy development and delivery, value creation and leading change. We aim to train an additional 150 leaders over the next year.

In addition, we run the Springboard development programme, designed to support frontline female employees in progressing their careers (See page 50).









## Case study

## **Graduate Programme**

Royal Mail has a range of graduate programmes linked to different functions, such as Human Resources and Finance. In 2012, we recruited 75 graduates. Each spends between 18 months and two years in their appointed area of the business. The programme is structured to provide these high potential recruits with the necessary skills, knowledge and attributes to build their careers and become future leaders in Royal Mail.

"My role is to create change and embed better ways of working. I've had lots of challenges and opportunities; I've made five presentations to Professor Yamashina, Head of the Global World Class Manufacturing Association. I'm really proud of that".

Sheetal Kashyap, 2009 Royal Mail Graduate

## **Diversity**

Royal Mail employs a diverse mix of people who reflect the communities in which we work, and the customers we serve. We are committed to being an equal opportunities employer. As part of this endeavour, we work with Business in the Community's 'Opportunity Now' and 'Race for Opportunity' programmes, which promote best practice in equal opportunities. In addition, in 2012–13 we signed up to the Government's Think, Act, Report initiative, which encourages companies to share progress in promoting gender equality.

Gender	distribution	Female	Male
2	Board	36.4%	63.6%
	Senior Managerial	27.4%	72.6%
8	Managerial	19.0%	81.0%
	Administration	58.4%	41.6%
	Operational	14.3%	85.7%
***********			

Age distribution	<30	30-49	50+
Board	0.0%	18.2%	81.8%
Senior Managerial	2.9%	66.2%	30.9%
Managerial Managerial	6.3%	60.2%	33.5%
Administration	9.0%	54.0%	37.0%
Operational	9.9%	54.6%	35.5%



## Gender

At our Board and senior management grades we have a relatively high gender diversity. At Board level, 36 per cent of members are female. On average, FTSE-100 companies have only 17.3 per cent<sup>[1]</sup> female representation on their boards. At senior management level, 27 per cent of employees are female, one per cent higher than last year. However, this drops to 14 per cent in operational functions. Royal Mail is committed to improving the gender balance across all areas of the business.

Our Gender Diversity Steering Group, Chaired by Sue Whalley, Group Director of Regulation and Government Affairs, drives our strategy. Comprising representatives from across the business, the Group looks to help attract women into the business, as well as supporting their career progression:

- Encouraging female applicants: we see few female applicants for frontline roles. We are targeting female recruitment, advertising roles on women's online recruitment networks and speaking at industry events such as at the Women in Technology conference. We are also rolling out a programme to speak in schools, colleges, universities and business groups to attract more female applicants.
- Flexible working: women make up a much greater proportion of the UK's part-time workforce than men. Provision of flexible working patterns is often of greater benefit to women and key in attracting female applicants. In 2012, we reviewed our flexible working policy and communicated it to managers to raise its profile. In our operational units, flexible working arrangements include part-time roles, flexible start times, job shares and term-time only working. In 2013–14 we are continuing to strengthen our approach.

We are increasing consideration of flexible working for all roles and trialling job shares for key operational roles (Delivery Office Managers) in one of our regions. This represents a major cultural change and step forward for the business and will be reviewed in 2013–14.

- Developing frontline employees: our Springboard personal development programme, aimed at developing frontline female employees, has attracted almost 800 participants since 2005. We intend to expand the programme to an additional 1,000 women in non-managerial roles during 2013–14. In 2012–13 we trained 11 new programme facilitators to help deliver this goal. By March, we already had 458 applicants and six new programmes planned.
- Developing middle management: our Women's Network hosts events and a mentor programme to help women in middle and senior management support each other in progression. Two events are run every year for almost 200 members covering subjects linked to professional and personal development. In addition, 92 one-to-one mentor partnerships are currently in place between senior and middle managers.

## Ethnicity

Overall, Royal Mail's ethnic profile is representative of the UK workforce<sup>[2]</sup>. Around 10 per cent of our employees are from ethnic minorities. However, we recognise that ethnic minorities are not adequately represented among our management population. We are seeking to address this. In the coming year we will focus on improving our recruitment processes and advertising campaigns to attract more people from diverse ethnic backgrounds. We are also investigating options for a career development programme. We continue to work with Race for Opportunity to strengthen our progress in this area.

## Disability

We aim to be a disability confident employer. We are committed to employing people with disabilities and supporting disabled employees during employment. Around 6 per cent of our employees identify themselves as having a disability.





Royal Mail is a gold member of the Business Disability Forum. Our Group HR Director, John Duncan, is a member of its Board of Trustees. This year, we worked with the Department of Work and Pensions to reinstate our 'two tick' recruitment accreditation to encourage applications from people with disabilities.

### We have also:

- Undertaken workshops to educate managers on discrimination and disability.
- Streamlined the process for making adjustments to the working environment, such as purchasing assistive equipment.
- Developed new fact sheets on disabilities to educate and support managers.

Through our partnership with the disability charity, Remploy, we have successfully placed over 1,500 disabled people into work at Royal Mail over the last six years. During 2012–2013, we offered 45 work placements and employed 140 individuals over Christmas. In 2013–14, with the closure of Remploy factories, we are creating additional work experience placements to support people into work.

## Inclusive recruitment

Assisting people with disabilities into work is just one strand of our inclusive recruitment practices. We also support young people into work through our apprenticeship schemes, and support the long-term unemployed through our BITC Ready for Work partnership.

In 2012–13, Royal Mail ran three apprenticeship schemes to attract and develop young talent in the workplace. We had an intake of 46 young people during the year. Our **Vehicle Technician Apprentice** scheme has been running for over ten years and has trained over 200 apprentices. In October 2012, we introduced a new **Operational Management Apprentice** 

programme. Targeted at 18 to 24 year-olds, this programme focuses on developing the careers of future first and second-line operation managers. Delivered over two years, it comprises 18 work placements, alongside a structured training programme. At the end of the course, successful participants receive a Level 3 Certificate in Principles of Leadership & Management and NVQ Level 3 Certificate in Management awarded by the Institute of Leadership and Management.

Apprentice Dominic Chapman says: "It's great, the training I was given in the first six weeks has been invaluable and I feel very confident in taking the lead on most issues I come up against. Thank you."

## Our Advanced Apprentice Engineer

programme was revived in 2011–12. In September 2012, we launched a new Duke of Edinburgh Gold Award Scheme for its participants. The Award is open to those under 25 and takes 18 months to complete. It involves fundraising for charity and increasing personal fitness. There is also an outward-bound element, which requires 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 achieve their own personal goals. We will seek to make this Award available to all new apprentices in future.

A study by the Centre for Economics and Business Research found that our apprenticeship schemes are worth £21.2 million to UK productivity based on a conservative estimate. See the Community section for more details (page 56).

Since 2005, we have offered over 430 placements on the Ready for Work programme. This work experience supports long-term unemployed back into work. To date, 288 Ready for Work Graduates have gained employment with Royal Mail and other employers after completing the programme.

[1] The Female FTSE Board Report 2013, Cranfield University School of Management.

[2] Labour market status by ethnic group, ONS, 2012-13.

## Priorities for 2013-14

- **Engagement:** Strengthen manager-team relationships, communicating changes, ensuring job expectations are clear and that performance is evaluated and rewarded.
- Working with unions: Develop a new model for how we work together, with closer alignment between CWU and Royal Mail, developing industrial stability mechanisms as part of this agreement.
- **Safety:** Build on the success of the Walk Risk Assessment Programme, using the self-assessment methodology and risk management process to address other areas of risk.
- **Wellbeing:** Extend our employee wellbeing offerings with healthy eating initiatives, an extension of the gym-related offerings, and improvements to the Feeling First Class Programme.

- Learning and development: Equip colleagues with necessary skills and capabilities by expanding our Workplace Coach programme

   aiming to have 4,750 Coaches in place by March 2014 and introducing an additional
   150 WCM Champions and Champion Supports.
- Equality and diversity: Improve our systems for measuring and monitoring diversity across the business. We will support an additional 1000 frontline female employees through our Springboard development programme. We also aim to increase the number of women applying for roles, especially in the frontline, through targeted recruitment and more flexible working.
- **Dignity and respect:** Communicate the amended Bullying and Harassment Policy and Statement which we jointly developed with the unions. We will also deliver a new Bullying and Harassment campaign aimed at empowering staff to challenge verbal bullying so that early intervention can help avoid escalation.

Since 2005, we have offered **over 430 placements** on the Ready
for Work programme. This work
experience **supports long-term unemployed** back into work









## 2.3 Our communities

## We seek to be an integral, valued and trusted part of the communities that we serve.

Quite unlike most other businesses, Royal Mail is in every UK community. We deliver to over 29 million addresses and work with over 7,000 suppliers. We are passionate about using our national reach to support the communities where we live and work.

## **Key facts**

- £4 billion our annual salary and wage bill.
- In 2012-13, Royal Mail contributed £9.5 million directly to charities, good causes and schemes for disadvantaged groups.
- In addition, our colleagues raised almost £3.2 million for many good causes across the UK.
- Around £48 million has been donated by colleagues through payroll giving since 1989.
- £5.6 million the 2012-13 cost of our free delivery service for blind and visually impaired people.

## Key achievements 2012-13

- £800,000 raised for Prostate Cancer UK, our Charity of the Year, by March 2013. By the first anniversary of the partnership in June 2013, we had raised over £1 million.
- As a single company network, we had the greatest number of employees in the world register to take part in Movember, and we raised the most amount of money, at over £525,500.
- 11 per cent increase in colleague fundraising and 185 per cent increase in matched funding by the business at a time when donations to charities are reducing.

- Achieved a Guinness World Record for the most amount of money raised at a company quiz.
- We were shortlisted for two Third Sector Business Charity Awards.
- Awarded Gold Class status from the Chartered Institute for Purchasing and Supply for our supply chain management, including its integration with corporate responsibility.

This year, we focused on contributing more to the community and getting more colleagues involved. On a like for like basis, our total community investments increased by over four per cent. Our reported voluntary investments increased by 33 per cent. We achieved this mainly through our commitment to our Charity of the Year programme. We also strengthened our reporting of administration costs.

We successfully encouraged more colleague involvement. We saw a four per cent increase in payroll giving and an 11 per cent increase in colleague fundraising. Our matched funding contributions rose 185 per cent, from £184,000 to £525.000. That's more cash and more time spent supporting our local communities.

In 2012–13 our Articles for the Blind service costs reduced from £6.2 million to £5.6 million. This value naturally fluctuates year on year depending upon the number of items sent. We are proud to be able to support blind and partially sighted people with this service.



AT A COMPANY QUIZ

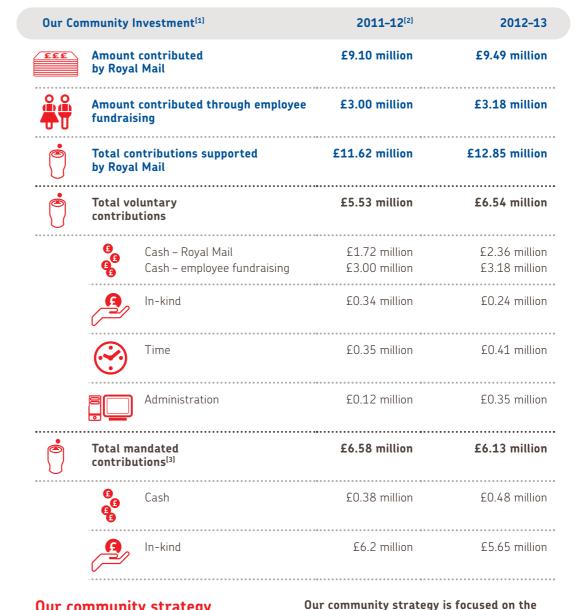


ROYAL MAIL CONTRIBUTED

**GIVING SINCE 1989** 







## Our community strategy

Royal Mail is proud of the role we play in UK society. We make commerce happen by connecting companies, customers and communities across the UK. Under privatisation, Royal Mail will continue to deliver the Universal Service to every community in the UK, including to rural and remote communities. We will continue to support the blind and visually impaired through our Articles for the Blind service. Our long-term commercial agreement with the Post Office Ltd ensures that Royal Mail services are available through all post offices in the future.

Our community strategy is focused on enhancing our contribution to the UK economy. We do this through our everyday business and through targeted community investment. We align our activities with the central goals of our business strategy and the interests of our people.

Making a positive economic contribution

following core elements:

- to the UK through our core business operations. We do this by providing goodquality 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.

In the last 18 months we have worked hard to streamline the investments that we make in the community, focusing on targeted contributions that deliver measurable results. Under the RobecoSAM Corporate Sustainability Assessment, the foundation of the Dow Jones Sustainability Indices, we achieved the highest score in our industry, globally, for Corporate Citizenship and Philanthropy (98 per cent) in 2013.

[1] Community investment contributions are calculated in accordance with LBG guidelines.

[2] 2011-12 figures have been restated to exclude Post Office Ltd contributions: contributions made to the British Postal Museum and Archive are split between Royal Mail and Post Office Ltd.

[3] Includes commitments to articles for the blind and the British Postal Museum and Archive.

## Connecting through our business

## Impact on UK economy

Royal Mail makes one of the single biggest economic contributions of any UK company.

## Research by the Centre for Economic and Business Research (Cebr) found that:

- Royal Mail contributes £7 in every £1,000 UK economic output. We had a total economic impact of more than £9.6 billion, or 0.7 per cent of UK Gross Domestic Product in 2012–13, made up of direct and indirect contributions (£9.4 million in 2011–12).
- On average across the UK, one in every 200 employees work for Royal Mail.
   We employ almost 150,000 people in the UK.
- We contribute around £1.6 billion in taxes to the UK Exchequer. This comprised employer and employee National Insurance contributions, income taxes and business rates in addition to a range of indirect taxes paid directly through suppliers.

The Cebr research shows that our economic impact is growing: we were ranked seventh largest in the UK in terms of economic footprint in 2012–13, up one place compared to 2011–12.

A key part of our economic activity is generated through our supply chain. We spend £2.5 billion across a network of over 7,000 suppliers (see page 61) including inter-business intermediate spend.

Further information on Cebr's research can be found in the Economic and Social Impact Study section of this report, on page 85.

## Impact of our employment

In 2013, Cebr research found that we make a significant contribution to social inclusion through the vital employment and earnings we bring to some of the UK's poorer regions. We offer jobs where there are generally fewer job opportunities. Our employment also matches the population profile: where there are more people, we offer more jobs.

The study indicated that jobs provided by Royal Mail may help people avoid longterm unemployment in deprived areas. The unemployment rate in locations where we employ people is 13.8 per cent higher than average in England and 17.7 per cent higher in Wales. In Wales, 59 per cent of our employment locations are within the bottom 30 per cent most deprived wards or localities. The same applies to England and Scotland, where 40 per cent and 37 per cent respectively of employment locations are within the 30 per cent most deprived wards.

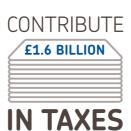
On average across the UK, one in every 200 people works for Royal Mail. However this can be as high as 40 per cent – or two out of every five workers – in certain areas of the country. In the 17 locations in England where we employ more than 1,000 people, we employ on average 22.4 per cent of the workforce.

We also make a considerable contribution through our investment in employee training. Cebr found that our apprenticeship schemes alone are worth £21.2 million[1] to UK productivity based on a conservative estimate. The schemes also result in a wage premium: those who have completed vehicle maintenance and engineer apprenticeships typically earn between 14.3 and 15.1 per cent more than people of the same age<sup>[2]</sup>. This compares favourably with the 19.1 per cent average salary premium typically yielded by a university degree for new graduates. This also helps the general economy, as higher wages support spending on consumer goods and services. Further information on our apprentice schemes can be seen on page 51.

### Articles for the Blind

Royal Mail also supports its communities through the Articles for the Blind service. The service provides free postage for blind or partially sighted people. We are proud to provide the scheme, which we have delivered for nearly a century. We are fully committed to delivering this scheme against the highest quality of service standard specification of any major European country. In 2012-13 we delivered around 6.2 million items free of charge. We work with the Royal National Institute of Blind People and other charities for the blind to ensure the scheme meets their needs. Under privatisation we will continue to proudly deliver this service. This service is protected by law - a change to the scheme could only happen if directed by the Secretary of State and voted for by both Houses of Parliament.







NEW STAMP EVERY GOLD MEDAL WON BY A BRITISH ATHLETE





## **Politicians on Delivery Rounds**

Throughout the year we invite politicians to visit our Mail Centres, Delivery Offices and other Royal Mail facilities. In 2012, almost 100 politicians from Westminster and the devolved administrations: Scottish Parliament, Welsh Assembly and Northern Ireland Assembly, visited a Delivery Office in their constituency and joined a postman or woman on their delivery round. This enables decision makers to see at first-hand how Royal Mail is transforming and to understand the complexities of delivering the Universal Service. Among the participating politicians in 2012 were Vince Cable MP (Secretary of State for Business, Innovation and Skills), Chuka Umunna MP (Shadow Secretary of State for Business. Innovation and Skills). Michael Fallon MP (Postal Affairs Minister). John Swinney MSP (Cabinet Secretary for Finance, Employment and Sustainable Growth) and Adrian Bailey MP (Chairman - Business, Innovation and Skills Select Committee).

Over 350 politicians paid a festive visit to their local Delivery Office to say a personal "thank you" to our people for the important role they play at Christmas and throughout the year. Visitors included Theresa May MP (Home Secretary), David Laws MP (Education Minister) and Peter Hain MP (Former Welsh Secretary).



## 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, 111 postboxes were painted gold across the UK in total. These will remain gold permanently. Each postbox also has a plague naming the athlete and marking their gold medal achievement, or marking the location's connection with London 2012.

## Connecting through our employees

Our people take great pride in the work they do in communities. Through them, we are able to target both national and local communities. We harness our collective size to deliver against national issues; and encourage colleagues in using individual strengths and interests to address local community needs.

## Charity of the Year

In 2012 we launched a new two-year Charity of the Year programme.

We worked closely with our main union, the CWU, to shortlist three very deserving charities. Sixty-eight per cent of our colleagues voted through a UK-wide survey, with over 36,000 people selecting Prostate Cancer UK, from the shortlist including Whizz Kidz and Alzheimer's Society.

Prostate Cancer UK fights to help more men survive prostate cancer and enjoy a better quality of life. They support men and their families by providing vital information and support. We aim to raise at least £2 million over the two year partnership. This will fund the recruitment and training of additional specialist prostate cancer nurses to improve care for people affected by prostate cancer across the UK. 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 in each year of the programme. By the end of 2012-13, we had raised £800,000 including matched giving, through campaigns including Movember, Give a Quid and the £100 challenge.

Through our partnership, we are not only enabling the implementation of additional resources, we are also raising awareness around this little spoken-of disease. We have placed specially designed postmarks on millions of items of mail; held charity auctions on eBay; partnered with Prostate Cancer UK to shake collection tins at a number of football matches; and ran one of the most successful Movember campaigns in the world, raising the profile of the cancer through our heavily moustachioed men (see page 59).

As part of our 'everyone's a winner' approach, we also donated £50,000 to Whizz Kidz and Alzheimer's Society. Once we achieve our £2 million target for Prostate Cancer UK any money raised for any of the three shortlisted charities will also be matched, penny for penny, up to a further £1 million.

<sup>[1]</sup> For apprentices employed between 2006 and 2013. Net productivity gain over the five years post-completion.

## In 2012-13, our contributions and fundraising efforts have delivered funding for:

- 20 new specialist prostate cancer nurses through Prostate Cancer UK.
- 29 wheel chairs for young people through Whizz Kidz.
- 2,265 hours of dementia support through Alzheimer's Society.

### **Business Connectors**

In 2012, we joined Business in the Community's Business Connectors programme. As part of this we are placing our people in community-based organisations so they can use their knowledge and skills to create connections between local businesses and local good causes. The programme also builds stronger ties between Royal Mail and its communities and provides a growth and development opportunity for our seconded colleagues.

Four colleagues were involved in 2012–13. They facilitated mentoring, coaching and job and work placement opportunities; supported young people's education; and enabled development of a charity's sustainability plan.

## Supporting our people

We have a very large workforce and our colleagues have a wide range of community interests. We encourage and support them in contributing to a range of worthy causes:

- Community matched giving and grant schemes. We encourage our people to get involved in community activities through fundraising and community support grants. We match funds raised by colleagues for charities and good causes, up to £200 a year. Colleagues can also obtain a grant of up to £200 a year to cover the cost of fundraising activities. In 2012–13 we supported around 350 charities through these grants, and match funded almost £525,000 (including Charity of the Year matched giving, below).
- Charity of the Year matched giving. For our Charity partner, Prostate Cancer UK, we match funds raised by colleagues up to £2,500 a year.

• Payroll Giving. Payroll giving provides a taxefficient way for colleagues to support their chosen charities. Our payroll giving scheme is one of the largest in the UK, with over 40,000 employees and pensioners taking part. Almost £2.5 million was donated this year, a four per cent rise on last year. More than 975 charities have benefited from our payroll giving donations since the scheme began in 1989 and it has generated around £48 million in donations. This is testament to our employees' great generosity. In 2012, we were awarded a Guinness World Record and a Platinum Payroll Giving Quality Mark Excellence Award. The biggest beneficiaries include County Air Ambulance Trust, Barnardos, Help the Hospices and our own charity, the Rowland Hill Benevolent Fund

Derek Dawson, Sales Account Manager in Motherwell, says:

- "I have been involved with my local children's football club for the past 4 years, currently as head coach for the Moorlands Red 2001. I have been very fortunate in that every year I have applied for Sports Foundation support, I have been successful. We have played numerous teams across central Scotland, some with kit sponsorship, but none with the prestige or UK wide presence as Royal Mail and I know that the team wear the kit with pride."
- Sports Foundation. Established in 2002, our Sports Foundation provides grants for our people to provide equipment, trophies and training to local clubs. Through our people we are able to support community sports and local sports clubs. During 2012–2013, 664 sports clubs benefitted from the Foundation's grants with an estimated 17,000 people benefiting.
- Volunteering. Volunteering outside of the work environment plays an important role in helping build an engaged and committed workforce. It also allows our employees to forge important relationships in the communities where they work. We offer paid time off for colleagues supporting communities and grants of up to £400 to cover volunteering costs. Last year we provided over 2,200 days' paid leave for volunteering activities and almost 9,000 days of unpaid volunteering leave. We have also introduced a 12-month volunteering programme as part of our Duke of Edinburgh Gold Award Scheme (see page 51). Over 2013–14, we look to further support colleagues' volunteering efforts.



20 NEW SPECIALIST PROSTATE CANCER NURSES







## Case study

## Movember

Royal Mail Group Ltd supported the Movember campaign in 2012, a global moustache-growing charity event to raise funds and awareness for prostate and testicular cancers. Our charity partner, Prostate Cancer UK, benefits from funds raised by Movember in the UK.

Our 2012 campaign was a great success, with our colleagues raising over £525,500, including matched giving from the company. The Movember charity confirmed that we raised more than any other single company network in the world.

Over 2,500 Royal Mail employees signed up to take part, meaning we also had the largest number of registered fundraisers of any single company network worldwide. And, of our top ten fundraisers, three were women. We also engaged 23 MPs, MSPs and researchers in fundraising.

Altogether, the funds will pay for 13 new prostate cancer nurses in areas of need across the UK.

Our campaign received a Highly Commended in the Third Sector Business Charity Award Challenge Event category in May 2013.

Owen Sharp, CEO, Prostate Cancer UK said, "Reaching men and women from a wide range of backgrounds who are not office based is very tough to do. But Royal Mail has done exactly that. Thousands of its employees took part in Movember and for every participant there will have been hundreds of other people who will have seen the moustache when the post was being delivered."



## Case study

## **Our first Prostate Cancer nurse**

Stuart Little was the first prostate cancer nurse to be funded by our Charity of the Year programme. He began work in the north east of Glasgow in January 2013. As part of his role, Stuart has been able to run awareness sessions on prostate cancer and has developed links with local NHS and health organisations to help improve care for men with prostate cancer.

"I'm really pleased to have started work in Glasgow to help men and their families who are affected by prostate cancer. By having an active and visible role in the community, I'm hoping we can tackle prostate cancer head-on and make a real difference to people living in the city." Stuart Little

Four other nurses are now working in post in Birmingham, Newcastle, Stockport and London.



## Case study

## Graduate and Apprenticeship Fundraising Challenge

This year we held our inaugural Graduate and Apprenticeship Fundraising Challenge. This encourages our young recruits to raise money for Prostate Cancer UK while developing their skills and promoting team working. The challenge invites small teams to compete against one another to design and deploy a fundraising activity. Over 60 graduates and apprentices from across Royal Mail took part. Events ranged from a fashion show, to an open day at a Mail Centre to Zumba classes. Their motivation and enthusiasm meant that together, they raised £44,000, including matched giving, which is enough to fund a specialist prostate cancer nurse.





## Connecting with tomorrow

Our future as a business, just like every other business in the UK, depends on having well educated and enterprising young people to recruit. These leaders of tomorrow bring with them fresh ideas and inspiration. As a letter business, Royal Mail has a particular interest in literacy levels among young people, encouraging confidence in reading, writing and creativity. We also promote knowledge about the postal system's rich heritage and how it has shaped the modern world.

## Supporting schools

Royal Mail acknowledges the vital job that UK school teachers perform, providing a range of resources to engage students. Resources are aligned with the National Curriculum and are available directly to teachers, as well as through site and school visits. We also ensure that children with disabilities do not miss out, designing video resources with subtitles as well as signed content. Last year, in addition to school visits undertaken by employees, Royal Mail hosted 374 school visits to our facilities around the country.

## Young Letter Writer Competition

The Young Letter Writer competition has engaged thousands of pupils since its launch 35 years ago. In an increasingly digital age, the competition aims to raise awareness of the pleasures of writing, encouraging creativity and confidence in the written word. Teachers select the best examples and send them in for judging – in 2012, 600 letters were entered into the competition from 76 different schools. In 2013–14 we will focus on refreshing the competition to ensure it continues to be relevant and engaging for young people.

## British Postal Museum and Archive

Through the British Postal Museum and Archive (BPMA). Royal Mail supports the heritage of the British postal system and its role in shaping the modern world. The Royal Mail Archive, cared for by the BPMA, is officially designated as being of Outstanding National Importance. The collection includes some of Britain's most iconic objects, spanning over 400 years of postal history, innovation and service. We are currently supporting the BPMA to create a new, more accessible museum to display the archives and have provided a 999-year lease for the new site. Our funding also helps support the dayto-day running of the BPMA and its educational programmes. Examples of BPMA's activities in 2012 include: support for the Stamps in

Schools outreach programme; development and distribution of BPMA Learning Packs; and a series of evening talks. In 2012–13 Royal Mail contributed £1.6 million in cash and in-kind donations

In 2013–14 we will work with BPMA to improve the records of and access to our war memorials. The centenary of the start of World War I is in 2014. Royal Mail is thought to be the second largest custodian of war memorials in Britain, after the Church of England. We are committed to preserving, valuing and celebrating these heritage assets.

## Speaker's Parliamentary Placement Scheme

Since 2012 Royal Mail has been a sponsor of the Speaker's Parliamentary Placement Scheme.

The scheme gives participants the opportunity of nine months paid employment with a Member of Parliament. This is administered by the Social Mobility Foundation, a charity which organises the recruitment of participants and makes sure that it reaches people who would not normally consider applying for jobs in Parliament.

In June 2012 we hosted a Corporate Day for the 2012–13 participants. They toured Mount Pleasant Mail Centre, got an introduction to corporate life and took part in real-time group exercises. For more information on the scheme, see the Social Mobility Foundation's website: www.socialmobility.org.uk

## Priorities for 2013-14

We aim to increase colleague engagement and participation, to deliver lasting benefits to good causes through increased support of our key charities, and to continue to be recognised as a trusted brand. Our priorities are to:

- Further support colleagues' volunteering efforts, assisting local communities and driving colleague engagement.
- Raise over £2 million, including matched giving, for Prostate Cancer UK.
- Re-launch the Young Letter Writers
   Competition to increase its reach and impact.
- Maximise our support for communities, encouraging take up amongst employees of our range of community grants.





600 LETTERS
76 SCHOOLS
ENTERED
YOUNG LETTER
WRITER COMPETITION



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

## **Key facts**

- Our annual procurement spend is £2.5 billion.
- We have a network of over 7,000 suppliers.

Our suppliers play an important role in supporting communities and delivering business responsibly. We continue to communicate with suppliers about the responsible business practices we expect.

We require all suppliers to adhere to the UN Universal Declaration of Human Rights and act in accordance with the Ten Principles of the UN Global Compact. This promotes responsible business across the areas of human rights, labour, environment and anti-corruption. Since 2012, we also require our suppliers to comply with our mail security procedures and our approach to anti-bribery and corruption.

We have developed a wide reaching engagement approach as part of our Supplier Relationship Management (SRM) programme, which we reported on last year. The aim of this is to cement our relationships with suppliers and to ensure we understand each other's objectives.

### Measuring performance

Royal Mail has worked to identify, prioritise and mitigate risks within the supply chain. These cover three main areas: health and safety, continuity of supply and commercial performance of our main suppliers. We are continuing to expand our SRM System. This involves tracking suppliers' contract performance and relationship management activity, as well as creating performance dashboards for senior supplier relationship owners. Our top 55 most critical and important suppliers and contracts are now monitored via regular performance management reports.

Identified risks, including environmental, social and governance risks, are reported to the Chief Executive's Committee (CEC). We are continuing to strengthen the process to ensure that risk reporting is forward looking, enabling the CEC to foresee and mitigate supplier and supply chain risks.

To ensure effective contract management we have provided on-the-job training to employees as well as delivering SRM workshops and skills assessment.

In the 2013 RobecoSAM Corporate Sustainability Assessment, we achieved the highest score globally (79) in our industry for supply chain management.

## Supporting a responsible supply chain

We encourage suppliers to be transparent about their practices and performance on social, environmental and ethical issues. As a member of Sedex – a non-profit organisation specialising in ethical auditing – we ask relevant suppliers to complete self-assessment questionnaires, and use this to evaluate and mitigate risks in our supply chain. This was particularly important for our work with LOCOG (London Organising Committee of the Olympic Games) for the London 2012 games, who required all suppliers to be members of Sedex. As well as enabling Royal Mail to work with LOCOG, we also promoted it within our supply chain, identifying suppliers of Games-based philatelic items and providing them with information to support their Sedex listing.

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

## Supporting SMEs

Small and medium size enterprises (SMEs) play an important role in the UK economy. As a provider of services, Royal Mail aims to ensure that it effectively supports SMEs through our product and service offerings. SMEs are also an important part of our supply chain. In the last year, we have altered the structure of some of our contracts, where commercially appropriate, in a way that makes them more accessible to SMEs, e.g. by breaking down a single large contract into a set of smaller contracts. This provides more opportunity for niche suppliers and SMEs to bid for work, rather than allocating a single large contract to one large supplier.

### Garment recycling and waste reduction

Royal Mail procures a large number of uniforms for our postmen and women. Together with Asda, Oxfam and others, we participated in a project run by the University of Leeds to trial ways to decrease clothing waste. In the past, used clothing has been seen as waste. This project considered how uniforms could be reused: removing items such as logos, trims and buttons to increase the garment's commercial value. It also considered the recyclability of different yarns and how these could be more easily separated from each other. Designing uniforms with easily removable trim and logos and more easily separated materials will enable them to be re-worn or readily respun into new garments. This provides a more sustainable supply chain.

Further information on our environmental work with suppliers is provided on page 71.







## Priorities for 2013-14

- Further categorise key suppliers into critical and important suppliers and expand performance management reporting to an additional 33 suppliers to further mitigate risk.
- Develop a risk dashboard that allows clear reporting on risks to people, process, market and supplier situation and strategic implications for critical and important suppliers.
- Create a hub of communications and events for the contract management community to enable collaboration and knowledge sharing.



## **CIPS Gold Accreditation**

In November 2012, Royal Mail was awarded The Chartered Institute of Purchasing and Supply (CIPS) prized Gold Certification; a status shared with only 15 other organisations worldwide. CIPS Certification is the recognised global accreditation for excellence in procurement. CIPS evaluated Royal Mail's performance across 16 modules, including corporate responsibility. CIPS Gold requires that we link our overarching corporate responsibility strategy to our purchasing activities and practices. **We do this by:** 

- Adhering to the UN Global Compact in a global supply chain.
- Assessing our supply chain performance using the Dow Jones Corporate Sustainability Assessment, which also feeds into the business reporting process.
- Influencing stakeholders inside and outside Royal Mail to assist in meeting corporate responsibility aims.
- Using corporate responsibility risk and performance data via the Sedex portal.

In November 2012, Royal Mail was awarded The Chartered Institute of Purchasing and Supply (CIPS) prized Gold Certification; a status shared with only 15 other organisations worldwide.









## 2.4 Our environment

We are working hard to reduce our environmental impact. The increasing cost of natural resources makes efficiency an important commercial imperative, as much as a social one.

KPIs	[1]	2010-11	2011-12	2012-13
	<b>Waste</b> <sup>[2]</sup> (1,000 tonnes to landfill)	15.4	13.9	10.7
کئ	<b>Waste<sup>[3]</sup> (1,000 tonnes</b> diverted from landfill)	14.2	19.3	20.3
₩	Water consumed <sup>[4]</sup> (1,000 m <sup>3</sup> )	1,513.3	1,726.4	1,508.3
<u>@</u>	Carbon emissions <sup>[5]</sup> (1,000 tonnes CO <sub>2</sub> e)	754.2	721.6	746.5
(E)	Tonnes of CO <sub>2</sub> e per £1m revenue	109.9	100.4	96.1

We aim to ensure that our business operations have a positive impact on our future and a minimal impact on the environment. Managing and reducing our impact in a responsible manner will help us save costs, compete more effectively and deliver a good service to our customers.

## **Key facts**

- We were the first UK postal services operator to achieve Carbon Trust Standard Certification in 2008 and in September 2012, we were recertified for this.
- We are introducing more double deck trailers into our fleet, carrying up to twice as many letters and parcels in every journey. As a result, we have reduced the number of miles we travel by 10.7 per cent since 2008–09.
- We are deploying the World Class Mail operating discipline across our property portfolio, which includes an environment management pillar.

## Key achievements 2012-13

- We established a new Environment Governance Board (EGB) during the year to help drive our performance. The EGB undertook a detailed materiality assessment to review our most significant impact areas, including our targets.
- We reduced the amount of carbon emissions we produce per £1 million of revenue by 4.2 per cent during the year. Electricity emissions reduced by 2.1 per cent.
- We also reduced the amount of water we use by 12.6 per cent and the amount of waste we send to landfill by 23 per cent.

- [1] On 1 April 2012, Royal Mail and Post Office Limited (POL) became separate companies. Our environment data has therefore been restated to exclude POL data. To provide a useful comparison over three years, we have also excluded POL data from 2010–11 data.
- [2] Waste generated while sites were operational
- [3] Data for 2010–11 has been restated to include figures for pallets which were not previously included. Pallet data has been included for all years disclosed here. Waste diverted from landfill includes reuse, recycling and recovery (energy from waste).
- [4] Water for 2011–12 represents use over the period March 2011 February 2012. All other years are for April to March.
- [5] Carbon emissions have been calculated using Defra's 2012 emission factors. In line with best practice, we have applied these latest factors to previous years' data.
- [6] Environmental Management System



## **Our Environment Strategy**

In 2012–13 we focused on strengthening our approach to environmental management. We established a new Environment Governance Board (EGB) to help manage and drive our environmental performance. During the year, the EGB undertook a detailed materiality assessment (see chart above) to review our most significant impact areas including our targets.

Following a subsequent review by the Chief Executive's Committee, the fundamentals of our approach remain unchanged. We reconfirmed our targets for our primary impact areas of carbon emissions and waste. We also reconfirmed our main environmental focus areas, namely climate, waste, water, biodiversity and customers and suppliers. These are further detailed on page 66.



64-65

## Our environmental focus areas



**Energy and climate:** reducing our use of energy and the associated greenhouse gas emissions



**Water:** reducing our demand for water and driving down waste



**Waste:** minimising the amount of waste we create and increasing the amount diverted from landfill



**Biodiversity:** preserving and enhancing the natural environment surrounding our property estate



**Customers and suppliers:** working in partnership with customers and suppliers to address our environmental impacts and leverage any opportunities

## Working towards IS014001

We are continuing our journey towards ISO14001 accreditation. Seven of our core network Mail Centres are certified to ISO14001. We are working with a further 10 of our largest sites to achieve ISO14001 certification in late 2013. Our Parcelforce division has all its operational sites and headquarters certified to ISO14001.

Our World Class Mail programme (see page 14) is also helping us manage our environmental impacts and drive continuous improvement. All of our Mail Centres have now started their WCM environment pillar journey.









## **Energy and climate**

Given our Universal Service obligation, the scale of our operations means that we have a significant energy demand. We deliver to more than 29 million addresses, six days a week. Our buildings contribute around 38 per cent of our carbon footprint, while fleet and transport make up around 60 per cent.

We are working hard to reduce our carbon emissions and have achieved some good results. We reduced the amount of carbon we produce per £million of revenue by 4.2 per cent last year, compared with 2011–12. Since 2010–11, we have reduced emissions per £1 million of revenue by 12.5 per cent. We also achieved re-certification of the Carbon Trust Standard in 2012, which recognises leading companies in managing and reducing their emissions.

We have a target to achieve a 20 per cent reduction in emissions by 2020–21, compared to a 2004–05 baseline. This is a long term target. Previously, our baseline included Post Office Ltd emissions. We undertook a major piece of work during the reporting period to restate our emissions to exclude POL from the baseline, and subsequent years' emissions data.

We have successfully reduced, or managed the growth of, some of our Scope 1 and 2 emissions. Electricity use has been reduced through our investment in energy efficiency projects across our estate.

We have also managed the impact of the growth in our fleet by purchasing fuel efficient vehicles and driving efficiency in our existing fleet.

On an absolute basis, we have reduced our footprint by 16 per cent since 2004–05, with POL emissions excluded from the baseline. However, for 2012–13 carbon emissions increased by 3.5 per cent compared with the previous year. This is primarily due to two factors: the weather and an increase in our use of air transport. This impacted our Scope 2 (gas and heating oil) and Scope 3 (from vehicles not owned by Royal Mail Group Ltd) emissions.

Weather influences how much gas and heating oil we use to keep our buildings warm. Our  $\mathrm{CO}_2\mathrm{e}$  emissions for 2011–12 were relatively low as a result of the mild winter. Mean monthly temperatures were consistently above average for December 2011–February 2012<sup>[1]</sup>. Conversely, 2012–13 saw the coldest winter for 50 years. The difference in temperature between the two years accounts for more than half of the increase in emissions for 2012–13.

Secondly, we made more use of air transport during the year, to deliver for customers' next-day and same-day delivery expectations. Air transport contributed 10.7 per cent of our carbon footprint, up from 9.6 per cent in 2011–12.

With the planned reduction activities detailed here, we believe we are on track to achieve our 20 per cent reduction target by 2020–21.

CO <sub>2</sub> e Emissions by Scope ('000 tonnes) <sup>[2]</sup>	2012-13	CO <sub>2</sub> e emissions by source (%)	2012-13
Scope 1	468.4	Building	38
Scope 2	150.8	Fleet & transport	60
Scope 3	127.3	Business travel	2
TOTAL	746.5		

The above tables show our carbon emissions by Scope, according to the Greenhouse Gas Protocol, and by source of our business activity. Previous years' emissions are reported for comparison on page 64.



<sup>[1]</sup> http://www.metoffice.gov.uk/climate/uk/2012/winter.html

<sup>[2]</sup> We use Defra emissions factors to calculate carbon dioxide equivalent emissions. Scope 1 includes business-owned road transport and natural gas, heating oil and refrigerants. Scope 2 includes purchased electricity, including business-owned rail. Scope 3 includes transport emissions (road, air, rail and ferry) from vehicles not owned by Royal Mail Group and electricity distribution and transmission losses.

## Annual projected reductions of site energy consumption projects

National Distribution Centre: LED lighting in the open plan office

Warrington Hub - Induction lighting

Mount Pleasant Mail Centre: - LED lighting

Manchester Mail Centre: LED lighting in the sorting hall

Carlisle Mail Centre: LED lighting in the sorting hall

Total projected reductions

Amount saved Electricity (MWh) CO,e (tonnes)

## Transporting mail

The mail that we carry is changing. We are now delivering a greater number of parcels than ever before, due to the growth in online retailing. We use air transport to meet both our Universal Service obligations and the high level of service our customers expect. We also ensure that our fleet is equipped to deliver the larger, bulkier parcels. The use of bicycles for local deliveries is no longer practical in the vast majority of cases.

We are managing the efficiency of our fleet to minimise the impact of needing more vehicles. Our vehicle numbers rose by 9 per cent year-onyear, however our associated emissions only rose by 0.1 per cent. We manage fleet fuel efficiency closely and it is a key part of our criteria when procuring new vehicles. We also reduce mileage (and fuel costs) by using higher-capacity vehicles and by optimising our delivery routes.

Our fleet is already using aerodynamic vehicle design, eco-start technology and load efficient double deck trailers to make efficiency gains. We also deliver driver training to teach fuel-efficient driving. We test alternative technologies such as hybrids and electric vehicles on a regular basis - our fleet currently includes 10 diesel-electric hybrids and two electric vehicles. However, the large-scale application of low and zero emission technology is currently not commercially viable due to initial adoption costs. We expect this to change in future and we continue to keep up to date with developments, evaluating the suitability of emerging technologies through the Government's Low Carbon Vehicle Procurement Programme. Further details on how we work with our suppliers on this are provided on page 71.



Project commenced but not completed in 2012-13

## Practical energy reductions

Lighting in the sorting halls of our distribution centres has been identified as the single biggest consumer of electricity in our buildings. During a survey at Warrington Hub, we found that it had highly inefficient lighting - in the form of old metal halide high bay lights. We have now replaced these with induction lighting. This was the most financially viable and practical option as it enabled a like for like replacement, without the need for major building works. At the same time, it will deliver significant efficiency improvements. The induction lights are projected to reduce Warrington's carbon footprint by around 90 tonnes CO<sub>2</sub>e a year.

During the year, we also delivered a number of lighting efficiency projects in other mail and distribution centres. The table above sets out some examples and the projected reductions in electricity usage and carbon footprint. Energy savings are equivalent to the energy use of around 103 homes.[1]





WASTE DIVERTED FROM LANDFILL[2]



2012-13 **66%** 



2011–12 **58%** 





## Expanding our renewable energy portfolio

This year we have continued to expand our renewable energy technology portfolio. We installed our first solar panel array at Chelmsford Mail Centre. The system is a 100kWp photo voltaic array, which equates to 700m<sup>2</sup> of panels. We have calculated that the system will provide us with 83,000kwh of zero carbon electricity per year, which will deliver an associated emissions reduction of around 45 tonnes CO<sub>2</sub>e annually.

## Waste

Our approach to waste management follows the waste hierarchy to avoid landfill: reduce, re-use, recycle, recover (through energy from waste). We track where we generate most waste and tackle our most significant areas first.

We exceeded our target for 2012-2013 to divert at least 60 per cent of our waste from landfill, achieving 66 per cent. Overall, our target by 2014–15 is to divert 70 per cent of waste from landfill. We achieved this by raising awareness amongst our employees of the importance of separating waste and by making recycling easy (see Case Study). Some of our more advanced sites, such as Gatwick Mail Centre, Medway and our National Distribution Centre, achieved impressive recycling rates of over 90 per cent. With the roll out of our new recycling system (see case study), we aim to add many more sites to these ranks in 2013-14.

Waste management is important both from an environmental and cost perspective. Reducing the amount of waste sent to landfill reduces costs, while some waste streams present opportunities for revenue generation.

## Examples of this include:

• Rubber band re-use: rubber bands are collected from incoming mail at Mail Centres and distributed to nearby Delivery Offices for re-use. Medway Mail Centre collects an estimated 100kg of bands per week, supplying up to 16 Delivery Offices depending on their demand. Across the business, orders for rubber bands reduced by 4 per cent over the year.

• Cardboard recycling: we collect cardboard packaging received from customers and suppliers. We bale and recycle this through Biffa, and we receive a rebate in return. During 2012–13 this generated £42,000 in revenue.

Our online environmental reporting system, eCO2HUB, provides site level data for resource use. It is the primary tool for environmental management used by our World Class Mail Environment Pillar Leads. The system gathers and provides detailed data on waste, including whether it is sent to landfill or not, down to business unit level. This helps colleagues benchmark their site's performance against others. They are encouraged to display the results within their sites and to share best practice – as Environment Leads are able to identify those locations having the greatest success. By year end, almost 700 Environment Champions had registered with eCO2HUB.

We also consider how we can reuse and recycle the products we use. For example, we have partnered with the University of Leeds to investigate how our uniforms can be designed so that they are easier to recycle (refer to Our Communities section on page 61).



## Case study

## Making recycling easy

We have deployed over 2,600 new bins at 30 of our sites to encourage employees to recycle. We worked with Environment Pillar leads at our National Distribution Centre and Leeds Mail Centre to help design the bespoke recycling bin system. The bins display clear guidance on what can be recycled. Manufactured by our facilities management partner, Romec, the bins were rolled out to sites early in 2013. We supported the roll out with an awareness raising campaign. using posters and film to inform colleagues about recycling. Trials at three of our sites demonstrated significant improvements as a result of the scheme: Peterborough achieved a 73 per cent recycling rate, up from 59 per cent in 2011-12; National Distribution Centre increased its rate from 86 per cent to 95 per cent: while Gatwick Mail Centre jumped from 67 per cent to 94 per cent. Around 4.000 additional bins have been ordered for 2013-14.

- [1] Average (mean) annual domestic electricity consumption per meter in Great Britain was 4,078 kWh. 'Sub-national electricity consumption statistics 2011', Department of Energy and Climate Change.
- [2] Data for 2010–11 has been restated to include figures for pallets which were not previously included. Pallet data has been included for all years disclosed here. Waste diverted from landfill includes reuse, recycling and recovery (energy from waste).



#### Water

Water is a precious natural resource. We are committed to managing our water use effectively and efficiently. This year we have focused on gaining a better understanding of our water footprint and developing a more representative dataset of our water use. We still have some way to go however. We look to continue to strengthen the monitoring and management of water across our estate.

Our Delivery Offices and Mail Centres account for around 76 per cent of our water consumption.[1] Water used is primarily 'domestic' in nature: in employee washrooms and catering areas. Other uses include cleaning, building maintenance and vehicle washing.

During 2012–13 we recorded a reduction in water consumption of approximately 218,000m<sup>3</sup>. This equates to a 12.6 per cent reduction compared with 2011–12. Part of this can be attributed to a reduction in the size of our workforce.

We are working with WRAP's (Waste Resource Action Programme) Rippleffect programme, and our facilities partner. Romec, to identify areas for water savings. We are running trials of water saving technologies, such as water saving urinals, to assess where and how we can reduce our water usage, wastage, and at the same time reduce our water costs. The outcomes of the trials will help inform our next steps.

Refurbishing our sites presents an ideal opportunity to reduce water consumption, by installing water saving devices at the same time. We hope to introduce formal requirements for water saving improvements in our refurbishment guidelines in 2013-14.



#### Case study

#### Rainwater harvesting

Our new Medway Mail Centre in Kent was opened in September 2012. Incorporating solar walls, rainwater harvesting, bio-mass boilers and solar hot water heating, the site achieved a 'very good' BREEAM rating (BRE Environmental Assessment Method) - the leading assessment standard for sustainable buildings.

The rainwater harvesting system is fed by the building's 15,400m<sup>2</sup> roof. Water is distributed to all facilities that do not require drinking water, for example for toilet and urinal flushing. The system became fully operational in June 2012. In the 12 months to June 2013 almost 740,000 litres of rainwater was collected and used throughout the Mail Centre. This represents 19 per cent of the total water used throughout the site, resulting in both water and costs savings for the site.

#### **Biodiversity**

We have a large estate across the UK and a responsibility to protect and enhance the natural environment around it. Our new sites, such as Medway Mail Centre, have been constructed to a BRE Environmental Assessment Method rating, incorporating sustainable design and safeguards for local biodiversity. Over time, we aim to gain a better understanding of our portfolio and the existing green spaces on our sites.

An important issue for us in terms of biodiversity is our use of rubber bands. Rubber bands that litter the ground present a threat to wildlife as well as representing a needless expense. Our efforts to raise awareness around littering and ways to save rubber bands are having some success (see page 69). We plan to review and re-launch our awareness raising campaign to help continue to reduce littering and the associated impacts.



CONSUMPTION





Our business has a key role to play in working with customers and suppliers to minimise our collective environmental impacts. We have the potential to reach over 7,000 suppliers, and engage with over 1.4 million businesses across the UK.

Our procurement of vehicles is one example of our ongoing work with suppliers to manage our environmental impacts. We have regular meetings with our panel of vehicle suppliers to understand the currently available technology, identify trends and share our business requirements. We are currently discussing the impact of the new European legislation on Heavy Goods Vehicles (Euro 6) that aims to reduce vehicle emissions; the benefit of aerodynamic kit on our fleet; and the benefit of expanding start/stop engine technology into our core UK light fleet, currently being used at Parcelforce. Further information on our management of suppliers can be seen on page 61.

We remain committed to working with the Direct Marketing Association to help meet the Government's environmental targets for direct marketing and incentivise environmental responsibility among suppliers. This also helps our customers meet their own sustainability goals.

- Our Mailing House scheme incentivises mailing houses to be environmentally responsible, providing financial incentives if production facilities are environmentally accredited. In 2012-13, 104 mailing houses had achieved the standard.
- Our Sustainable Advertising Mail and Sustainable Door to Door services follow the BSI Publicly Available Specification (PAS) 2020 standards. This voluntary specification of best practice seeks to minimise the environmental impacts of direct mail. The criteria cover best practice in data management to reduce waste. on-product messaging that the mailing can be recycled and minimum environmental criteria for raw materials.

We are currently working with the Direct Marketing Association to improve our Sustainable Advertising Mail and Door to Door products, ensuring the specification matches customer requirements and provides an improved customer experience. We aim to introduce these changes at the start of 2014-15.

#### Priorities for 2013-14

- Launch our new Environment policy.
- Achieve certification to ISO14001 in an additional 10 of our core network sites, and identify how this could be applied more widely throughout the business.
- Show improved performance in our management of waste, energy and water use.







## 2.5 **Transparency**

Underpinning everything we do is a commitment to transparency in our business, and the security of the UK's mail service.

We feel it is important to ensure information on our performance is comprehensible and comprehensive, where possible. This section provides an update on some of our other responsibilities, including against statutory requirements.

#### Mail security<sup>[1]</sup>

We take the security of mail we deliver very seriously. Our security team works around the clock to identify threats to our products and services and we have robust measures in place to deal with any breaches. We now publish data on the team's investigation into internal and external crime. During 2012-13, we raised 658 full criminal investigations into internal crime (757 in 2011–12). 248 former employees of Royal Mail Group were prosecuted in the UK (315 in 2011-12). These individuals form a small proportion of an overall UK employee population of approximately 150,000. We raised 218 full criminal investigations into external crime against Royal Mail (160 in 2011-12), with 116 external prosecutions (66 in 2011-12).

#### 'Scam mail'

We understand the upset and disguiet that 'scam mail' can cause households across the country, including vulnerable people. In 2012 we became an active member of the National Scams Hub, a new organisation aimed at identifying and addressing fraud and supporting victims. The Hub is sponsored by the National Trading Standards Board and hosted by East Sussex Trading Standards. Representatives on the steering group include the National Fraud Intelligence Bureau, Action Fraud, the National Crime Agency and the Metropolitan Police. We are committed to working closely with the Hub to identify and stop 'scam mail' wherever and whenever we can.

We raise awareness of the issue amongst our people and encourage them to report 'scam mail' complaints to our Security team. We also have a helpline for customers who believe that they, or their family, are receiving 'scam mail'. In addition, we encourage people to send us any potentially fraudulent mail so that we can work with the relevant authorities to investigate it and take any appropriate action. We also mail, on request, a free Action Fraud leaflet to communities and provide guidance on our website.

For more information please go to: www.royalmail.com/scam-mail

#### Returned mail

The overwhelming majority of mail items we handle are delivered safely to the correct address. A small proportion of items are, however, undeliverable for reasons beyond our control. These include incomplete addresses, lack of forwarding addresses for recipients who have moved house and lack of return addresses.

Our National Returns centre in Belfast handles undeliverable mail. We aim to return undeliverable mail to the sender or if this is not possible, securely dispose of it. In 2012-13. the Centre processed 19.15 million items. That should be set against the total of some 15 billion addressed mail items we handled in 2012-13.



Mail security <sup>[1]</sup>	2010-11	2011-12	2012-13
Number of internal prosecutions	312	315	248
Number of external prosecutions	88	66	116
Full criminal investigations into internal crime raised	993	757	658
Full criminal investigations into external crime raised	193	160	218
Returned mail	2010-11	2011-12	2012-13
National Returns centre employees	160	140	134
Items processed (m)	25.6	21.2	19.15
Revenue generated at auction (£m)	0.9	1.2	1.32
Cost of running National Returns Centre (£m)	3.9	3.4	3.25
Exceptions to our delivery and collections service	2010-11	2011-12	2012-13
Long term delivery exceptions	2,571	2,571	2553
Temporary delivery exceptions	414	442	447
Long term collection exceptions	2,180	2,100	2,001
Temporary collection exceptions	155	117	118
Freedom of Information requests	2011-	<b>-12</b> <sup>[2]</sup>	2012-13
Number of requests		494	536
Answered in full		175	188
Answered in part		95	118
Not Provided		145	151
Not Held	• • • • • • • • • • • • • • • • • • • •	79	79

#### [1] Numbers have been restated to include Parcelforce Worldwide. Numbers for full criminal investigations were incorrectly reported last year

#### [2] Numbers have been restated to exclude Post Office Ltd

#### **Delivery exceptions**

Royal Mail aims to collect and deliver every item of mail that passes through our network. There are, however, cases where this might not be possible. We publish annual reports that detail the Universal Service exceptions on which we are required to report. The annual 2012 Exceptions Report, published in October 2012, showed there were 3,000 addresses where it was not possible to deliver mail. Considering that Royal Mail delivers to over 29 million UK addresses, this represents 0.01 per cent of this total.

During 2012–13, there were 2,001 long-term Universal Service collection exceptions across the UK (compared with 2,100 in 2011-12). This represents one per cent of around 205,000 collection points across the UK. These exceptions can be caused by difficulties in accessing post boxes, including business post boxes that are only open Monday to Friday. There were also 118 temporary collection exceptions of more than four months (117 in the prior year). These were due to such things as road or building works that limited access to post boxes. We report all such exceptions to Ofcom on a regular basis.

#### Freedom of information

As a public company we received hundreds of Freedom of Information (FOI) requests about our business each year. Our dedicated team worked on requests, ensuring that we responded as fully as possible. There were, of course, times when we were not be able to make certain information available. For example, as a commercial operation, we would decline requests for information that would damage commercial interests. In other cases, we did not hold the data requested.

Last year, 536 requests were referred to our central Information Rights team. Of those, 188 were answered in full. A further 118 were answered in part. There were 151 requests where the information requested was not provided e.g. for commercial and data protection reasons. In 79 cases we did not hold the information requested. As a private company we will no longer be subject to FOI requests.

#### Data protection and privacy

We know that privacy is very important to the public, our customers and our people. Compliance with the Data Protection Act underlies all our business policies and procedures governing the use of personal information. We handle personal information fairly, securely and in line with the rights of individuals. Our privacy policy explains how we collect, use, share and protect personal information.

www.royalmail.com/privacy-policy

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# 3 GRI Index | 3.1 Employee data 3 GRI Index 3.1 Employee data 75 3.2 Global Reporting Initiative Index 77

# 3.1 Employee data

We report in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Framework, G3.1. This sets out the Principles and Standard Disclosures organisations can use to report their economic, environmental, and social performance and impacts. Our Global Reporting Initiative 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. The GRI Content Index starts on page 77.

#### LA1 Total workforce by employment type, contract and region, 2012-13

The total headcount for UK Parcels, International & Letters at the end of 2012-13 was 149,940. This comprises the Group's UK and international parcels and letters delivery businesses operating under the "Royal Mail" and "Parcelforce Worldwide" brands.

By region	Profile
East region	19.0%
North region	18.0%
South East region	19.0%
South West region	15.3%
West region	16.0%
Logistics	4.4%
Non-region specific	8.3%
By contract	Profile
Permanent	94.1%
Temporary	5.9%
By type	Profile
Full-Time	73.5%
Part-Time	26.5%

#### LA2 Number and rate of employee turnover by age, gender and region, 2012-13

Leavers by region	Headcount	Rate	Joiners by region	Headcount	Rate
East region	1,712	6.0%	East region	1,343	4.7%
North region	1,900	7.0%	North region	1,371	5.1%
South East region	2,016	7.1%	South East region	2,068	7.3%
South West region	1,575	6.9%	South West region	1,224	5.4%
West region	1,412	5.9%	West region	905	3.8%
Logistics	303	4.6%	Logistics	261	3.9%
Non-region specific	705	5.7%	Non-region specific	1,253	10.0%
Total	9,623	6.4%	Total	8,425	5.6%
Leavers by age	Headcount	Rate	Joiners by age	Headcount	Rate
<30	1,924	1.3%	<30	3,640	2.4%
30-49	3,681	2.5%	30-49	3,642	2.4%
50+	4,018	2.7%	50+	1,143	0.8%
Total	9,623	6.4%	Total	8,425	5.6%
Leavers by gender	Headcount	Rate	Joiners by gender	Headcount	Rate
Female	1,612	1.1%	Female	1,514	1.0%
Male	8,011	5.3%	Male	6,911	4.6%
Total	9,623	6.4%	Total	8,425	5.6%



# 3.2 Global Reporting Initiative Index

#### 2012-13 G3 Content Index

1. Strategy an	d Analysis	
G3.1 Indicator	Description	2012-13 response (page references)
1.1	Statement from the most senior decision-maker of the organisation.	02-03
1.2	Description of key impacts, risks, and opportunities.	10-14, 16-17, Annual Report and Accounts 2012-13 (ARA) 24-27
2. Organisation	nal Profile	
G3.1 Indicator	Description	2012-13 response
G3.1 Indicator 2.1	<b>Description</b> Name of the organisation.	<b>2012-13 response</b> 07
		·
2.1	Name of the organisation.	07
2.1 2.2	Name of the organisation.  Primary brands, products, and/or services.  Operational structure of the organisation, including main divisions, operating companies,	07 07

Inside front cover, 08

02, 08, ARA 4, 14-15

14-15, 36, 47, 58, 62

Inside front cover, 04-05, 07-08, ARA 23-24

#### 3. Report Parameters

2.7

2.8

2.9

2.10

Nature of ownership and legal form.

Scale of the reporting organisation.

customers/beneficiaries).

Markets served (including geographic

breakdown, sectors served, and types of

Awards received in the reporting period.

Significant changes during the reporting period regarding size, structure, or ownership.

G3.1 Indicator	Description	2012-13 response
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Inside front cover, 03, 92
3.2	Date of most recent previous report (if any).	92
3.3	Reporting cycle (annual, biennial, etc.).	92
3.4	Contact point for questions regarding the report or its contents.	92
3.5	Process for defining report content.	26
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	92

#### 3 GRI Index 3.2 Global Reporting Initiative Index

3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	92
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.	92
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.	36, 39, 42-46, 49-51, 54-56, 64-70, 72-73
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).	Inside front cover, 39, 46, 64, 72
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	92
3.12	Table identifying the location of the Standard Disclosures in the report.	77-82
3.13	Policy and current practice with regard to seeking external assurance for the report.	92

#### 4. Governance, Commitments, and Engagement

G3.1 Indicator	Description	2012-13 response
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.	ARA 40 -45
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	ARA 35
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.	ARA 35
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	24, 26–33, 44–45
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).	ARA 45-50

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 an annual declaration identifying external roles which might lead to conflicts. For any conflicts identified the Company Secretary will take steps to ensure a conflict at the Board is avoided e.g. exclusion from relevant Board discussions. Two Board members – the Senior Independent Director and the Chair of the Audit & Risk Committee – seek 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 effectiveness review identifies gaps in skills and knowledge. A review is also undertaken when a new Chair is appointed. Where appropriate we engage a search partner to identify candidates with particular skills.
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.	10–15. ARA page 45 Our Code of Business Standards identifies our standards and values. 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.	ARA 45-50
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	ARA 39
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	ARA 44
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	12, 61-62, 66-67
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.	32-33, 49, 51, 58, 60-61, 72
4.14	List of stakeholder groups engaged by the organisation.	26–33
4.15	Basis for identification and selection of stakeholders with whom to engage.	26
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	26-33
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.	26-33, 36, 39-40, 43-47



78-79

Economic		
G3.1 Indicator	Description	2012–13 response
DMA	Objectives and results	ARA 10-12
DMA	Responsibilities	ARA 34-37
DMA	Policy	ARA 38-45
DMA	Monitoring	ARA 38-45
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.	ARA 07-08, 11
EC3	Coverage of the organisation's defined benefit plan obligations.	ARA 75-81
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	56, 85–89

Environmental			
G3.1 Indicator	Description	2012-13 response	
DMA	Objectives and results	11-12, 64-71	
DMA	Responsibilities	12-13, 65	
DMA	Policy	12	
DMA	Monitoring	64-71	
EN3	Direct energy consumption by primary energy source.	Purchased core gas = 2,082,876 GJ; oil (kerosene) = 1,083 GJ; diesel = 5,046,163 GJ; gas oil = 41,627 GJ; LPG = 9,129 GJ	
EN4	Indirect energy consumption by primary source.	Core electricity = 1,089,497 GJ; rail electricity = 36,232 GJ; photo voltaics = 295 GJ <sup>[1]</sup> ; wood chip = 642 GJ	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	67-68	
EN16	Total direct and indirect greenhouse gas emissions by weight.	67	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	67-68	
EN22	Total weight of waste by type and disposal method.	64, 69. Waste sent to landfill, non-hazardous: 10,678t; hazardous: 7.5t. Waste diverted from landfill, non-hazardous: 19,766t; hazardous: 576.7t	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	None	

(1)	

#### Social: Labour Practices and Decent Work

G3.1 Indicator	Description	2012-13 response
DMA	Objectives and results	10-12, 13, 23, 40-51
DMA	Responsibilities	13
DMA	Policy	10–12, 47–51
DMA	Monitoring	42–51, 75–76
LA1	Total workforce by employment type, employment contract, and region.	75-76
LA2	Total number and rate of employee turnover by age group, gender, and region.	76
LA4	Percentage of employees covered by collective bargaining agreements.	45
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.	45
LA7	Rates of Injury. Occupational diseases, lost days, absenteeism and fatalities.	46
LA9	Health and safety topics covered in formal agreements with trade unions.	Approximately 98 per cent as trade unions are the recognised employee safety representatives for engagement purposes. There is a corporate level safety and health committee which deals with strategic issues and is part of the group policy and arrangement facilities. In addition there are regular meetings at Group and Business Unit level by the safety and health leads with senior trade union safety representatives.
LA11	Programmes for skills management and lifelong learning to support continued employability.	48-51
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	49-51, 75-76, ARA 34, 39

#### Social: Human Rights

G3.1 Indicator	Description	2012-13 response
DMA	Objectives and results	11-12, 61
DMA	Responsibilities	For employees, responsibility is held with our Director of Group Human Resources. For Suppliers, it is held with our Procurement Director.
DMA	Policy	11-12, 61
DMA	Monitoring	43-50, 61, 72-73
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 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.
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.	We operate in the UK and have no issues of forced or compulsory labour. We work with our unions in developing collective bargaining agreements.

[1] Chelmsford Mail Centre only

#### 3 GRI Index 3.2 Global Reporting Initiative Index

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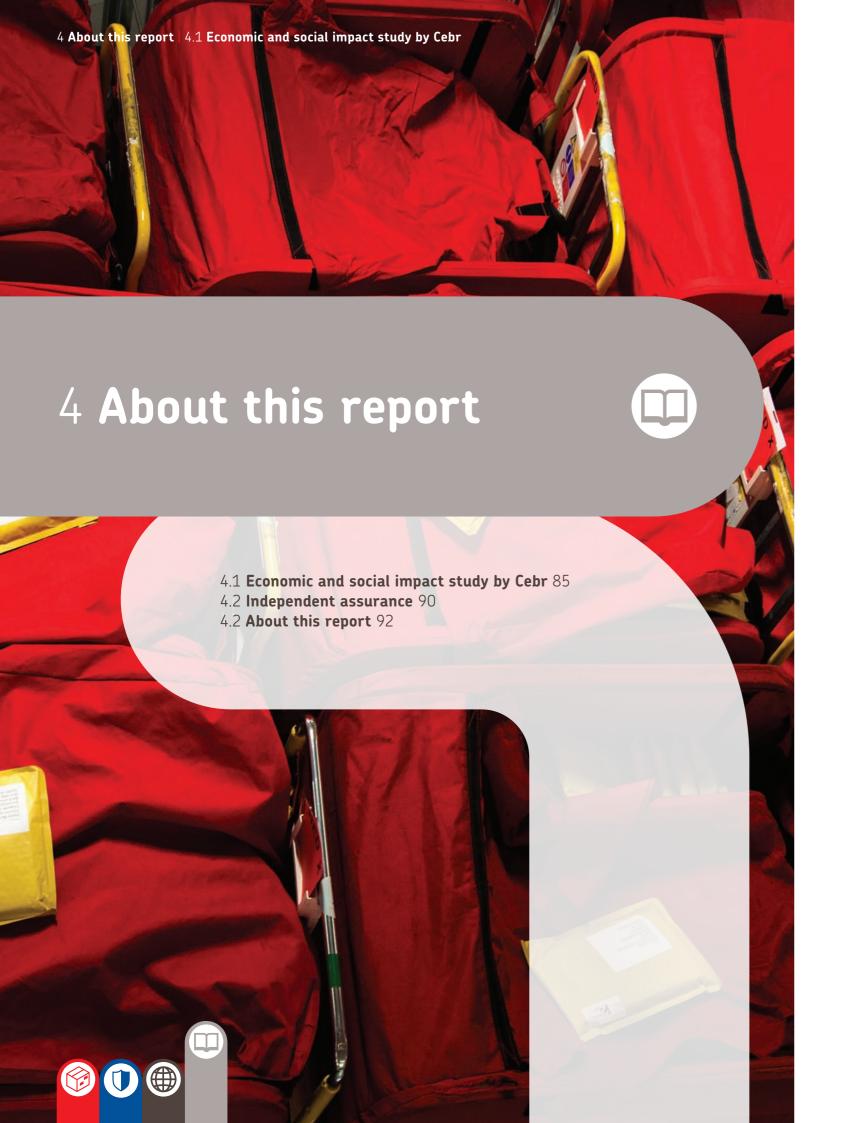
G3.1 Indicator	Description	2012-13 response
DMA	Objectives and results	10-12, 14, 54-62, 72-73
DMA	Responsibilities	13. We maintain a Home Office-recognised professional criminal investigation team that complies with all tenets of the Police and Criminal Evidence Act, and a team of criminal lawyers that operates under the auspices of the Code of Public Prosecutors.
DMA	Policy	12-13, 55
DMA	Monitoring	14, 54-62, 72-73
S02	Percentage and total number of business units analysed for risks related to corruption.	All units have been risk assessed.
S03	Percentage of employees trained in organisation's anti-corruption policies and procedures.	Launched e-learning in May 2012 for Royal Mail Group Ltd centre managers. For Operational managers this is being deployed in three phases depending on risk. By mid-April 2013, 93 per cent central functions; 74 per cent Operations Phase 1 and 2; and 31 per cent Operations Phase 3 managers had completed this. Also 40 per cent of central functions contractors.
<b>S04</b>	Actions taken in response to incidents of corruption.	72
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	ARA 33
S07	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	None
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	None

#### Social: Product Responsibility

G3.1 Indicator	Description	2012-13 response
DMA	Objectives and results	10-12
DMA	Responsibilities	13
DMA	Policy	12
DMA	Monitoring	14, 18, 37-40, 72-73
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 2012–13. No Improvement or Prohibition notices were issued.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	35–39
PR6	Programmes for adherence to laws, standards etc marketing communications.	40, 71







# 4.1 Economic and social impact study by Cebr



The Contribution of Royal Mail to the UK Economy Part 1: A study on the economic contribution of Cebr Royal Mail's UK Parcels, International and Letters (UKPIL) business unit to the UK (May, 2013)

#### **Headline findings**

The Centre for Economics and Business Research Ltd (Cebr), commissioned by Royal Mail, has carried out a complete economic impact assessment of its UK Parcels, International and Letters (UKPIL) business unit and discovered its significant contribution to national employment, value added and taxation.

#### We find:

- A direct £5.25 billion contribution to total UK GVA by Royal Mail's UKPIL business unit, equating to a **0.4 per cent** contribution to UK GDP.
- 151.191 full-time-equivalent (FTE) jobs supported directly by UKPIL, which equates to a **0.6 per cent** share of aggregate UK employment. This is in excess of one in eight **jobs** in the entire transportation and storage sector (of which Royal Mail UKPIL forms part).
- A £1.65 billion exchequer contribution through employer and employee NICs, income taxes, business rates and a range of indirect taxes paid directly and through UKPIL's suppliers.
- A £2.2 billion spend on goods and services provided through UKPIL's external supply chain, a figure that rises to £2.5 billion once interbusiness intermediate spend is counted.
- A further **£4.4 billion** of GVA generated in the wider economy through indirect and induced impacts, bringing the aggregate GVA contribution to £9.6 billion, or 0.7 per cent of UK GDP.
- A further 83,949 FTE jobs indirectly supported by Royal Mail UKPIL in the wider economy, taking the total jobs impact of UKPIL to 235,100 FTE posts.
- For every £1 of income from employment paid by UKPIL, an additional £0.60 of income from employment is generated in the wider economy through indirect and induced impacts. In other words, for every average gross salary of £29,172 paid by Royal Mail UKPIL, a further £17,576 of gross salary is earned elsewhere in the economy.

• From a position of 19th in the 2009 Department for Business, Innovation and Skills (BIS) GVA Scoreboard (which is based on the global operations of the top 50 UKbased companies), Royal Mail UKPIL jumps to a position of 7th in Cebr's adapted GVA Scoreboard (based on the UK operations of the top 10 UK-based companies) - this is a jump of one place in Cebr's adapted GVA Scoreboard.

In an economic context, the benefits deriving from Royal Mail's UKPIL business unit are demonstrable, as our report shows.

#### Methodology and assumptions

For the study, we used a combination of national statistics sources and data supplied by Royal Mail relating specifically to the UKPIL business unit.

Royal Mail provided the following information for the financial year 2012-13 for input into the study:

- 1. Taxes less subsidies on products
- 2. Taxes less subsidies on production: this consists of business rates and employers' national insurance contributions (NICs) at a minimum
- 3. Compensation of employees
- 4. Gross operating surplus and mixed income
- **5.** Intermediate consumption (supply chain)
- 6. Employment: number of full-time equivalent employees

To establish the size and economic impacts of Royal Mail's UKPIL business unit, we adopted the framework provided by the ONS' supply-and-use tables, the most detailed official record of how the industries of the economy interact with other industries, with consumers and with international markets in producing the nation's GDP and national income.

Making use of the supply-and-use framework to analyse a company like Royal Mail – which is only a subset of an industry at the level of disaggregation provided by this framework – is one of the best means of ensuring consistency with the national accounting framework. The process of embedding a specific company, such as Royal Mail, within this framework involves assigning that company a role within the supply-and-use tables.

Having assigned a role for Royal Mail UKPIL within the supply-and-use framework, we had the foundation for establishing:

- The economic size (or direct impact) of Royal Mail's UKPIL business unit, using standard measures of GVA<sup>[1]</sup> – and, from this, the percentage contribution to GDP – exchequer contributions and employment; and
- The wider economic impact of Royal Mail's UKPIL business unit on the UK economy, using Leontief input-output modelling to estimate a full set of (matrix) multipliers capturing direct, indirect and induced impacts of UKPIL on output, GVA and employment.

We use the multipliers in association with the direct impacts data to produce estimates of the total impacts of the industry through the supply chain response (indirect impacts) and the boost to household incomes and expenditure in the wider economy (induced impacts).

# Royal Mail UKPIL's rank on Cebr's GVA scoreboard for UK operations

For eight years running up until 2009, the Department for Business, Innovation & Skills (BIS) produced a scoreboard of the top 800 UK and 750 European companies by value added. This is no different to the concept of gross value added or GVA introduced earlier in this Executive Summary, and is the difference between a company's sales (turnover or output) and the cost of bought-in goods and services (intermediate consumption).

The original UK Scoreboard included the global operations of UK-owned/listed companies and foreign-owned companies which report in the UK. Royal Mail requested that Cebr establish an adapted version of this Scoreboard which takes account of UK operations only. Because Royal Mail UKPIL's operations are UK-based, the adapted scoreboard would provide a more appropriate basis for ranking its economic contribution to the UK relative to other major companies.

The process of isolating the share of the value added generated from the global operations of these major companies that could be attributed to UK operations involved an individual review of each of their annual reports and consolidated accounts. This produced reasonable approximations of the shares of their globally generated value added that could be attributed to their UK operations.

Cebr has produced an adapted GVA scoreboard, showing the top 10 companies by value added from UK operations. In this, Royal Mail UKPIL ranks 7th in the UK.

#### Disclaimer

Whilst every effort has been made to ensure the accuracy of the material in this document, neither Centre for Economics and Business Research Ltd nor the report's authors will be liable for any loss or damages incurred through the use of the report.

#### Authorship and acknowledgements

This report has been produced by Cebr, an independent economics and business research consultancy established in 1992. The study was led by Oliver Hogan, Cebr Head of Mircoeconomics with research and analytical support from Cebr Economists Daniel Solomon and Chitraj Channa. The views expressed herein are those of the authors only and are based upon independent research by them.

This study has been commissioned by Royal Mail Group Ltd and has utilised a combination of data provided by Royal Mail Group Ltd and those available in the public domain through ONS, Nomis etc.

The report does not necessarily reflect the views of Royal Mail Group Ltd.

# [1] GVA or gross value added is a measure of the net value of goods and services which, in the national accounts, is the value of industrial output less intermediate consumption. That is, the value of what is produced less the value of the intermediate goods and services used as inputs to produce it. GVA is also commonly known as income from production and is distributed in three directions – to employees, to shareholders and to government. GVA is linked as a measurement to GDP – both being a measure of economic output. That relationship is (GVA + Taxes on products – Subsidies on products = GDP). Because taxes and subsidies on individual product categories are only available at the whole economy level, GVA tends to be used for measuring things like gross regional domestic product and other measures of economic output of entities that are smaller than the whole economy, such as Royal Mail's UKPIL business unit.



#### Introduction

Social cohesion is an important concept concerned with the goal of promoting equal opportunities and reducing disparities and divisions within a society, thereby strengthening social relations, interactions and ties. The closely related concept of social inclusion, which is itself a key requirement for achieving social cohesion and a key focus of this report, is concerned with bridging these disparities in society in terms of access to and opportunities for services, jobs and infrastructure.

In this report we examine two aspects of Royal Mail's UK business that increase social inclusion and help effect social cohesion. These are:

- **1.** Royal Mail's widespread presence across the UK meaning that it provides jobs in locations where employment opportunities are most scarce.
- **2.** The apprenticeship and training programmes that Royal Mail provides for employees, which not only bridge educational disparities but can be identified with real productivity gains.

# Royal Mail's contribution to social inclusion through widespread employment in the UK

#### Headline findings

Royal Mail contributes to social inclusion mainly via the vital employment and earnings it brings to some of the UK's poorer regions. Royal Mail provided 151,191 full-time equivalent jobs across the UK during its last financial year.

Royal Mail employment is disproportionately weighted towards areas with high levels of deprivation and where job opportunities are fewer. This means Royal Mail jobs tend to 'cluster' where they are most needed, directly answering the need in areas of job scarcity. Specifically, 40 per cent of Royal Mail employees in England work in areas in the bottom 30 per cent of English wards in terms of deprivation. In Scotland 37 per cent of employment locations are within the 30 per cent most deprived wards. This number is even higher in Wales with 59 per cent of staff working in wards in the bottom 30 per cent of Welsh wards.

Furthermore, Royal Mail employs staff in direct proportion to the population of the areas they serve and this is consistent across all regions. Again, this means Royal Mail employment follows the contours of the population so that where there are more people, Royal Mail offers more jobs.

The very nature of Royal Mail's postal distribution network means it has a presence right across the country. This shows Royal Mail employment is distributed far more widely than most other similar-sized companies, thus providing jobs in areas where they are needed. In addition, Royal Mail roles require a wide range of skills, making the company's jobs accessible to people of varying education levels.

This can indicate that for those people at the bottom end of the employability scale, jobs provided by Royal Mail may well help them to avoid joining the ranks of the long-term unemployed in deprived areas. The unemployment rate in areas where Royal Mail employs staff is 13.8 per cent higher in England compared to the average and 17.7 per cent higher in Wales.

The stability of Royal Mail's business also benefits these communities by providing a reliable source of employment. Royal Mail employs between 0.4 and 0.5 per cent of the working population in England. Wales. Scotland and Northern Ireland.

On average across the UK, one in every 200 people works for Royal Mail. But that figure can be as high as 40 per cent – or two out of every five workers – in certain areas of the country. For the 17 locations in England where Royal Mail employs more than 1,000 staff, the company employs on average 22.4 per cent of the workforce in those locations.



<sup>[2]</sup> The employee database provided by Royal Mail includes a postcode location for each employee. This allowed us to apportion these data to the same disaggregated geographies used in the census and indices of deprivation datasets.

#### Methodology and assumptions

To analyse the contribution of Royal Mail to social inclusion in the UK through employment, we relate Royal Mail's employee data to census and deprivation data for the area in which the employee is located. <sup>[2]</sup> The postcode location of each Royal Mail employee was matched to its lower super output area (census zone), electoral ward and district.

We then calculated the average deprivation rank, the unemployment rate and the employment rate for each ward where Royal Mail staff are employed. The ward deprivation rank was converted into percentiles by dividing the rank by the total number of wards in each country. Combining this data facilitated the estimation of an overall deprivation and employment deprivation percentile for each ward where Royal Mail employees work.

# Royal Mail's contribution through investment in human capital

#### Headline findings

Royal Mail's commitment to staff training brings millions of pounds in gains to UK productivity. Since 2006, the company's apprenticeship schemes alone, training postmen and postwomen, engineers and mechanics, is worth £21.2 million to UK productivity based on a conservative estimate. They also result in a wage premium typically between 14.3 and 15.1 per cent for vehicle maintenance and engineer apprentices.

This hike compares favourably with the 19.1 per cent average salary premium typically yielded by a university degree for new graduates. The schemes boost the productivity of 'core' workers such as postmen and postwomen by 20 per cent and engineers and fleet maintenance workers by 50 per cent. Contrary to the situation facing graduates, however, where they enter the workforce laden with student debts, Royal Mail apprentices are paid while training and, therefore, emerge better off on completion.

The combination of on-the-job training of hundreds of apprentices provides a boost in wages, particularly for young workers. The corresponding lift in productivity helps the general economy, whether they stay with Royal Mail or depart and carry their enhanced skills into the broader workforce. Higher wages also support spending on consumer goods and services in the wider economy. Both of these effects provide a welcome boost to GDP.

Royal Mail has two active apprenticeship schemes: Engineering and Fleet Maintenance. An additional two schemes, Core and Advanced, operated for the period 2009 to 2011 and are no longer active. Engineering apprentices train for three years to achieve a BTEC qualification in engineering or a NVQ Level 3 engineering qualification. Fleet maintenance apprentices train for four years to achieve the IMI NVQ Level 3 qualification in motor vehicle technology. The Core and Advanced schemes were designed for new postmen and postwomen starters. The Core scheme provided the Mail Services qualification and lasted for 12 months. The Advanced scheme lasted for 18 months and provided participants with an NVQ Level 3 in management and an ILM Technical Certificate in First Line Management.

Engineering and Fleet Maintenance apprentices can expect a 78 per cent wage premium over the average full-time employee of the same age (18 to 21), due to the longer duration and more technical nature of these programmes. Similarly, Royal Mail apprentices who completed the Core or Advanced schemes can expect a wage premium of 38 per cent.

These productivity gains are a direct contribution to the UK economy and help reduce the productivity gap between the UK and other developed countries. The benefits also remain with trainees throughout their careers, enhancing their earning power and performance.

#### Methodology and assumptions

To estimate the productivity impacts of Royal Mail's apprenticeship schemes, we follow the established methodology from Hasluck et al (2008)<sup>[2]</sup> in their paper "The Net Benefit to Employer Investment in Apprenticeship Training". This was also utilised in the City and Guilds 2012 report "The Economic Value of Apprenticeships" and by Cebr during a recent study for the National Apprenticeship Service.

The Hasluck et al approach is to compare the wages and salaries of completed apprentices to unskilled experienced workers in order to identify the marginal productivity gain to the employer from funding the apprenticeship scheme.

To make use of Hasluck et al's estimated productivity gains, we identify an experienced person's wage for the postal and courier services sector (Standard Industry Classification 2007, industry 53). For this purpose, we use the Annual Survey of Hours and Earnings (ASHE), which provides a rich source of data on average earnings in sectors and subsectors of the UK economy.

Combining median wages by age group at the UK level and median wages within the postal and courier services sector, we construct the median wage of postal sector workers with approximately 20 years' experience. Median wages of full-time workers in the UK generally peak approximately 20 to 30 years after entry into the workforce. This suggests that the productivity of the median worker also peaks at this point in their career and that their corresponding salary is appropriate for use as the representative wage of an experienced worker. Implicit also is an assumption that productivity gains for workers in the postal and courier services sector follow the same trajectory as the average for the UK as a whole, and that this applies to all four apprentice scheme career paths.

The gross productivity gains, resulting from apprenticeship completion, are stated in terms of experienced workers' wages. We then apply the productivity gain (as a percentage of experienced worker wages) to the estimated experienced postal services sector median wage.

Finally, we analyse data provided by Royal Mail on the direct cost of each apprenticeship and estimate the indirect salary cost of productive time lost due to training.

Once the gross productivity gains and total costs have been computed for each apprenticeship scheme, we proceed to calculating the net productivity benefits per apprentice. Emulating the procedure of Hasluck et al (2008), we apply the gross productivity gains to total costs over a five-year timeframe. This allows for a sufficiently long time for the costs to be recouped while avoiding the need to develop assumptions about the potential for employees to be promoted and thus move to a higher salary. Because we use 2012 ASHE data and, due to the fact that some schemes do not complete in every year, we deflate all productivity gains to 2012 prices. This is achieved using Cebr's forecasts for real earnings growth over the relevant time period.

#### Disclaimer

Whilst every effort has been made to ensure the accuracy of the material in this document, neither Centre for Economics and Business Research Ltd nor the report's authors will be liable for any loss or damages incurred through the use of the report.

#### Authorship and acknowledgements

This report has been produced by Cebr, an independent economics and business research consultancy established in 1992. The study was led by Oliver Hogan, Cebr Head of Microeconomics, with analytical and research support from Cebr Senior Economist Colm Sheehy. The views expressed herein are those of the authors only and are based upon independent research by them.

This study has been commissioned by Royal Mail Group Ltd and has utilised a combination of proprietary data supplied by Royal Mail as well as data available in the public domain through ONS and related sources.

The report does not necessarily reflect the views of Royal Mail Group Ltd.



<sup>[1]</sup> For apprentices employed between 2006 and 2013. Net productivity gain over the five years post-completion.

<sup>[2]</sup> Hasluck et al, 2008, 'The Net Benefit to Employer Investment in Apprenticeship Training', Institute for Employment Research, University of Warwick

## 4.2 Independent assurance

#### To the management of Royal Mail **Group Limited**

Royal Mail Group Limited's Corporate Responsibility Report 2012-13 (the Report) has been prepared by the management of Royal Mail Group Limited (RMG), who are responsible for the collection and presentation of information within it. Our responsibility, in accordance with RMG management's instructions, is to carry out a limited assurance engagement on the Report. We do not accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

#### What we did to form our conclusions

Our assurance engagement has been planned and performed in accordance with ISAE3000<sup>[1]</sup> and to meet the requirements of a Type 2 assurance engagement as defined by AA1000AS (2008).[2] The AA1000AS (2008) assurance principles of Inclusivity, Materiality and Responsiveness have been used as criteria against which to evaluate the Report.

In order to form our conclusions we undertook the steps outlined below:

- 1. Interviewed a selection of RMG management and reviewed group level documents to understand the progress made in the area of corporate responsibility during the reporting period and test the coverage of topics within the Report.
- 2. Conducted two site visits to a mail centre and a delivery office to understand how corporate responsibility is being managed at
- 3. Reviewed the RMG approach to stakeholder **engagement** through interviews with employees with responsibility for managing engagement activities at group and site levels, and reviewed selected associated documentation
- 4. Reviewed the RMG process for determining material issues to be included within the Report.
- 5. Reviewed the coverage of key issues within **the Report** against the key issues raised by the RMG stakeholder engagement activities, external media reports and the corporate responsibility reports of RMG's peers, as well as the topics discussed by the RMG Board and Communications Action Group.

- 6. Interviewed staff responsible for data reporting and carried out the following activities to review selected Customer, People, Community, Environment and Transparency data (listed below):
- i. Reviewed the guidance on data reporting, key processes and quality assurance performed.
- ii. Selected a sample of data points from across the business and seek documentary evidence to support the data.
- iii. Conducted a walk-through of data reported from a sample of sites to test consolidation.
- iv. Reviewed any explanations provided for significant variances.
- **v.** Reviewed the Report for the appropriate presentation of the data including limitations and assumptions.
- 7. Reviewed information or explanation about selected data, statements and **assertions** regarding the corporate responsibility performance of RMG.

#### Level of assurance

Our evidence gathering procedures were designed to obtain a limited level of assurance, as defined in ISAE3000. The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

#### The limitations of our review

Our review of data processes only included the following selected data sets:

- Customer mean customer satisfaction score, number of customer complaints.
- People total number of fatalities, lost time accident frequency rate, employee engagement score. customer focus score.
- Community investment total amount contributed by Royal Mail (£), total amount raised by employees (£).
- Environment scope 1 and 2 carbon emissions (tonnes of carbon dioxide equivalent), direct energy consumption by primary energy source (GJ), total waste to landfill (tonnes), total waste recycled (tonnes), total water consumption (m3).
- Transparency/mail security number of prosecutions, number of full criminal investigations into internal crime raised, number of full criminal investigations into external crime raised.

We did not visit any logistics sites as part of our site visit programme. Our data testing at sites was limited to the environmental data.

#### Our conclusions

Based on the scope of our review our conclusions are outlined below:

#### Inclusivity

Has RMG been engaging with stakeholders across the business to develop its response to corporate responsibility issues?

- We are not aware of any key stakeholder groups that have been excluded from dialogue.
- We are not aware of any matters that would lead us to conclude that RMG has not applied the inclusivity principle in developing its response to corporate responsibility issues.

#### Materiality

Has RMG provided a balanced representation of key topics concerning the corporate responsibility performance of RMG?

- We are not aware of any key topics concerning the corporate responsibility performance of RMG which have been excluded from the Report.
- Nothing has come to our attention that causes us to believe that RMG management has not applied its processes for determining material issues to be included in the Report.

Responsiveness

Has RMG responded to stakeholder concerns?

• We are not aware of any matters that would lead us to conclude that RMG has not applied the responsiveness principle in considering the matters to be reported.

Completeness and accuracy of performance information

- We are not aware of any material reporting units that have been excluded from the group wide data relating to corporate responsibility data.
- Nothing has come to our attention that causes us to believe that the data relating to the above topics has not been collated properly from group-wide systems.
- We are not aware of any errors that would materially affect the data as presented in the Report.

How plausible are the statements and claims within the Report?

• We have reviewed information or explanation on selected statements regarding RMG's corporate responsibility activities presented in the Report and we are not aware of any misstatements in the assertions made.

[1] International Federation of the Accountants' International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE3000).

#### Observations and areas for improvement

Our observations and areas for improvement will be raised in a report to RMG management. Selected observations are provided below. These observations do not affect our conclusions on the Report set out above.

- RMG has come under increased scrutiny and various stakeholders have raised concerns over the impacts of privatisation. The Report includes a new section on privatisation that describes RMG's ongoing regulatory commitments to Universal Service in the private sector and how it is managing any likely impacts on customers, employees and communities. Future reports should continue to address the issue of privatisation and how RMG is engaging with key stakeholders to address their concerns.
- RMG maintains a wide programme of stakeholder engagement. This takes place both during the course of running the business and specifically in relation to corporate responsibility reporting. Compared to last year the Report has more clearly identified RMG's key stakeholders and its means of engaging with them.
- RMG engage third party contractors to collate utility invoice data, analyse consumption and produce environmental footprint reports. During the course of our data testing procedures, we identified errors in the calculation of certain footprint reports, which were subsequently addressed prior to publication of the Report. In future years RMG should engage and challenge the third party contractors regarding the accuracy and completeness of the carbon and water data.

#### Our independence

As auditors to RMG, Ernst & Young are required to comply with the requirements set out in the Auditing Practices Board's Ethical Standards for Auditors. Ernst & Young's independence policies apply to the firm, partners and professional staff. These policies prohibit any financial interests in our clients that would or might be seen to impair independence. Each year, partners and staff are required to confirm their compliance with the firm's policies.

We confirm annually to RMG whether there have been any events including the provision of prohibited services that could impair our independence or objectivity. There were no such events or services in 2013.

#### Our assurance team

Our assurance team has been drawn from our global Cleantech and Sustainability Services Practice, which undertakes engagements similar to this with a number of significant UK and international businesses.

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Ernst & Young LLP, London 14 November 2013









# 4.3 **About this report**

#### Scope

This is our eleventh annual Royal Mail Group Ltd Corporate Responsibility Report. This Report sits alongside the Royal Mail Group Ltd Annual Report and Financial Statements 2012–13 and is our primary source for non-financial reporting. It covers our UK operations and includes performance data for the financial year 2012–13.

On 15 October 2013, upon flotation on the London Stock Exchange, Royal Mail plc became the ultimate parent company of Royal Mail Group Ltd. Because of privatisation, this report also covers important developments that have occurred beyond the financial year. Where that is the case, we make it explicit. Our last report was published in January 2013 and covered the financial year 2011–12.

Royal Mail Group Ltd's corporate responsibility strategy encompasses all Royal Mail Group Ltd business units, including Parcelforce Worldwide.

As in our previous report, this report includes data from all UK operations and associate companies where we have a controlling interest. On 1 April 2012, Royal Mail Group and Post Office Ltd became separate companies. All data excludes Post Office Ltd and relates to the Royal Mail UK operations. Our UK operation accounted for 92 per cent of our full time equivalent employees in 2012–13 and 83 per cent of revenue. Our primary focus is therefore on the UK. We will, however, be increasing the coverage of GLS from 2013–14.

#### Independent assurance

This report has been formally assured, as have all previous reports. This report has been assured by Ernst & Young. We appreciate this independent verification of and opinion on our reported activity. Please refer to the 'Independent assurance statement' on page 90 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.

#### External ratings and standards

We assess our relative corporate responsibility performance via external ratings and standards in order to benchmark our performance and challenge ourselves to improve. Last year, we achieved Business in the Community's Platinum rating in the BITC Index for the first time. This year we retained this level with an improved score.

We also completed RobecoSAM's Corporate Sustainability Assessment for the second time in 2013. Based on the methodology used to calculate the Dow Jones Sustainability Index (DJSI), our overall score of 80 per cent ranks Royal Mail among the DJSI World and DJSI Europe member scores for the Transportation and Transportation Infrastructure industry.

#### For more on Royal Mail:

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