



Company report review

Royal Mail Corporate Responsibility Report 2004

Maplecroft

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Company report review – Royal Mail

The Royal Mail Group has published its Corporate Social Responsibility (CSR) Report for the year March 2003–04. This is the Group's first CSR report, and it expands on last year's Health, Safety and Environment Report.

The Royal Mail Group comprises three well-known brands: Post Office, Royal Mail and Parcelforce Worldwide. Royal Mail delivers 82 million letters, cards and parcels to 27 million UK addresses every day. The Post Office network is the largest retail chain in Europe with 16,000 branches – more than all the main banks and building societies put together. Parcelforce Worldwide provides access to the world's largest delivery network, covering more than 99.6% of the population in 239 countries.

According to Jonathon Porritt of Forum for the Future, who provided one of three external comments included in the report, 'There are few companies that are quite so deeply embedded in the way we lead our lives [in the UK].' Royal Mail itself acknowledges that, 'through the provision of services essential to the smooth running of society and by delivering to over 27 million addresses every day, we touch every community in the country' (p97). In addition to its customers and local communities, Royal Mail's corporate responsibilities extend towards its workforce (Royal Mail is the largest single employer of men in the UK) and towards the government, its only shareholder.

Royal Mail used GRI Guidelines in developing its CSR report. The Group aims to report in accordance with the Guidelines within the next 3–5 years.

The 171-page report is comprised of six main sections.

A. Stakeholder engagement

This section identifies the Group's four key stakeholders – 'colleagues', 'shareholder' (the UK government is Royal Mail's only shareholder), 'customers' and 'communities' – and discusses their expectations and structures established by the Group to facilitate stakeholder engagement. Royal Mail's main stakeholder engagement mechanism is a quarterly 'CSR Stakeholder Meeting', comprised of a core group of managers and trade union representatives known as the 'CSR Forum'. There is a lack of detailed engagement plans, but several mechanisms are still of interest:

- Health, safety and environment Intranet site with an employee feedback mechanism;
- Monthly employee 'Have your Say' survey;
- Plans to establish Dignity and Respect at Work (DRAW) Group of employee, management and union representatives to discuss workplace equality issues; and
- In 2003, Royal Mail commissioned a Mori Poll examining the British public's attitude to Royal Mail and CSR. The main findings are included in the report, notably that Royal Mail attracts very high expectations of CSR combined with declining perception of its responsibility.

B. Vision and strategy

Royal Mail here presents a five-stage process towards corporate sustainable development and a CSR vision. Royal Mail positions itself between the first and second stages in each of the following areas:

- Developing an integrated approach;
- Legislation and compliance;
- Measurement;
- Accountability;
- Research and innovation; and
- Sustainability.

For example, Royal Mail considers itself at an early stage of developing a sustainability vision, having 'investigated a mechanism to identify what sustainability means' (stage 1) but not yet started the 'visioning exercise' (stage 2) which ultimately leads to a 'secure position to operate in a secure society'.

This section of the report also presents an impact matrix to show the magnitude of Royal Mail's impacts on the external world (from weak negative impact through to strong beneficial impact) in 14 areas, such as waste, suppliers and stress. The Group claims to have a positive impact in areas such as government services, community and suppliers and a negative impact in terms of various environmental criteria (airborne emissions, transport, waste, building energy, water) and certain employee issues (accidents, stress).

C. Governance and risk management

Accountability to the Royal Mail Board for business-wide CSR performance rests with the group director of people and organizational performance. This responsibility is discharged through a director of CSR and a director of diversity and inclusion.

Royal Mail has recently established a sub-board level CSR Governance Committee responsible for identifying CSR issues with business-wide impact and making recommendations on CSR policy and performance.

In addition, Royal Mail has appointed ten 'diversity champions' at a senior level across all business units and there is a Disability Action Group also comprised of senior managers.

D. Structure, policies and management systems

This section first presents an organigram of Royal Mail's organizational structure within the CSR functions.

Second, there is brief discussion of the company's high-level CSR-related policies. In addition to a Code of Business Standards, these include an over-arching CSR policy committing the company to 'do the right thing in all spheres and business activities,' and policies in the areas of environment, health, safety and diversity. Royal Mail currently has no formal policy on freedom of association or whistle-blowing.

Finally, the report details Royal Mail's CSR management systems, which are comprised of a number of generic, high-level elements. These form the minimum standards and presently require interpretation and tailoring to meet local circumstances. Royal Mail is in the process of developing a company-wide Environmental Management System. The Group has decided not to pursue a certified scheme at this time, but nonetheless adopts the ISO 14001 approach and 30 operating sites are ISO 14001 certified. The Group has recently put in place a new bullying and harassment process, implemented by eight independent regional managers.

E. Supplier management

The main point of interest in Royal Mail's supply chain management relates to sustainable procurement workshops, which were held with responsible commercial managers and their teams during the reporting year.

F. Performance

This section of the report details Royal Mail's activities and resulting performance in the areas of health, safety, environment, social diversity and the Post Office network.

- **Compliance** – Following GRI guidelines, Royal Mail reports several incidents of environmental non-compliance, notably fuel spillages and two formal cautions for breaching health and safety regulations.
- **Health and safety** – Royal Mail is addressing a range of occupational health issues. New initiatives include a 24-hour helpline for psychological support, health promotion events, smoking cessation day and the development of a substance/alcohol misuse training package for managers.
- **Environment** – Highlights include a 2.4% reduction in energy consumption from building use from a 2001–02 baseline and 1.2% of total electricity consumption is now from renewable energy sources.
- **Social** – Royal Mail's social performance rests on three elements: donations to charities, employee volunteering and education programs in schools. However, Royal Mail says it intends to move away from philanthropic passive donations towards 'meaningful relationships with voluntary organizations, providing support in kind'. For example, at present, the company supports employee volunteering by giving small financial contributions (typically £500 for a group of ten volunteers) but commits to developing a national program of business-led employee volunteering.
- **Diversity** – Royal Mail's employee base is ethnically representative of the UK's demography (roughly 87% white and 13% from other ethnic groups) but only 19.1% of its workforce are women (compared to 43% in society). Royal Mail addresses disability through its Disability

Action Center, which is charged with raising awareness of disability issues and providing advice and information to employees, and there is also a Disability Helpline. Royal Mail is currently developing a number of disability targets based on information gathered through the 'Have Your Say' questionnaire.

- **Urban Network Reinvention Program** – Royal Mail is currently planning an Urban Network Reinvention Program to reduce the number of post offices while ensuring that over 95% of people in urban areas still live within a mile of a branch.

Our comments



Royal Mail's 2004 CSR report shows a marked improvement over the quality and scope of information contained in its 2003 HSE report. The CSR report draws heavily on GRI Guidelines (although Royal Mail says it will not be fully in accordance with GRI for another 3–5 years) and includes three external comments. Business sustainability consultancy Sd3 provided assurance.

Royal Mail's CSR Program is rightly award winning – the Group received the European Best CSR Program award at the Strategic Risk European Risk Management Awards 2004.

The report shows that Royal Mail is attuned to all its key sustainability issues – the impact matrix is particularly useful – and is putting in the governance structures to manage them. The high-level commitment to CSR at Royal Mail is evident in the recently established CSR Governance Committee, and in the appointment of a Disability Action Group and ten diversity champions who are senior managers.

Royal Mail's employee welfare initiatives are the backbone of improvements to its CSR Program this year. The report details the introduction of several excellent employee initiatives, including a new bullying and harassment procedure, an equality at work group, a 24-hour employee helpline and a substance/alcohol misuse training package for managers.

Royal Mail sets out a clear plan, based on six key elements, for achieving corporate sustainable development and a CSR vision. According to this plan, Royal Mail has reached the second of a five-stage process. It is imperative that the company continues to work towards developing a more robust picture of what a genuinely sustainable Royal Mail would look like and a more integrated approach to achieving it.

In particular, there is a need to develop more detailed stakeholder engagement plans. Sd3 points out that some recent contentious issues such as labor relations and changes to delivery practices, for instance the single day delivery, are not fully aired. As Royal Mail's only shareholder, there is insufficient reference to government policies such as the Climate Change Levy. Royal Mail has committed to move towards a more participatory and integrated social investment program.

The report is available at <http://www.royalmailgroup.com.pdf>



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