

Health, Safety and Environment Report 2003



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Foreword by Adam Crozier

Chief Executive, Royal Mail Group plc

As a large organisation we have a major impact on the world we do business in. We recognise the responsibility that we carry for our colleagues, the people around us and to the children of the future who will inherit from us.

I believe that it is important to be transparent to all our stakeholders about our performance in the areas of health, safety and the environment, and this report is an important element of ensuring such transparency. The report builds on last year's internal environmental report and represents our first comprehensive collation of the health, safety and environmental impacts of our undertaking. It tells you what these impacts are, what we are doing about them and confirms our targets. In future years we intend to broaden the report further to include details on other aspects of our wider approach to Corporate Social Responsibility (CSR).

Our performance has many positives, with some encouraging improvements:

- We have successfully out-sourced provision of our employee health services – a move which has enabled significant investment in improved support for our colleagues
- We have developed a major programme for identifying and avoiding stress
- Revised approaches to safety management have yielded some significant improvements in many parts of the business
- We won two notable environmental awards for improving our transport approaches and reducing air pollution
- Our CO₂ emissions declined by 6% and our energy use reduced by 8% – along with the introduction of renewable energy for the first time.



“As a company we care about the impact our actions have on our stakeholders and future generations.”

[Forward
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Contents](#)**6%**reduction in CO₂ emissions**6.9%**

reduction in the number of accidents

However there are areas where we recognise the need for further improvement:

- Sickness absence levels are too high, and we are working to improve the available support and identify opportunities for more proactive prevention and earlier rehabilitation
- Our accident rates compare poorly with some other industries, and we are prioritising improvement in accident prevention and management
- Our environmental performance measures need further refinement and we seek to develop a business wide environmental management system
- We are developing a more co-ordinated approach to managing our CSR responsibilities and to ensure all our stakeholder concerns are considered.

As a company we care about the impact our actions have on our stakeholders and future generations. Our goals are the prevention of injury and losses to our people, a healthy environment for our colleagues and communities, and world class care for our workforce. This report shows we recognise our responsibilities and are making progress towards corporate sustainable development.

Adam Crozier
Chief Executive



Introduction by Jonathon Porritt

Programme Director, Forum for the Future

No leading organisation can operate in the modern world without accounting for the impact of its activities on society and the environment. Nowadays there is an expectation that businesses will demonstrate on an annual basis how they contribute to sustainable development – how, at one and the same time, they contribute to economic prosperity, social well-being and environmental protection.

On account of its sheer scale, it is an issue of pressing importance for the Royal Mail group. Just consider the numbers: over 200,000 employees, over 17,000 Post Office branches, over 40,000 vehicles. There could be an alarming potential for chronic unsustainable development, and when people perceive companies to be performing poorly on crucial social and environmental issues, there can be a corresponding reputational (and financial) impact. The risks are high. Properly managed, on the other hand, there is an enormous opportunity to show sectoral leadership, to innovate and help move society as a whole towards greater sustainability.

We therefore congratulate Royal Mail in producing this first HSE report. External reporting of sustainability-related impacts is key to building trust amongst stakeholders, demonstrating openness in the challenges an organisation faces, and stating how it is performing against key objectives. It is therefore very encouraging to see a commitment to public reporting take hold, particularly against the background of recent restructuring and management changes.





“It is therefore very encouraging to see a commitment to public reporting take hold, particularly against the background of recent restructuring and management changes”.

And there's lots of stuff in here indicating steady progress on a number of key themes, on both health and safety and the environment. Health and safety issues are given greater prominence than might be the case in other sectors, and this is clearly a strength to be built on. It's also encouraging that the Chief Executive has committed to incorporating information about Royal Mail's social performance in future reports, as that will make for a much more rounded approach (both in terms of management and reporting) than is currently the case.

However, the scale of the challenge should not be underestimated. On transport issues, for example, Royal Mail will need to provide clear evidence that its Transport Review really will deliver integrated sustainability benefits, including year-on-year reductions on CO₂ emissions in line with the UK Government's policy. It will also need to demonstrate that the concerns and expectations of a whole range of stakeholders – Government, customers, suppliers, regulators, employees and local communities – inform corporate decision-making in all these key areas.

Now that this first report is published, we look forward to Royal Mail's reporting swiftly reaching the levels of sophistication and usefulness to stakeholders that has been attained by many of the UK's leading companies. Forum for the Future will wish both to assist and encourage Royal Mail in meeting this challenge.

Jonathon Porritt
Programme Director

Forum for the Future is a UK-based charity with a mission to accelerate the building of a sustainable way of life. We are not auditors or verifiers. As such, these comments should not be read as verification of the data or comments contained within this report.



Report scope

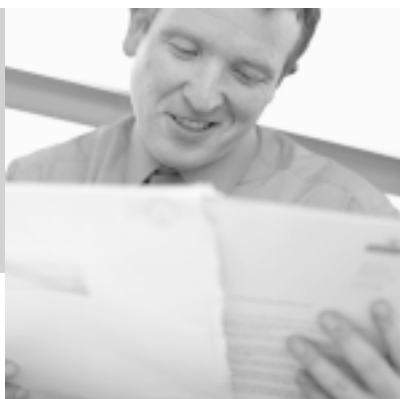
This Health, Safety and Environment (HSE) report covers the UK operations of Royal Mail Group plc for the period 1 April 2002 to 30 March 2003, and is our first publicly available report addressing these issues. It is our policy to promote transparency, and this report has been produced in response to stakeholder demands and expectations for information on our HSE performance and management of these issues.

The information contained within this report should be considered in association with our financial and social performance. Details of our financial performance for 2002-03 can be found on our website www.royalmail.com/group, along with the Reports and Accounts from previous years. Details of our 2002-03 social performance will also be available on this website in summer 2003.

This report is aimed at recently identified key stakeholders, with whom, over the upcoming year, we aim to consult on our CSR activities. These stakeholders include – in alphabetical order:

- Industry bodies
- Local communities and local authorities
- Members of our pension funds
- Non-Governmental Organisations (NGOs)
- Opinion formers – including media
- Our customers (actual and potential, social and business)
- Our employees – operational, administrative and unions
- Regulatory bodies – Postcomm and Postwatch
- Subsidiary companies and outsourced companies
- Suppliers
- UK Government.

It is acknowledged that there are limitations and weaknesses in this report – primarily due to the incompleteness and lack of data, and as such this report has a strong qualitative bias. However the production of this first report has been a learning experience for us, and we aim to produce a more comprehensive report next year – in line with the Global Reporting Initiative (GRI) principles.



To find out more about
Royal Mail Group plc visit our website:

www.royalmail.com/group



At a glance

Theme	Indicator	Target (if applicable)	Performance	On target	More information
Safety	Total number accidents	No business wide target set	40,525 ↓ by 3005 from 2001-02		Page 20
	Number of 'RIDDOR Reportable' accidents	No business wide target set	9,185 ↓ by 142 from 2001-02		Page 20
	Number of days lost due to accidents per 1,000 FTE	No business wide target set	1,034.7 ↓ by 85.8 from 2001-02		Page 21
	Number of fatalities	No business wide target set	10 ↓ by 14 from 2001-02		Page 22
Environment	Building energy consumption	↓ 10% relative to 2001-02 baseline year by 2006-07	↓ 8.3% relative to 2001-02	✓	Page 38
	Renewable energy	10% of total energy consumption to come from renewable sources by 2010	↑ 1% relative to 2001-02	✓	Page 39
	Water usage	↓ 5% relative to 2001-02 baseline year, by 2006-07	Baseline year	–	Page 40
	Road fleet fuel usage	↓ 5% per annum	↓ 8.3% relative to 2001-02	✓	Page 42
	CO ₂ emissions from our mail operations	↓ 5% over a three year rolling average	↓ 4.8% relative to 2001-02	✓	Page 48
	Total CO ₂ emissions	No business wide target set	↓ 6% relative to 2001-02	–	Page 48
	Solid waste sent to landfill	↓ 5% per annum, based on landfill tax paid	2003-04 to be our baseline year	–	Page 51

22.7%

of our total accidents are reportable under RIDDOR

8.3%

reduction in building energy consumption



Who are we?

The Royal Mail group comprises three well known brands: Post Office®, Royal Mail and Parcelforce Worldwide, employing over 200,000 employees. Our external turnover for 2002-03 was £8.3 billion, with a full year loss from operations of £197 million.



Royal Mail

Royal Mail is committed to serving every community nationwide. We handle around 82 million letters, cards and parcels every day, and deliver to the UK's 27 million addresses at a uniform, affordable price. The nation has over 113,000 letter boxes from which mail is collected, and delivery service is provided through a network of 1,400 delivery offices.

www.royalmail.com

**PARCEL FORCE
WORLDWIDE**

Parcelforce Worldwide provides an express and time guaranteed service to the door of every UK address, and offers access to the world's largest delivery network, covering more than 99.6% of the population in 239 countries and territories.

www.parcelforce.com



Our **Post Office**® network is the largest retail chain in Europe with more than 17,200 Post Office® branches. The network is larger than all the main banks and building societies put together, with an estimated 24 million customers visiting a Post Office® branch every week to take advantage of more than 170 different products and services, ranging from financial products, travel services, Government information and retail products.

www.postoffice.co.uk



Corporate governance structure

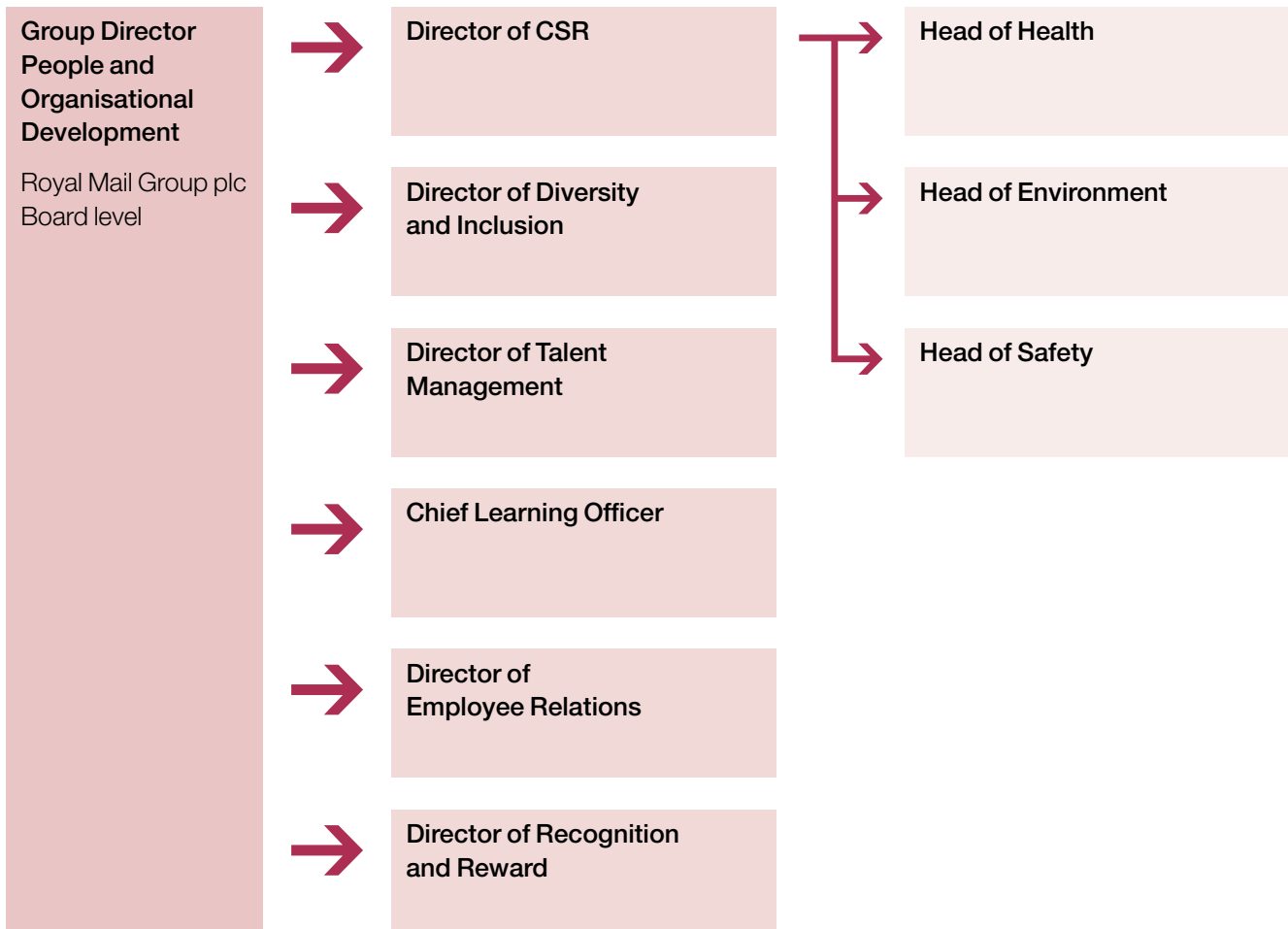
Accountability for group wide health, safety and environmental performance rests at board level with the Director of People and Organisational Development. This responsibility is discharged through a Director of Corporate Social Responsibility, and policies developed and deployed by respective Heads of Health, Safety and Environment.

Accountability for diversity across the group also resides at board level with the Director of People and Organisational Development, and is delegated through a Director of Diversity and Inclusion for policy development and implementation.

The strands of health, safety and environment have been brought together and are being integrated as core parts of our CSR approach. This report focuses on these three strands, along with the additional areas of diversity, disability and the Post Office® branch network – as we will be building on these areas of CSR in future reports.

This upcoming year will see the development of our CSR vision and expansion of our current CSR approach.

Figure 1





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Health

Good health – optimal mental, physical and social well being, is important to us. Making the Royal Mail group a great place to work requires us to avoid ill health or injury wherever possible. Our aim is to maximise the health of each of our employees, and to ensure our workplace is healthy and safe.

Policy and strategy

We aim to:

- Prevent or avoid ill health wherever possible
- Seek to ensure that when ill health or injury arises our employees can access prompt care and advice, and we will support employees to minimise the impact of ill health on capability to work
- Provide safe and healthy work and workplaces, and ensure that when ill health or injury arises from work that we identify such, and avoid future recurrence.

As part of our commitment to health, we ensure the provision of employee health services – a comprehensive occupational health service which delivers health, welfare, psychological, occupational therapy services, physiotherapy and first aid.

After three years of careful preparation and benchmarking, in 2002 we executed the biggest outsourcing of occupational health service provision yet undertaken in the UK. The outsourcing was a major milestone and set the framework for the investment, future development and enhanced delivery of a comprehensive range of occupational health services to our employees.

Our five year contract with Schlumberger ensures our employees continue to receive, at minimum, the same level of service as before outsourcing, but additionally requires the new company to make significant investment to improve, and deliver a more comprehensive and responsive service for the future. Practically all of our Employee Health Service (EHS) employees were transferred to the new company.



3 years

preparation and benchmarking
for EHS outsourcing



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Key issues

Our key health issue is sickness absence-attributable to musculoskeletal disorders and stress.

Musculoskeletal disorders

An initiative to pilot targeted rehabilitation for employees on long term absence is being trialled at a major site. It is well documented that after prolonged absence the success of returning to work is greatly diminished. This trial seeks to demonstrate that effective rehabilitation helps encourage return to work.

Stress management training for managers

Various training programmes have taken place to raise managerial awareness of stress, and to provide guidance on how to manage stress more effectively and supportively in their teams. There is some evidence that these training and awareness programmes have helped to reduce stress related sick absence.

Structure and management framework

Specialist health expertise is delivered by the Chief Medical Officer's (CMO) team working closely with our business units, and implemented through existing organisational structures. Two in-house specialist occupational physicians are responsible for leadership, direction, policy and advice on health matters. At a local level health support is delivered throughout the company's organisation via line managers, supported by local and national human resource teams.

Our CMO is responsible and accountable for the safe migration of all elements of the whole spectrum of occupational health services to Schlumberger, the upgrade of EHS for employees, the effective day-by-day delivery of EHS and management of problems as they arise.

Stakeholders

Our CMO team meets regularly with internal partners and our supplier, to ensure clear understanding of direction, national and local needs, and addressing issues as they arise. The performance of our supplier is monitored using agreed key performance indicators.

Health is discussed at a number of high level fora, both internally and externally. Internally, the Health and Safety Forum includes representatives from the trade unions, legal services and management. Our health professionals also engage in external fora – including the Royal Society of Medicine's Food and Health Forum and the Journal of Occupational Health.





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90%

of business referrals to be completed
within 20 days



Benchmarking was made against several major health providers for range of services, and cost of provision, to assist outsourcing selection. Continued benchmarking for occupational health provision and standards of professional matters is being conducted with Centrica.

Communications

Effective communication is important and various channels are used. The CMO's monthly internal e-newsletter provides updates on key health projects, policies and key issues with a section on health related articles. Schlumberger also provides updates of projects and initiatives and process improvement. The Health and Safety site on our intranet is updated regularly, and specialist and topical communications are published as required.

Employee Health Services (EHS)

We are justifiably proud of our EHS. The EHS has a distinguished history, being of high repute in the wider occupational health world. By the late 1990s significant changes in the external environment and other drivers challenged traditional ways of providing occupational health services. It became clear that a new way forward would deliver significant benefits, such as:

- Infrastructure investment in terms of new technology, case tracking, electronic records and upgraded accommodation
- Access to a wider skills pool and resources
- Leading edge professional practices
- Transfer of non-core activities to a third party.

The new way took a significant step forward into a commercial environment, and emphasised a customer centric service approach. This step led to a platform from which we could achieve expanded aims in health, and continue to provide a caring service for employees.

Some examples of what the new approach achieved:

- Shift from product focus to service orientation
- Standardisation and rationalisation of the product range
- Simplification and introduction of new working practices, with more effective and efficient ways of working
- Creation of a new CMO with new commercial disciplines (supplier management, performance monitoring, market pricing)
- Development of localised working practices to overcome specific issues
- Development of new processes (consent, triage, GP reports)
- Development of new proactive rehabilitation pilots
- Policy development (e.g. chemical, biological, radiological, nuclear contingency plans)
- Awareness and communication of major health issues (e.g. advice on Severe Acute Respiratory Syndrome: SARS).

Relationship with Schlumberger

Careful research and benchmarking of potential service providers led to a subsequent tender exercise and the outsourcing with Schlumberger. An international organisation, it was the second largest employer of doctors after the National Health Service, and a rapidly growing provider of occupational health services.

Our relationship ensures that users continue to receive the same high quality in responsiveness, with 90% of business referrals completed within 20 days.

The contract provides the same range of services as originally provided by the EHS. The minimum qualification of practitioners is specified, as is the delivery network of 200 sites from which services are provided. These sites are required to satisfy the Disability Discrimination Act (DDA) and to meet an agreed quality specification, to ensure employees are seen in appropriate locations.



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Partnerships and external relationships

We benefit from strong network relationships through our specialist occupational physicians. Formal linkages include appointments with the Faculty of Occupational Medicine, Royal Society of Medicine, and the British Medical Association. Honorary appointments with the Institute of Occupational Medicine, University of Birmingham, and with the Department of Transport raise company profile. Our specialists regularly contribute to national and international meetings, and have been involved in the development of UK policy and legislation in this area.

Our health specialists contributed to three major publications last year:

- **'Out of the water closet': Prostate Health Awareness (2003)**

The project was to increase men's awareness about prostate health in a workplace setting. The report of research findings and evaluation of health promotion interventions was published by Men's Health Forum. Research was conducted jointly with Community Education Development Centre and the University of Warwick.

- **Work and Mental Health, an Employers' Guide (2002)**

Published by Gaskell and the Faculty of Occupational Medicine, and supported by the Royal College of Psychiatrists and the Faculty of Occupational Medicine, the guide brings together the specialist knowledge of occupational physicians, psychiatrists and chartered clinical psychologists. Both the Royal College of Psychiatrists and Faculty of Occupational Medicine endorse the role this book will play in destigmatising mental illness in the workplace and demonstrating that mental illness is not a bar to working effectively.

- **Mind Out for Mental Health (2003)**

This collection of best practice in the arena of workplace stress and mental health management contains a case study of our approach. The approach and case study were revised and updated during the year and the publication reflects commendation of the approaches in place.

Compliance and legislation

Royal Mail Group plc supports and complies with Health and Safety legislation, and excels in the practice and provision of occupational health.

An enhanced approach to ensure reliable reporting and recording of occupationally related disease has recently been developed and implemented.

150 years

we have a long history
of leading occupational health
and welfare provision



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Employee health schemes

Our employees benefit from a number of health related schemes. These include:

- Provision of a comprehensive occupational health and welfare service
- Access to locally arranged discounted health facilities, such as the use of gyms
- The option to use insurance arrangements allowing access to specialist medical services when required
- Benevolent fund arrangements, such as those of the Rowland Hill Fund (specifically for current and former employees) can be used to meet healthcare needs
- A health and welfare helpline provides confidential access for employees to access specialist practitioners for help and advice
- A dedicated helpline to assist employees with problems related to harassment and bullying
- Our employee magazine 'Leisure' regularly features promotions for discounted health products and services available to all employees





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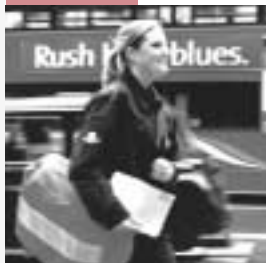


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'I was so proud of the way everyone behaved.
It is good to think we could help.'

Josie Davies
Distribution Manager

When a motorcyclist collided with a car, first aiders Caroline Harris and Desmond Rumble drove to the scene, providing support to the injured man until the ambulance arrived. As the victim could only speak Urdu, a third employee, Ali Hussain, acted as a translator to the paramedics.



5,000
qualified volunteer first aiders

Best practice

In searching for best practice in trauma care, a major project to identify the most effective care for employees after major traumatic incidents is in progress. The project is supported by the British Occupational Health Forum, sponsored by the Ministry of Defence, Railway Safety, Health and Safety Executive, NHS Executive, and Unison. The research is led by the Institute of Employment Studies and has reached the interim report stage.

Trauma care programme

We have a rigorous trauma care programme. Managers attending incidents are trained by EHS in crisis management, defusing and debriefing. Employees receive prompt in-depth psychological debriefing, counselling and support; wherever possible, the plan includes a return to work as part of their rehabilitation programme.

First aid

We have approximately 5,000 qualified volunteer first aiders. All first aid at work training is provided by our own 125 qualified first aid trainers/assessors. Through our 100 year relationship with St John Ambulance, and our status as a Special Centre, we are permitted to issue St. John Ambulance First Aid at Work Certificates, approved by the Health and Safety Executive.

Last year a total of 375 courses were held in over 80 different training sites, with 2,300 employees trained or re-trained.

Seven internal First Aid Challenges were held this year. During the year our first aiders dealt professionally with some very serious injuries and their commitment and dedication is appreciated.

Initiatives

- Key initiatives reflect investment in technology, allowing electronic referral forms, electronic medical records, and electronic reports. Others include triage and an enhanced process for obtaining medical reports from GPs or specialists
- We have developed a scorecard of health key performance indicators and targets, and aim to publish details of our performance against these in next years report.

Planning ahead

Our priorities are the reduction of sickness absence, ensuring quality of service and value for money from the outsourced EHS, a wider focus on rehabilitation and a supported job retention approach.

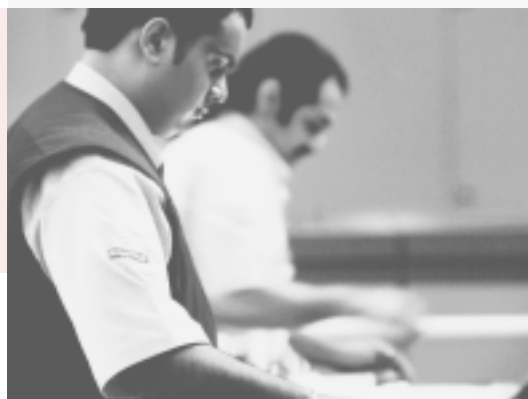


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Safety

The Royal Mail group believes that it is a business imperative to fulfil our safety responsibilities to our employees, partners, contractors and to our customers, neighbours and the public, through the application of best practice safety management, and compliance with national legislation. Successful safety management is also seen as a key driver in the achievement of our business goals.

Policy

The safety of individuals is the prime goal of our safety policy but we believe that it also contributes to business performance through the prevention of losses due to injury and ill health.

We value the contribution to business performance of a positive safety culture that derives from a high quality safety policy, deployed through strong leadership and commitment to realistic safety objectives designed to bring about continuous improvement in safety management and performance.

A full copy of our safety policy can be found in the appendices.

The need to manage safety is embedded as a major focus of both the Management Board and the operational management structure. To this end our safety performance is measured monthly and closely examined by the Safety team and the Management Board. We can be proud of the improvement in safety performance, largely due to the hard work put in at all levels of the business.



50%+

reduction in sick leave accidents
in our parcels business

We support the Health and Safety Executive (HSE), Commission and Government in the desire to reduce the numbers and extent of injuries at work. We are committed to identifying the primary causes of accidents, to help us prevent them in the future. We also support in full those aspects of the HSE revitalisation programme which are relevant to our work, specifically looking at stress and musculoskeletal disorders derived from manual handling – in conjunction with our health team, and slips, trips and falls and road traffic accidents.

Safety management structure

Our internal support functions (including safety management) are subject to an internal restructuring. We currently have an interim safety management structure in place, whilst a new corporate structure is developed.

Our safety managers have a clear statement of their responsibilities, accountability and required actions. They are assisted by a wide range of support mechanisms, such as the Health and Safety intranet site, internal briefings, newsletters and attendance at conferences.

Safety performance

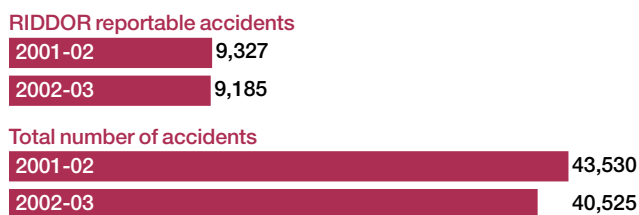
We analyse our safety performance, on a monthly, quarterly and annual basis, enabling us to identify trends, issues requiring further action and improvement opportunities. The Management Board currently receives monthly safety performance reports.

We were not convicted of any breach of safety legislation in 2002-03.

There has been no significant change in the overall number of accidents occurring across the group over the past two years as shown in figure 2. Recent developments in the safety management structure are designed to tackle this problem.

Figure 2 also shows accidents serious enough to be reportable to the HSE and Environmental Health Officers under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 (RIDDOR). Although the number of accidents and the number of reportable accidents has reduced year-on-year, this percentage remains fairly constant.

Figure 2
Accidents across the Royal Mail group



Case study

Litigation process

In 2000-01 civil claims for Post Office Ltd exceeded £650k. After working closer with our legal service providers, including more detailed investigation of accidents involved in civil claims, this figure was reduced to £466k in 2001-02 and less than £300k for 2002-03.

54%

saving from civil claims in 2002-03

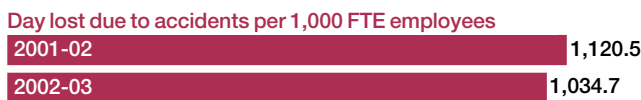
There has been a reduction in the number of accidents (including sick leave and non-sick leave accidents) per 1,000 full time equivalent (FTE) employees. In 2001-02, 196 out of 1,000 staff had an accident at work. This has reduced to 188 out of 1,000 in 2002-03.

Figure 3
Accidents across the Royal Mail group



In 2002-03 223,043 working days were lost to accidents, compared to 248,537 in 2001-02 – a reduction of 10.3%. A small reduction in the number of accidents is matched by a small decrease in the number of days lost, which must be offset by the reduction in the number of FTE employees. Our safety management process will tackle these issues and work towards making significant reductions in the number of accidents and days lost as a result.

Figure 4
Accidents across the Royal Mail group



Accident data trend analysis

Trend analysis of the Royal Mail group accident data is fraught with difficulty. A number of factors affect the data in a variety of ways. Such analysis as is possible shows that trends are distorted by behaviour and culture with, for example, reductions of up to 50% in the number of reported accidents occurring prior to Christmas and Easter.

Parcel business initiative

Over the last three years we have reduced the sick leave accident rate by over 50% in our parcels business by placing an emphasis on accident prevention. Figures 5 and 6 show a continuing and significant downward trend in both accident numbers and sick leave absence as a result of accidents. This encouraging performance is being used as an example to other parts of the group of what can be done with the right approaches and the will to improve.

Figure 5
Accidents in Parcelforce Worldwide

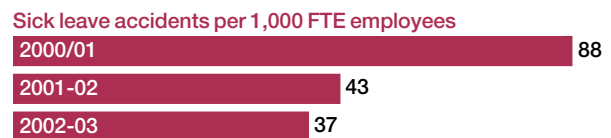
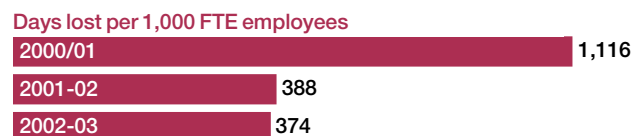


Figure 6
Accidents in Parcelforce Worldwide



Case study

HR control mechanisms

Throughout 2002-03 our Customer Management teams focused on enforcing HR Control mechanisms to reduce overall sick absence, including wider communication of sick absence process and closer links with support services. The results for the past year show a 25% reduction in overall sick absence.

A trauma care procedure is in place for employees involved in attacks – as part of the absence management procedure and our approach to post-attack rehabilitation.



1.4%

of physical injuries in our Cash Handling and Distribution unit involve firearms or bladed instruments

Cash Handling and Distribution – higher risk activities

Our Cash Handling and Distribution unit lost 6,683 days as a result of attack-induced trauma. However the number and severity of actual physical injuries from attacks remains relatively low, as a result of attack training, procedures and additional security measures that are in place in this higher risk area. Physical injuries from firearms or bladed instruments occur in 1.4% of attacks.

Fatalities

It is with regret that from April 2002 to March 2003 we had to report that one employee was killed and there were nine fatal accidents involving members of the public. The previous year five employees were killed and there were 19 fatalities involving members of the public.

Figure 7
Number of fatalities across the Royal Mail group

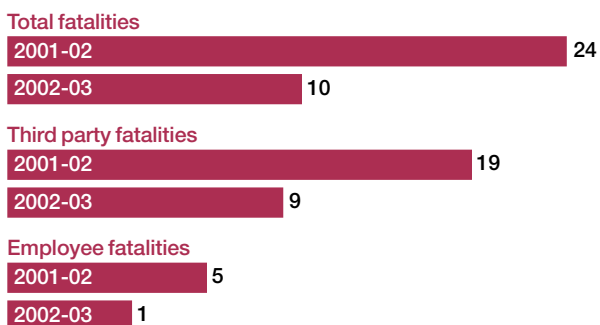


Figure 7 shows that our performance in managing the higher risk activities and interface with the public have improved significantly over the past two years. This improvement and the commitment that brought it about now needs to be carried into our other areas of work.

Late reporting of accidents

Under RIDDOR an accident incurring more than three days sick absence must be reported to the HSE within 10 days. Failure to do so can result in potential fines of £5,000 or above per offence.

Analysis of our accident reporting data for 2002-03 shows:

- 86% of all accidents were reported to our accident management unit within the requisite timescales
- 78% of all sick leave accidents were reported to the accident management unit on time.

This area is targeted for improvement, and we are now in a position to identify late reporting and target specific offices and managers for improvement through the activities of the safety advisor team. Safety performance will also be measured as part of management objectives.

Additionally, safety training will include a significant element on accident reporting and investigation, ensuring that managers know what they have to do and the associated timescales involved.

Discrepancies in performance reports

Over the year we identified discrepancies in our performance reporting system due to:

- Late reporting of accidents
- Absences not being linked to accidents.

Due to the increased regulatory interest and rising litigation around safety, our performance reporting is being continually improved to ensure robust statistics are shared across the business. We have multiple databases, with conflicting data leaving limited analysis capability for understanding our performance. This has been highlighted and will be improved in 2003-04 to achieve our reporting goals.

Standards

Standards have been developed to set clear processes and frameworks across the organisation.

We are currently exploring policies in the following areas:

- Use of mobile phones
- Asbestos management
- Risk assessment
- Stress management
- Serious incident investigation
- Key Performance Indicators (KPIs)
- Control of contractors
- First aid provision
- Control of occupational disease.

We have a legal obligation under RIDDOR to report certain categories of injuries, occurrences and occupational diseases to the relevant enforcing authority. Accurate and timely investigation and reporting also helps us monitor trends.

A key standard, 'Accident Reporting and Dangerous Occurrences', has been developed to help us meet this requirement by:

- Specifying the way in which we will meet our statutory obligations on accident and dangerous occurrence reporting, notification and investigation
- Ensuring that first line managers have adequate information and guidance on the requirements for investigating accidents and incidents, and reporting them to the relevant enforcing authority and internal parties
- Setting out the requirements within the Royal Mail group for collecting information on:
 - accidents and occurrences that are reportable to the enforcing authorities
 - total injury accidents
 - occupational diseases.

A comprehensive list of reportable accidents and dangerous occurrences and a copy of the procedure for notification is contained on the Health and Safety intranet site.

This standard is also awaiting ratification.



Lord Brougham and Vaux CBE and the President of RoSPA presents to Melvyn Hodgetts Head of Safety Logistics Vehicle Services.

RoSPA 2003 Occupational Health and Safety awards ceremony.

Picture courtesy of RoSPA



Safety
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'Our new cycle helmet is the result of detailed consultation with employees. I believe that only by working in partnership with employees can we achieve a safer environment.'

Richard Scott
Safety Project Manager



97%

vote of support from CWU members
for introduction of cycle helmets

Key issues

Future emphasis on case management within the safety environment is planned to drive a better understanding of what is going wrong and identify managerial responsibility.

Our top three key safety issues are:

- Vehicle movements
- Manual handling
- Slips, trips and falls

These issues are being addressed in the following initiatives:

Training

Accident statistics show that 'lifting and handling', 'stepping and striking' and 'slips, trips and falls' are numerically our biggest cause of injury accidents. As well as accident investigation and local initiatives to address the immediate causes and minimise recurrences, a major training initiative including safety training for every employee is to be launched in 2003 – which will include e-learning modules.

Cycle helmets

Focusing on improving cycle safety, this year saw the introduction of the mandatory wearing of cycle helmets and high visibility clothing for our postmen and women. The whole project has been operated in close partnership with the Communication Workers Union (CWU), returning a 97% vote of support when balloted. We welcomed the inclusion of the CWU into the cycle helmet project and see this introduction as a major step forward in the protection of our employees.

Improvements to accident statistics in this area will be monitored closely over the coming year.



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10.3%

reduction in working days lost due to accidents



Case study

Local safety forums

To encourage local ownership of safety issues within our Parcelforce Worldwide division, there was a need to develop tools and techniques to assist the process. One of the most effective changes was the introduction of Local Safety Forums to quickly resolve local problems. These review the causes of accidents and outputs are communicated to effected employees.

Health and Safety Executive's risk control indicators

Details of the HSE's Risk Control Indicators have been communicated internally with suitable guidance. The emphasis in our strategy has been aimed at addressing the main issues raised by this activity and areas that give the biggest return on investment. Briefings have been drawn up to cover the areas of significant concern. Changes in our organisation have required us to change the safety targets to ones that are more meaningful.

Workplace transport

The main concern in our Logistics division is workplace transport, which includes mechanical handling equipment as well as our road vehicles.

Major changes are taking place under our Transport Review and we are working with the operators to ensure risks are kept to a minimum when offices and systems consolidate or new equipment or processes are introduced.

Logistics is also running a series of Defensive Driver Training programmes. So far we have trained all drivers at six major centres, we are now waiting for feedback on the success criteria before recommending a full roll-out.

Other initiatives being undertaken include:

Asbestos

Following new regulations on asbestos control, we are surveying all our premises. The outputs will include an asbestos register for every building and an action plan to maintain existing asbestos and manage any future events involving potential exposure.

HELA (HSE and Local Authorities Enforcement Liaison Committee) guidance

Key safety issues within our customer management centres, with reference to the HELA guidance, include noise, working practices, specific health issues (e.g. headsets) and equipment.

Safety of contractors

We set out the requirements for safety management in contracts, and have procedures to audit and monitor the safety of contractors.

Workplace safety – building hazards

Building hazard risk assessments are carried out at every site annually and records are kept in individual site log books. Audits follow a prescriptive format set out in the standard available on our intranet site.

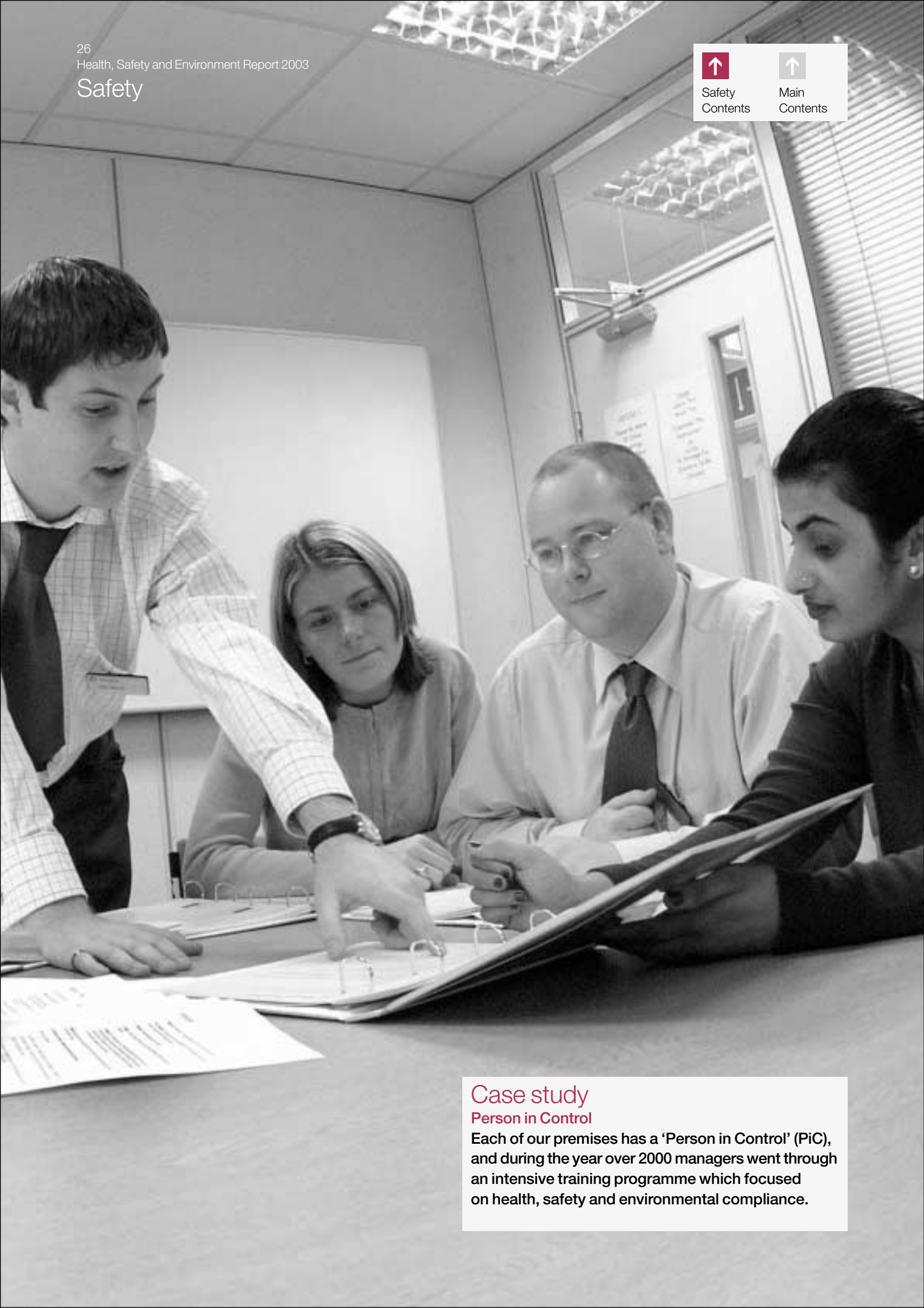
20% of our property estate is surveyed each year on a rolling basis. Survey reports enable project planning for building uplift works to be carried out.



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Case study

Person in Control

Each of our premises has a 'Person in Control' (PiC), and during the year over 2000 managers went through an intensive training programme which focused on health, safety and environmental compliance.

Awards

The Royal Society for the Prevention of Accidents (RoSPA) run an Occupational Health and Safety Awards scheme to recognise organisations that have developed Health and Safety Management Systems in line with the HSG(65) guidelines and can show continuing year-on-year improvements in Health and Safety performance. The awards are held in high regard by our Management Board as recognition of the priority and commitment given to safety by our managers and employees.

Vehicle Services unit have entered submissions in the last four years with the following successes:

1999-2000	Gold Award
2000-2001	Gold Award
2001-2002	Highly Commended – Engineering Industry sector
2002-2003	Highly Commended – Transport and Distribution Industry sector

Partnerships

Over the last year partnership arrangements have been set up with:

- Soundwell College, Bristol – who provide a modern apprenticeship programme. Vehicle Services have provided risk assessments and safe systems of work
- Jersey Post Office – with whom we have shared risk management procedures, HASTAM CHASE Audit information, policy and communication procedures
- The Royal Society for the Prevention of Accidents (RoSPA) – variety of issues including fleet safety management
- Institution of Occupational Safety and Health (IOSH) – accreditation of a revised ‘managing safely’ course
- Health and Safety Executive – synergy website project. A communications share of our policies and procedures with HSE to ensure environmental health officers have background knowledge of the areas, processes and equipment prior to a visit.

Safety compliance and audit

During 2001-02 the HASTAM CHASE Audit system was trialled across the company, and it has now been adopted as the company standard in order to provide a valid benchmark and test our legal compliance at unit level.

An internal audit team use a combination of observations, document checks, manager and employee questions to verify that certain safety conditions exist.





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A user group comprising users from across the business developed the HASTAM CHASE system for company use. Section 2 'Risk management, workplace precautions and risk control strategies' has been tailored to reflect individual risk areas and control strategies.

Operational sites are audited annually and performance is measured against targets agreed by the Management Board.

Our internal control statement, which is completed annually at management level, contains safety questions which test legal and policy compliance. An action plan is generated as a result of this process to deal with any non-compliance.

Case study

Reducing manual handling injuries

In 2001-02 manual handling was the cause of 24% of over three day injury accidents in our Vehicle Services unit. Analysis of incident data identified that the biggest risk was from items that were just under or just over 25kg, such as tyres and batteries. It was identified that it was common practice for mechanics to not ask for assistance or use a lifting aid for such items. In addition it was also found that their perception was that it was not expected of them to do so.

It was also identified that a number of incidents had been incorrectly coded as manual handling due to incomplete details on the accident forms.

Action taken throughout 2002-03 to resolve this problem included:

- Team briefings targeting manual handling techniques
- Education articles in internal magazine
- Increased on site training
- Increased accident investigation techniques (training sessions)
- Better coding of accidents through intervention by safety advisor.

These actions resulted in a 19% reduction – to 5%, in accidents from this category.

Line managers have personal responsibility, and are assisted by Safety Advisors and Heads of Safety, for ensuring legal compliance on a daily basis. We constantly try to maintain compliance and use the methods detailed above to do so.

Supply chain management

We aim, wherever possible, to acquire or develop products, designs and services with low risks. Managers are responsible for identifying hazards and the level of risk, and taking specialist health and safety advice where risks are high.

This is in line with our general obligations under the Management of Health and Safety at Work Regulations 1999 for employers to assess the risks associated with change. Also, the Health and Safety at Work Act 1974 requires employers to provide equipment and systems of work that are safe, and that take account of and manage the identified hazards and risks.

For any change, it is the responsibility of the business sponsor to ensure that safety concurrence is prepared. Each of our employees has the right to feel reassured that any change or purchase through recognised procedures has had its safety risks addressed, and that safety considerations have been designed in from an early stage.

19%

reduction in manual handling injuries
within Vehicle Services

Safety concurrence is:

- Needed for all projects and all purchases unless they present negligible risks
- Required when existing equipment is to be used other than for its intended or designed use.

The business sponsor who authorises the change retains accountability for ensuring the mitigation of risk. Identified control measures are incorporated into the operational/ product/purchase specification, and added to technical concurrence and/or business case.

Once deployed, the risk controls are monitored and reviewed to ensure they are effective in reducing and maintaining risks at the lowest level reasonably practicable. Monitoring and review schedules are also written into the product/purchase specification.

Planning ahead

A number of major initiatives are planned to support improvement of risk control arrangements and to encourage greater employee involvement.

Risk Assessment Process Review

Managers have voiced their concerns that updating existing processes is bureaucratic and time consuming – presenting a barrier to their use and therefore effectiveness. In addition, the number of audit failures attributable to non-compliance to processes was rising.

The main points of change are:

- Simplifying local tailoring, standard fixes for common problems
- Monthly formal monitoring of workplace (checking for safe person and safe place)
- Introduction of site safety rules and a housekeeping standard
- Simplified process for dealing with persons specifically at risk from a medical condition
- Linking accident investigation to review.

Case study

Latex allergies

As in many other industries Vehicle Services have seen an upsurge in the use of disposable gloves. These are generally used to keep hands from getting too dirty rather than as a specific control measure against hazardous substances.

There were two types of glove in common usage, Latex and Nitrile, a man-made alternative. Latex is a cause of allergic reaction, and following a Control of Substances Hazardous to Health (COSHH) risk assessment, Latex gloves were replaced on our Personal Protective Equipment (PPE) contract by vinyl (PVC) gloves.



Continual improvement will be possible only through effective review, taking note of audit and accident investigation findings as well as employee opinion.



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Environment

‘Environment’ should not be seen as an ‘add on’ or simply as a ‘nice to do’. As part of our mainstream business strategy it can improve the business bottom line and increase brand value.

We are achieving integration into the business way of working in five key ways:

- 1 All projects that have an effect on the environment, or likely effect on the environment, and all projects over £2.5 million, must carry out an Environmental Impact Assessment as part of the investment appraisal process.
- 2 Integrated risk management – environment has been included in our top profile of risk assessment considerations.
- 3 Environmental considerations are also built in to the contract process with our suppliers. We have a ‘First Class Supplier’ award scheme, which includes awards for sustainable development and the environment.
- 4 An environmental management programme is being developed which will include identified responsibilities and accountabilities, measurement and monitoring of our key performance indicators.

We want to be commercially successful and manage our impact on the environment. In March 2002 our Management Board approved a new group environmental policy, which outlines our values, objectives and responsibilities. Put simply the environmental policy says we will:

- Comply with the law
- Learn from others
- Use less
- Re-use more
- Work with our customers and suppliers
- Tell everyone what we have done.

Our full environmental policy can be found in the appendices.

5 A revised induction training programme for new employees will introduce the linkages between environmental issues and our daily operations.



£2.5m

all projects over this threshold must have an environmental impact assessment, along with smaller projects with likely effects on the environment

Establishment of performance indicators, targets measures

The following six targets were agreed by our previous Management Board in April 2002. A new Management Board is now in place, and this, coupled with a business reorganisation, will mean that the target measures will need to be reviewed during 2003-04.

1 A reduction in overall energy consumption for building use by 10%, relative to the 2001-02 baseline, by 2006-07

On target. We have reduced our building energy consumption by 8.3% compared to 2001-02 (1260 GWh to 1156 GWh).

2 A progressive increase in the usage of renewable energy, rising to 10% by 2010

On target. We have achieved a 1% increase in renewable energy (4 GWh) from 0% in 2001-02.

3 A reduction in water use by 5%, relative to the 2001-02 baseline, by 2006-07

Insufficient data. Here we reporting an increase of 45% over the 2001-02 figures. We believe this was due to an inaccurate baseline figure in 2001, rather than a dramatic increase in our water use. Further investigations of the data are being carried out. However, it should be noted that the target reduction is based over five years, so too much emphasis on one year's figure should be avoided.

4 A reduction in group wide fleet fuel usage by 5% per year

On target. We have an 8.3% reduction based on fuel procured (172.7 million litres down to 158.4 million litres) since 2001-02.

5 A reduction in CO₂ emissions arising from our mails operations by 5% over a rolling 3-year average

On target. We have a 4.8% reduction over 2001-02. Our CO₂ figure per 1,000 items delivered, based on our transport operations, was 26 kg CO₂ in 2002-03 compared to 27.3 kg CO₂ the year before.

6 A reduction in the quantity of solid waste of 5% per year based on landfill tax paid.

For 2002-03 our worst case estimate of landfill and recycled waste was approximately 73,414 tonnes. We aim to develop the measurement systems over this upcoming year, and intend to use 2003-04 as our baseline year.

We are now able to measure progress towards achieving four of these targets, and will have measurement systems in place for the remainder by the end of March 2004.

Currently performance data is collected from many different sources within the Royal Mail group. A considerable amount of work is ongoing to identify data availability in line with our environmental policy, environmental aspects and targets.

This is a complex task given the size of our organisation, and the various different processes for collecting data. In some cases there is a need to raise awareness amongst potential data providers of the need to collect data. We are also trying to improve our data reliability. Where it is beneficial we are working directly with our external suppliers and contractors to obtain the most accurate data.

The complexity referred to above makes it difficult to provide aggregate figures for the business, but our current reorganisation should provide clearer lines of accountability and lead to improved data sources. The data shown within this report shows that we are moving in the right direction, but recognise we still have to improve.



1%

increase in renewable energy
since 2001-02



Environment
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Establishing management frameworks

A Director of Corporate Social Responsibility has been made accountable for ensuring that we operate as an environmentally responsible organisation by having ownership of the overall environmental management strategy. This environmental accountability is discharged through a Group Environmental Policy Holder, the Head of Environment, who has the responsibility for the production and deployment of the environmental strategy, so that it aligns with business objectives.

A diverse organisation such as ours needs overall environmental management direction at a group wide level, but deployment of environmental strategy will take place through the business units' own management strategies and programmes by allowing adjustments to suit their operating circumstances.

A programme is currently underway to put in place an environmental management system (EMS) across the group and to have environmentally competent persons in all business units. The first part of this process has been to establish an Environmental Steering Group (ESG), consisting of key decision makers from across the business, chaired by the Head of Environment.

In addition to the above, some areas of the business are more advanced than others with environmental management frameworks. For the last three years a formal EMS roll-out programme has been underway in Vehicle Services and Parcellforce Worldwide. A total of 29 sites are now certified to the ISO 14001 standard. A review of this certification programme is now being carried out to make sure that the ISO 14000 programme is still adequate for the changing business needs.

Stakeholder dialogue

We are one of the few businesses that serve every community in the UK, and as such our stakeholders are many and varied. Many individuals will represent more than one set of stakeholder interests. Being a customer, and living in a local community leads to the impacts of our distribution and retail operations cutting across several stakeholder dimensions.

As a business, we already have relationships with many of these stakeholders, and through these have identified some of their environmental concerns. Within the last year, we have been working to produce a plan for environmental stakeholder dialogue. In 2003-04 we will be focusing on improving dialogue with our employees, Government, local communities and local authorities.

'Our vehicle workshop produces all sorts of waste from tyres to scrap metal. ISO 14001 has helped focus our mind on identifying waste reduction opportunities that make good environmental sense.'

Kevin Cronk
Vehicle Workshop Manager



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2 awards

won at the Corporation
of London Liveable City Awards



Working with others

We work with a wide variety of external organisations to promote environmental improvement both within our own organisation and within the community.

We are corporate members of The Woodland Trust, and in partnership with them we have established ten Royal Mail Millennium Woods to promote biodiversity and provide recreational facilities to local communities. Our latest partnership activity is the UK Phenology Network – a programme that will increase understanding of global climate change and help us to mitigate the effects of our transport emissions.

We played a small part in the Woodland Trust 2003 Christmas Card Recycling Scheme, which the Woodland Trust ran in partnership with two well known high street companies. We supported the event on our website and encouraged our employees to participate. In recognition of our efforts, the former Environment Minister, Michael Meacher MP, awarded us a Certificate of Merit.

Royal Mail Group plc is a founding corporate partner of Forum for the Future, who are leaders in sustainable development solutions for industry. The Forum has provided input into many of our environmental initiatives, including our major transport review.

We are also members of the Buildings Research Institute Environmental Benchmark Club. This group of 15 large companies seeks to exchange best practice on buildings management and construction from an environmental perspective.

We are members of Business in the Community (BiTC) and take part in Business in the Environment (BiE) assessment activities.

We are working with the Institute for Manufacturing at Cambridge University on a Government approved research project looking at what sustainable development means in the business world. The project will develop robust frameworks, guidance and tools to improve corporate sustainable development performance.

Internationally, we are a member of the Universal Postal Union (UPU). We are active members of the UPU 'Post and the Environment' Project Team (PEPT), and through this body we are engaged with the United Nations Environmental Program (UNEP). We have supported the development of an environmental operations manual, environmental training course and an environmental website.

Our commitment to communities and to improving our environmental impact was recognised in February by the Corporation of London when we won two prestigious awards in the Liveable City Awards 2003. We won the 'Contribution to air quality' award and were very highly commended in the Traffic and Transport Management category. These awards recognise the steps we are taking to reduce our transport impact.

Lastly, we are members of two important industrial groups – the Confederation of British Industry (CBI) Environmental Affairs Committee and the Whitehall and Industry Group.

Planned moves towards sustainability

We have developed a five stage vision to take us from mere compliance to corporate sustainable development. This has been agreed by our Management Board, and we are now working towards ensuring commitment across the business.

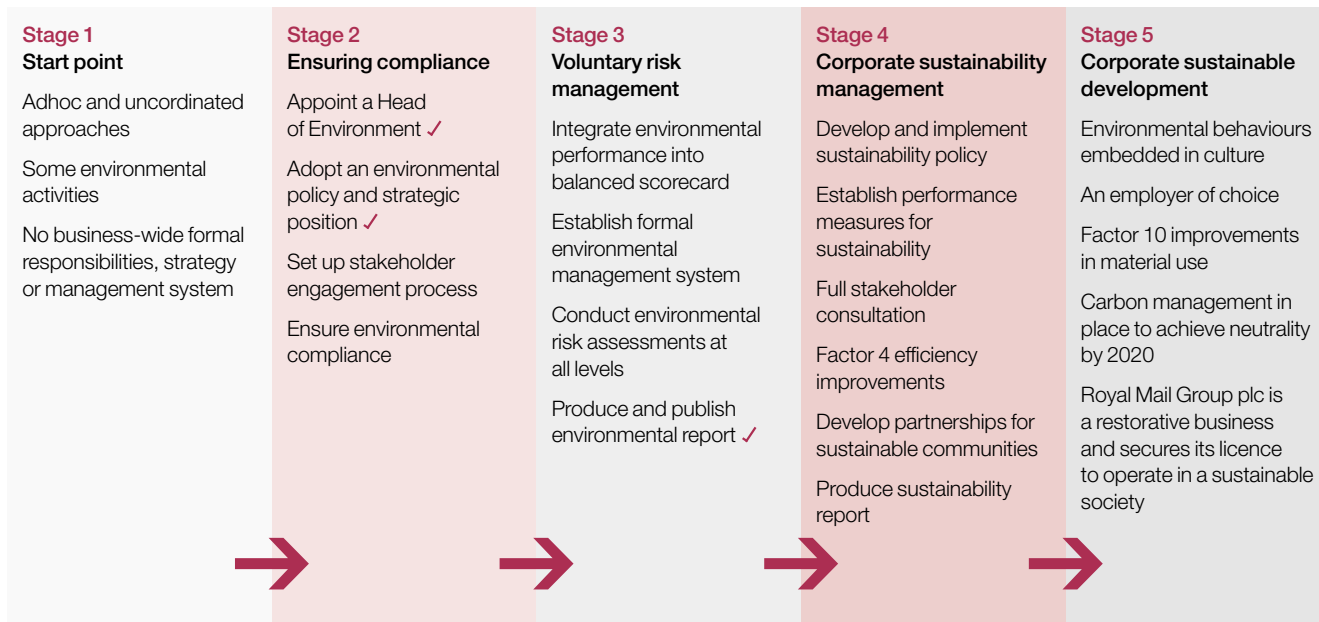
Much of our effort in 2002-03 was towards ensuring compliance and reviewing the stakeholder process. We are nearly at the stage where we can move across into Stage 3. This is a long term vision and achieving further stages will get progressively harder.

Environmental aspects

Identifying our environmental aspects is the first step in actively managing our environmental footprint. The aspects comprise groupings of processes or activities that have an environmental impact. In our situation the choice of aspect groups will be used for performance measurement, management and external environmental reporting, but they are also designed to be able to withstand the market and regulatory driven organisational changes that will inevitably continue to occur in the future. Our nine environmental aspects are:

- Compliance
- Building energy
- Water
- Transport
- Airborne emissions
- Waste
- Suppliers
- Products and services
- Impact on the community.

Figure 8
Our five-stage vision to corporate sustainable development





Environment
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Compliance

zero

environmental prosecutions
in 2002-03



Despite the existence of environmental procedures, the sheer size of our operations increases the likelihood of adverse environmental incidents occasionally happening. To reduce the number and severity of these incidents, it is important that they are investigated promptly, lessons are learnt and any changes are implemented quickly. There have been several instances of non-compliance during the period April 2002 to March 2003. These have occurred in the areas of special waste documentation and diesel fuel storage. However due to prompt mitigation action on our part, and by working closely with the Environment Agency, we have had no environmental prosecutions.

Over the last year our in house environmental lawyers have extensively reviewed our legal compliance in a number of areas, such as packaging, waste management and oil storage.

Some of the activities and developments undertaken to ensure compliance are detailed below:

Register of Environmental Legislation

A Register of Environmental Legislation, accessible via our intranet, captures the environmental legal obligations that apply to the Royal Mail group. It is linked to our business management processes so as to help instil 'business as usual' into everyday activities. The aim is to ensure compliance occurs as the result of good management practice and is by design rather than by accident.

Environment best practice guide

In summer 2003, a best practice guide will be available which will offer advice on environmental issues to aid business improvements and help support compliance. It will be on our intranet and a summary will be available to employees with no computer access. It is currently at final proofing stage.

Training programmes

For the first time, we have approved an environmental training programme for employees at all levels within our organisation. The content has been agreed and we are now working with business training providers to integrate environmental thinking into our everyday operations. An electronic induction package including environmental issues has also been designed for new employees.

Waste disposal

Information provision is the starting point of ensuring compliance. Waste management procedures are provided on our intranet and summary guidance is provided within our site log books. At a local level there is a manager who has been assigned responsibility for waste management at each site.

Random site checks are carried out to ensure compliance, for example proper completion of special waste consignment notes. On the supplier front, guidance is provided at contract startup and monitoring is carried out through random audits and supplier performance reviews.

£1m

spent on improving our vehicle wash drainage systems in 2002-03

Packaging

The Producer Responsibility Obligations (Packaging Waste) Regulations 1997 place an obligation on businesses within the packaging chain to recover and recycle a specific tonnage of waste packaging. Some of our activities, such as retail sales in Post Offices or sales of stamp books, fall within the scope of the regulations.

We discharge our legal obligation through membership of a packaging compliance scheme – Biffpack. Last calendar year our interim returns to Biffpack showed that we had handled 807.35 tonnes of packaging waste, broken down in figure 9 by waste type. Full year details of our obligated packaging will be available in summer 2003.

Figure 9
Packaging obligation

Year	Paper (tonnes)	Plastic (tonnes)	Other material (tonnes)	Total packaging (tonnes)
2002	699.05	108.3	0	807.35
2001	501.60	2.57	21.04	525.21

Work has been carried out over the past year to ensure that we have a more integrated approach to data capture. With support from Biffpack, this has included working with our product owners to identify all obligated packaging and training provision for data providers.

Effluent discharge

We have approximately 217 sites with vehicle washing facilities, such as automatic vehicle wash or fixed jet wash equipment. Trade effluent discharge consents or exemption letters are required for such premises, but a review of our discharge consent records in 2001-02 identified gaps in our records.

During 2002-03 we spent £1 million improving our vehicle wash drainage systems to support the discharge consent applications. A further £600k is to be committed for drainage improvement works for 2003-04. Additional budget will be allocated over the next few years to bring the drainage systems up to current standards and to enable us to achieve 100% compliance records for all our vehicle washing units.

Fuel storage

Our above ground diesel fuel storage tanks located in England are subject to the Control of Pollution (Oil Storage) (England) Regulations 2001 and similar regulations will be introduced in Scotland.

To ensure compliance with these regulations Environmental Impact Assessments were carried out during 2002-03 at above ground oil storage installations, identifying those facilities requiring remedial work. Installation improvement works are programmed to be carried out during 2003-04 before the compliance deadline applicable in England of 1st September 2005 and well before the Scottish compliance timetable.

In addition, there is now a Fuel Installation Compliance Working Group charged with reviewing and developing our fuel storage, ensuring legal compliance and best practice in our fuel procedures. The group has already put plans in action to decommission 150 fuel tanks which will significantly reduce our environmental risk.

Buildings

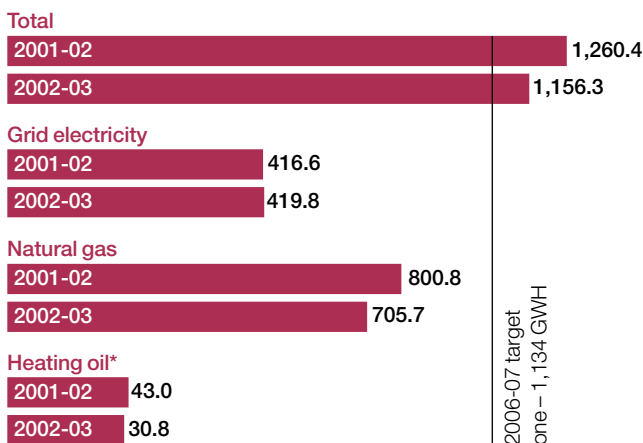
For all new buildings, the construction product selection is influenced by the Building Research Establishment Ltd publication 'The Green Guide to Specification' – originally co-produced with our property holdings team.

Building energy

Managing the environmental impacts of our 2,722 properties, through the efficient use of resources makes good business sense. Benchmarking has shown us that it is possible to reduce our energy and water consumption, and in doing so reduce our impacts on the environment and drive down costs. Our network of Energy Managers provide technological solutions and advice, and have facilitated the achievement of cost and consumption savings.

Our building energy consumption was approximately 1156.3 GWh for 2002-03, which represents a reduction of 8.3%, or 104 GWh, since 2001-02. This was due to a building rationalisation programme and improved energy management practices. The consumption split by energy type can be seen in figure 10.

Figure 10
Energy consumption (GWh) by type



*The figure for heating oil relates to fuel procured as accurate consumption data was not available. The quoted figure is therefore a highest, worst case scenario, and this particular issue should be rectified over the next twelve months by the expansion of the Building Energy Management System (see later in the report for more details).

Target one

A reduction in overall energy consumption for building use by 10%, relative to the 2001-02 baseline, by 2006-07.

On target. We have reduced our building energy consumption by 8.3% compared to 2001-02 (1260 GWh to 1156 GWh).

Target two

A progressive increase in the usage of renewable energy, rising to 10% by 2010.

On target. We have achieved a 1% increase in renewable energy (4 GWh) from 0% in 2001-02.

- Our total energy consumption per £million of turnover was 139.3 MWh/£million – which compares favourably with a benchmarked figure of 140 MWh/£million. This is a reduction of 10.6 MWh/£million or 7% since 2001-02
- Relative to our baseline year of 2001-02, our energy consumption per full time equivalent employee fell by 5.6% (318.5 kWh) to 5.36 MWh per FTE employee per annum.

We have an Energy Strategy that we hope to implement during 2003-04. The strategy was developed following extensive benchmarking and in consideration of all relevant UK and EU legislation. Once fully implemented it will ensure we are equal, if not ahead, of current industry best practice.

2,722

properties such as this delivery office in Hexham.





Renewable energy

We are also committed to the use of renewable energy. Since September 2002 two sites have been supplied by renewable electricity originating from wind, landfill gas and small-scale hydro electricity. Annual demand for these sites is just over 4 GWh, which represents about 1% of our total electricity consumption.

Our planned target is to progressively increase our use of renewable energy, so that by 2010 some 10% of our energy use comes from renewables – in line with current Government targets.

Combined Heat and Power

Combined Heat and Power (CHP) is a highly efficient technology for generating power (usually electricity) and heat simultaneously.

We currently have 25 sites with CHP used for space heating, with a total electrical capacity of approximately 8.7MW maximum. We are currently running at an average of 60% of our 'maximum' electricity output, and approximately 45.6 GWh were produced last year.

Our CHP capacity will increase by another 3MW when our Heathrow Worldwide Distribution Centre opens later in 2003 – with space for another 2MW if there is a need in the longer term. There are plans in place for the engines and generators at a number of mail centres to be upgraded, in order to provide additional security to critical operational systems.

Energy and water monitoring

We have an energy and water monitoring system for our top 400 consumption properties, which account for over 50% of our usage. We are looking at expanding this system to all our sites over the upcoming year. Deviations from normal consumption patterns trigger an investigation, and through this process £325,000 of savings have been identified over the past financial year.

Energy surveys

We also carry out energy surveys to identify where consumption and cost savings can be made, with 175 energy surveys completed last year, which identified:

- potential savings of £1.3 million (of which £217k was realised in 2002-03)
- savings of 8 GWh of energy consumption, through such measures as lighting controls, reprogramming building management systems in line with operational needs, insulation on pipework, converting oil to gas heating and good housekeeping.

By the prudent use of the heating system over Christmas, such as turning off heating out of hours, the business saved a potential £64,000, and by sticking to the agreed business standard on heating and the Temperature Reduction Programme we have saved £864,000 and reduced gas consumption by an estimated 53 GWh.



10%

of our building energy to come
from renewable sources by 2010



1.5 million

m³ water consumption at our top 400 sites

Water

Building Energy Management System

BEMS is a sophisticated energy control system that automatically monitors and controls our building's services. BEMS provides an integrated approach for the control of heating, ventilation and cooling plant, and the data provided enables potential improvement to environmental conditions and building fuel efficiency.

Currently we have 625 premises with BEMS controllers that are fully linked and can be controlled centrally by remote BEMS bureau. An additional 445 premises have 'stand-alone' systems, and we are working to bring a further 52 properties online.

Our future plans are to develop the level of BEMS control and monitoring services, to include scheduled routine system efficiency checks and proactive routing of transmitted system faults.

Target three

A reduction in water use by 5%, relative to the 2001-02 baseline, by 2006-07

Insufficient data. Here we reporting an increase of 45% over the 2001-02 figures. We believe this was due to an inaccurate baseline figure in 2001, rather than a dramatic increase in our water use. Further investigations of the data are being carried out. However, it should be noted that the target reduction is based over five years, so too much emphasis on one year's figure should be avoided.

Water is used throughout the group for normal office, catering and hygiene purposes, as well as in a number of vehicle washing facilities. Consumption is measured at 400 sites, responsible for over 50% of our total consumption, via our water monitoring and targeting system. Monthly performance reports allow us to monitor abnormal consumption levels and take actions.

Last year water consumption at these 400 sites was 1.5 million m³. This is an apparent increase of 45% over our 2001-02 figure, but significant concerns now exist as to the robustness of the 2001-02 baseline data. This issue will be investigated over 2003.

Everyday water saving initiatives are identified through our energy surveys. In addition independent assessments of the 400 sites are scheduled for 2003-04 to identify opportunities for surface water rebates and the potential for further water conservation measures. We are also partaking in a 'Billing manager' pilot study with one of our water suppliers – looking at monitoring arrangements for another 50 of our sites.



573 million
approximate mileage covered by our road fleet

Transport

Target four

A reduction in group-wide fleet fuel usage by 5% per year.

On target. We have an 8.3% reduction based on fuel procured (172.7 million litres down to 158.4 million litres) since 2001-02.

Our transport and distribution operation is one of the largest in the UK and comprises road, rail and air charter operations.

On the roads we have approximately 36,000 vehicles in our commercial fleet and 4,500 company cars. Last year our road fleet emitted the equivalent of 51.1 tonnes of CO₂ for every £million turnover – which is a reduction of 3.9 tonnes per £M (7%) over our 2001-02 figure. Included in this figure are:

- Royal Mail road fleet, including cash in transit vehicles, covered approximately 573 million miles – nearly 1,200 round trips to the moon
- Our commercial fleet used 158.4 million litres of diesel, which produced 424,445 tonnes of CO₂ emissions.

Historically we have been a major customer of the railways. Our current rail operator is EWS Railways who during the year 2002-03 provided 51 services which operated each week night across the UK. The operation utilises our 16 Electrical Multiple Units plus EWS owned locomotive hauled trains.

Our charter air fleet is also one of the largest independent air operations in Europe, and uses 35 aircraft each night.

Transport strategy

As a distribution company we employ a range of transport methods – from delivery by foot and bicycle, to alternative fuel vehicles. We are committed to reducing the levels of emissions, such as carbon dioxide and particulates, from our fleet wherever practicable – adhering to industry and legislative standards. The section below gives examples of what steps we are taking to achieve this.

Driver selection and training

Upon taking up driving duties, all our drivers receive medical examinations, practical driving assessments and training in safety and environmental issues. A personal copy of a drivers manual containing a wide range of supplementary information is issued to every driver. If appropriate, changeover training is also provided to ensure that drivers moving from one category of vehicle to another are fully conversant with the controls, features and safety checks for the new vehicle.

We are also evaluating a Government initiative relating to driver fuel economy training using funding from the Renewal of the Transport Industry fund. This is a series of seminars targeting both managers who control depot fuel sites and drivers on fuel saving techniques whilst driving. The seminars are free and funded direct to the training provider by Government.

175

Liquid Petroleum Gas (LPG) vehicles are due for entry into our fleet in summer 2003

We have five electric vehicles, such as this Bradshaw Carryall 2, operating in Oxford, Exeter and Abergavenny.





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Road vehicles

The majority of our vehicles are retained for between three and five years, which allows us to take advantage of the rapid developments benefiting environmental performance. All vehicles are inspected and serviced more frequently than the manufacturer's recommendations in agreement with Vehicles Services – which ensures the vehicles perform to the optimum levels of performance and economy. To maximize safety in service, vehicle selection includes safety examinations and generic safe systems of work.

Utilisation

All of our network routes are generated with the aid of computerised routing to minimise wasted mileage, and our Local Asset Managers are employed to minimise the numbers of vehicles needed to service operational requirements. These checks are mandatory before additions to the fleet are authorised, and short term additional vehicle requirements are fulfilled by contract hire arrangements.

Alternative fuel vehicles

The use of alternative fuelled vehicles – gas and electric – is now ingrained into our transport strategy and we are increasing the numbers of these vehicles to replace diesel vehicles when the opportunity permits. These vehicles predominantly operate in inner-city areas, and have been introduced to counteract local air pollution issues.

We will continue to research, with partners where appropriate, the application of alternative fuel vehicles (AFV) and new engine technology, both to reduce reliance on non-renewable fuels and to exploit increasingly viable alternatives wherever possible. This will include trialling alternative fuels such as Liquid Petroleum Gas (LPG), Compressed Natural Gas (CNG), electricity and hydrogen.

However, diesel vehicles continue to play a key role in our operation. We operate the bulk of our vehicle fleet on Ultra Low Sulphur Diesel (ULSD) and exhaust gas after-treatment systems are being evaluated. Continuing environmental improvements to diesel engines, coupled with the use of exhaust controls, will mean that their use will continue for some time to come.



We have two Liquid Petroleum Gas (LPG) dual fuelled Ford Transits and a Compressed Natural Gas (CNG) fuelled Iveco Daily operating in south London. Two CNG Motive Units were trialled in Warrington in early 2003. We also have nine electric Peugeot Partner vans operating in London and the South West, each averaging 3,500 miles per year.



Transport Review

The Transport Review programme was established in Autumn 2001 and is the first comprehensive strategic review of our distribution networks within the UK. The current network is very complex and in decay, and in marked contrast with best logistics practice which is characterised by hub and spoke networks operated with effective 'just in time' systems.

The purpose of the review is to design a cost effective, flexible and robust distribution network that will meet internal and external customer specification. In designing the new network, distribution industry best practice has been adopted.

The changes proposed in the review will lead to a much smaller environmental footprint for our medium to long distance transport operations. Key points are:

- The new network adopts industry best practise – namely hub and spoke design of operations
- Total number of current road services will reduce from over 8,500 to 2,500
- Across road and rail our use of diesel will drop from 149k litres/day to 94k litres/day – a 37% drop
- Use of electricity to power trains will drop from 272k kWh/day to nil
- Road mileage will reduce by 21 million miles per annum – a 27% reduction in miles with an associated cut in fuel used of 13%
- These changes allow total daily CO₂ emissions for the distribution network to be reduced by 30% from 730 tonnes to 510 tonnes. This is despite the increase of 22% in jet fuel for aircraft
- The use of modern containerised aircraft will give increased aircraft speed and handling together with improved reliability.

Overall the network will be more effective than the current piecemeal approach.

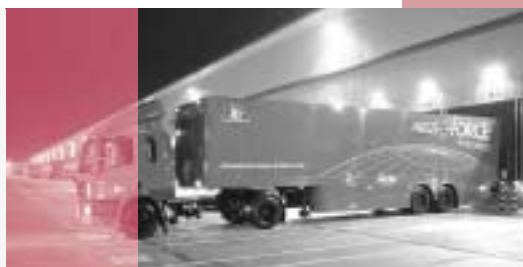
The following key performance indicators have been proposed and accepted against which to measure the progress and impact of the review:

- Accidents (absolute)
- Accident rate
- Community impact (as determined using a checklist approach)
- CO₂ emissions (by mode and total)
- Particulates (% fleet meeting Euro Class II and III emission standards)
- Energy use (fuel consumption by mode of transport).

Data gathering and implementation planning for each of the indicators is currently underway, as are the determination of baseline levels.

37%

predicted reduction in
diesel consumption from
our haulage operations



Our new network will
adopt industry best
practice hub
and spoke design

'I have found the green travel plan very beneficial. It has proved convenient and economical. My travel companion and I have a good laugh and of course we are doing our bit for the environment!'

Anna Kubiak
Advanced Customer Advisor
and user of car share scheme



Our postbus service plays an important role in our commitment to serving the community.

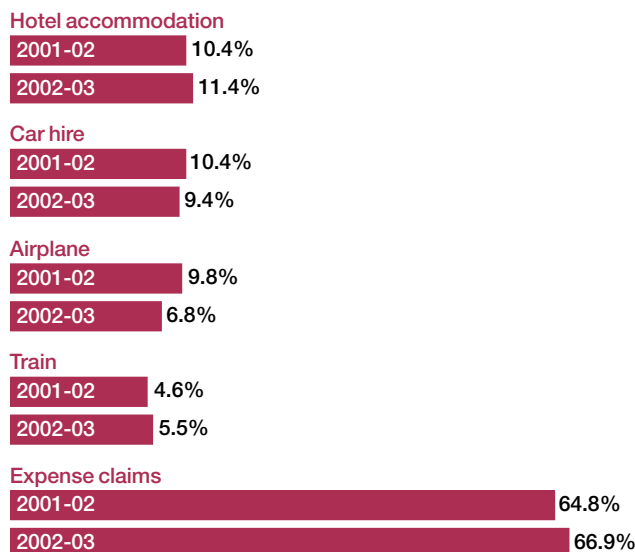
Personal business travel

Our company car mileage for business travel for 2002-03 was 67.3 million miles, which produced an estimated 16,065 tonnes of CO₂ emissions. This compares to an estimated 17,409 tonnes produced in 2001-02 – a reduction of 7.7%.

It is currently not possible to determine mileage and CO₂ emissions from our usage of other transport modes. However this is an area in which we are working with our contracted travel supplier to develop recording mechanisms and we hope to be able to include mileage details and reductions in CO₂ emissions in next years report.

The total cost of personal business travel across the group for all modes of travel reduced by approximately 8% relative to 2001-02. Breakdowns of the expenditure by modes of travel can be seen in figure 11.

Figure 11
Split (%) by category of personal business travel expenditure



Note – Expense claims include any travel related expenditure directly incurred by an employee and reimbursed by the Royal Mail group. Includes items such as car parking, fuel, taxi fares and airplane and train expenditure not booked via business processes.



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Case study

Employees at Trent House, a customer management centre in Stoke-on-Trent, have been awarded the Staffordshire Travelwise Award Scheme's silver standard for their green travel plan. Showers and bike shelters have been provided for employees cycling to work, local bus companies have been consulted as to route amendments and a car-share club has been set up. Take up of the scheme has been widespread – with the latest survey showing that the number of employees making single occupancy car journeys has reduced by 28%, the percentage of employees car sharing has risen by 14%, and the use of public transport has increased by 12%.

Green travel plans

It is business policy that green travel plans are required for all new developments likely to generate traffic and especially where there are limited alternatives to the car for reaching a site. For a travel plan to be produced the manager must assess likely private traffic levels, and identify ways of reducing this to a satisfactory level. A travel plan is then produced outlining car use reduction measures for the site.

Five years ago a green travel plan was developed and implemented at an office in Chesterfield. More recently we agreed to pilot travel plans at four sites encompassing both operational and administrative functions. It is hoped that the results of the pilot will enable the development of a green travel framework and toolbox for the group. The intention is to roll-out green travel plans as a support aid to sites where car parking is severely limited or road travel is affected, for example the congestion charging zone in London.

Car parking policy

We are developing a car parking policy for administrative and operational buildings which aims to ensure a fair allocation of spaces, and which will also support green travel initiatives. This will be implemented in 2003-04.

E-learning

Part of our human resource strategy is to use e-learning as a way of developing our employees. We currently have over 300 different e-learning courses which can be accessed through the intranet and internet and in some cases all course modules are completed online.

By reducing the amount of travelling required, as well as lowering fuel consumption and associated CO₂ emissions, this initiative has resulted in reduced training costs per person – enabling us to provide more development for our employees, a reduced usage of paper for handouts and manuals, and a better work/life balance.

300+

e-learning courses available
to our employees



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Flexible/home working

Flexible working is a move away from an employee having a dedicated office based work station which on average is used for a minimum of three working days a week or 60% of their working hours. This concept applies to how, when and where an employee works, and Location Independent Working (LIW) is one such example of flexible working. We have produced a 'Workwise Policy' covering guidance on issues such as suitability of employee for flexible working and management of LIW employees. LIW has been rolled out on a voluntary basis.

The benefits of the initiative include increased personal autonomy, improved employee morale, higher productivity, customer satisfaction, a better work/life balance and a reduction in fixed based costs such as office space.

This initiative has been supported by technological advancement in computers and remote working facilities.

Other activities undertaken in the year include:

- Production of a set of toolkit materials – covering people issues, available technology, information links, accommodation and resource issues
- Flexible working areas have been piloted in the London campus
- Technology drop-in centres for LIW employees are in place
- Online meeting room management has been introduced.

Audio and video conferencing facilities

An e-meetings service is available between our premises, with an upgraded and extended network of video and audio conferencing facilities. These are practical, high quality alternatives to travelling to face-to-face meetings and help improve the balance of employees working lives, as well as significantly increasing our productivity and efficiency.

Our Videomeeting service allows employees to participate in multi-site meetings using our network of 21 studios. The usage figures for last year were:

- 39.2% utilisation between the hours of 9am to 5pm
- 3,306 video conferences were held
- 17,352 participants.

Our Telemeeting service allows up to 30 participants to speak to each other by telephone. Participants access the service by dialing a common telephone number, and unlike the Videomeeting service, participants can be seated at their desks throughout the call. Usage for last year was;

- 2,647 teleconferences were held
- 15,700 participants.

It has been calculated that the usage of the e-meetings facilities has produced savings of £3.7 million over the 2002-03 financial year. These savings are split as £0.2 million for video conferencing and £3.5 million for audio conferencing.

17,352

participants in videoconferences



Our videomeeting facility can be combined with a telemeeting to include participants who would otherwise need to travel to a studio

Airborne emissions

Target five

A reduction in CO₂ emissions arising from our mails operations by 5% over a rolling 3-year average.

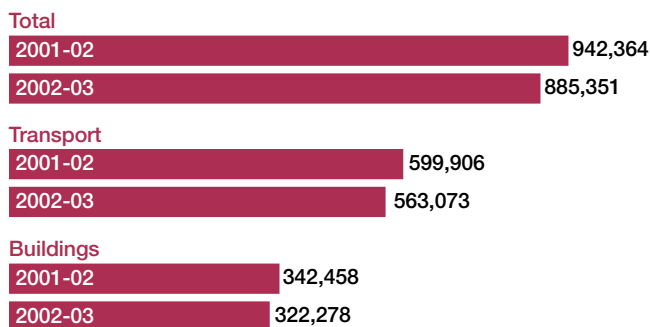
On target. We have a 4.8% reduction over 2001-02. Our CO₂ figure per 1000 items delivered, based on our transport operations, was 26 kg CO₂ in 2002-03 compared to 27.3 kg CO₂ the year before.

There is mounting evidence that human activities, such as the burning of fossil fuels for transport and building energy, are influencing the global climate via the production of greenhouse gases, such as carbon dioxide. The Government has recently stated their goal of cutting CO₂ emissions by 60% by 2050, in addition to the earlier domestic target of reducing emission levels by 20%, relative to 1990 baseline levels, by 2010.

Our total carbon dioxide emissions for 2002-03 was 885,351 tonnes. This is a reduction of 6% on 2001-02. The split between our transport operations and building energy usage is shown in figure 12. The emission figures are calculated in accordance with the Department of Environment, Food and Rural Affairs (Defra) 'Guidelines for Company Reporting on Greenhouse Gas Emissions' – i.e. equivalent tonnes of CO₂.

Figure 12

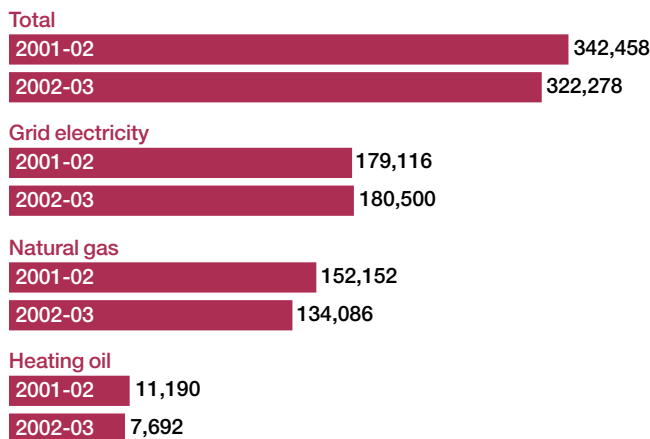
Total carbon dioxide emissions (tonnes)



Our emissions of carbon dioxide from building energy fell by 5.9% (20,179 tonnes) to 322,278 tonnes in 2002-03. The emission split by fuel types can be seen in figure 13.

Figure 13

Carbon dioxide emissions (tonnes) from energy consumption



4.8%

reduction in CO₂ emissions per 1000 items delivered

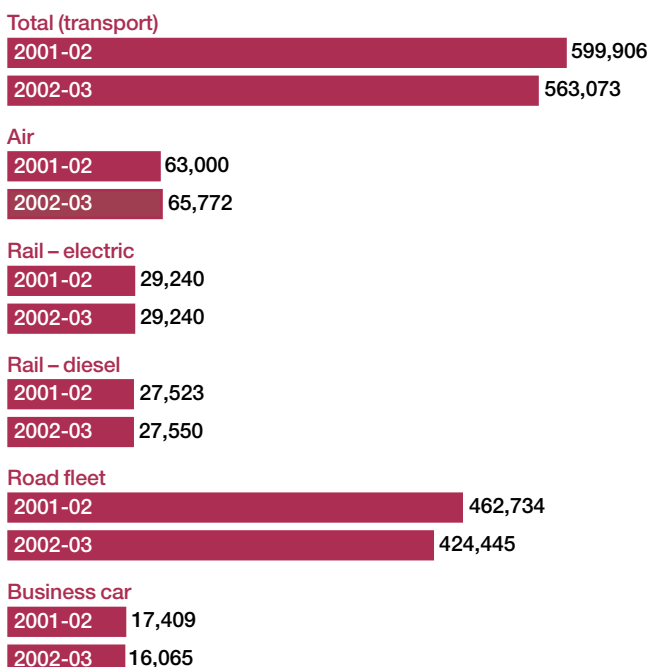
26kg

CO₂ emitted from our mail transport operations per 1,000 items delivered



The total carbon dioxide emissions from our transport operations have reduced by 6.1% to 563,073 tonnes per annum. The modal split of emissions, based on fuel procured for each type, is shown in the graph figure 14.

Figure 14
Carbon dioxide emissions (tonnes) by mode of transport



Carbon dioxide emissions from mail operations

Between 1994 and 2000 we reported CO₂ emissions via Real Unit Environmental Cost (RUEC) which gave our CO₂ emissions per 1,000 letters delivered. This figure took into account emissions from our mail transport activities and building emissions from mail centres and delivery offices. This was a popular measure with external stakeholders, including customers who could use the figure to calculate their indirect CO₂ emissions through their mailing activities with us.

Recent business restructuring has meant that this figure cannot be accurately determined. As such, an interim measure has been developed – Real Unit Distribution Cost (RUDC), which reports on total CO₂ emissions from our mail transport activities per 1000 items (letters and parcels) delivered – whereas the RUEC figure focused on letters and included building emissions as well as transport emissions. For 2002-03 the RUDC figure was 26 kg CO₂/1,000 items – a reduction of 4.8% since 2001-02. We aim to expand this interim measure to cover our entire operations, rather than simply mail transport, over the upcoming year.



Ozone depleting substances

Since the mid 1980s the destruction of the ozone layer has been linked with the production and use of certain substances, such as Chlorofluorocarbons (CFCs) and Halon gases – historically used in cooling systems and fire extinguishing systems respectively. The production and use of such ozone depleting substances is heavily restricted under the Montreal Protocol and EU Regulation 2037/2000.

Fire extinguishers

In advance of the December 2003 legislative deadline we have undertaken a programme to replace all portable Halon fire extinguishers, and all Halon extinguishers will be removed by the deadline.

In a similar programme to decommission all fixed fire suppression systems containing Halons, we removed an estimated 499kg of Halon 1301 from four sites in 2002-03, and since 1 June 2003 none of our premises have been protected by a fixed Halon system.

Our flight operations are now the only part of the business protected by Halon extinguishers, and it is estimated that an average of 20kg of Halons (predominantly Halon 1211) is carried on each of our 70 charter flights per week day. Our charter flight operations predominantly use Shorts 360s, Fokker F27s, BAE 146 and 748s, and Airbus A321.

Aircraft are classified as 'Critical Users' under Annex VII of EU Regulation 2037/2000, and therefore exempt from the decommissioning timetable. The list of exemptions is to be reviewed annually, with the intention of removing applications from the list as suitable replacements become available, and as such we will expect our charter flight companies to keep abreast of CAA and manufacturers guidance on the subject.

Refrigeration and air conditioning

We have a standard for the use and disposal of CFCs and Hydrochlorofluorocarbons (HCFCs) throughout our property estate. It relates to use of these substances in the provision of refrigeration and air conditioning systems.

Standards are also in place for the design and procurement of new systems – with non-ozone depleting refrigerants R407C and R410A becoming more common throughout our property estate as they are specified for new projects.

All existing equipment currently containing CFCs and HCFCs is scrupulously maintained to ensure that no leaks occur and that safety and efficiency are not compromised. All CFCs and HCFCs used for refrigeration and air conditioning are recovered for recycling, reclamation or destruction by a specialist contractor using a proven environmentally sound method.

499kg

estimated amount of Halon
gases removed from our properties
in 2002-03

Waste

Target six

A reduction in the quantity of solid waste of 5% year based on landfill tax paid.

For 2002-03 our worst case estimate of landfill and recycled waste was approximately 73,414 tonnes. We aim to develop the measurement systems over this upcoming year, and intend to use 2003-04 as our baseline year.

More than ever before, the human race is devouring natural resources and producing vast volumes of waste. These environmental concerns at both ends of the scale have already made their impact on every business in the UK through legislation. The waste collection industry is beginning to change its role, working with businesses to identify recycling opportunities in place of the traditional disposal to landfill route.

An organisation of our size creates a significant amount of waste. Our waste includes packaging, scrap electrical/electronic equipment, batteries, rags, food, oils and chemicals as well as general office waste. Landfill has a negative environmental impact and a cost, so we are seeking to reduce reliance upon this option.

As part of an environmental communications campaign employees will be encouraged to seek out opportunities to reduce, re-use, and recycle materials whenever they can. Key components of our waste strategy are the measurement of the levels of waste we produce, and working with our contractors to identify recycling opportunities.



3,946 tonnes

approximate amount of our waste recycled in 2002-03



Waste monitoring

Our worst case estimate for waste generated during 2002-03 was 73,414 tonnes. This is approximately 0.34 tonnes for each full time equivalent employee. We are unable to isolate the landfill element of our total waste tonnage – which is the aggregated volume of both landfill and recycled waste.

Our total waste disposal costs were £5.3 million, including the cost of recycling waste, which is a reduction of 15.8% (£1 million) from 2001-02. This equates to £24.81 per FTE employee against a 2001-02 figure of £28.73. This reduction in cost was due to improved contracts and better ongoing management.

Prior to 2002-03 we did not undertake any monitoring of waste generation due to the high number of contractors involved in our waste collection and disposal. For 2002-03, with one waste contractor covering the whole of the group, we are able to provide a more accurate report on our disposal activities. However it is recognised that there are still limitations with the accuracy and completeness of the data, which will be addressed this year, and as such we aim to use 2003-04 as a baseline year from which reductions in waste, through initiatives such as recycling, can be measured.

From the data it is clear that there is still much work to be done in reducing the volume. There are many activities, described below, which aim to reduce the levels, and cost, of waste sent to landfill.

Waste management initiatives

Our waste disposal suppliers are helping us to reduce our waste volume through a programme of site audits, recycling initiatives and waste reduction awareness roadshows.

Packaging recycling

In 2002-03 pallet and cardboard recycling was introduced at our Regional Distribution Centres and mail centres. The scheme for cardboard recycling will be extended to our large delivery offices in 2003-04.

Paper recycling

Paper recycling schemes are currently being introduced in administration only buildings, and will be extended to other sites with a large number of administration employees during 2003-04. This scheme will pick up a wide range of paper including photocopy and letterhead paper, magazines, newspapers and leaflets. Confidential waste is already recycled at our administrative sites.

In November 2002, as part of the name change to Royal Mail Group plc, we collected:

- 420,000 sheets of headed paper
- 150,000 assorted envelopes
- 20,000 assorted A5 fliers and printed booklets
- and many thousands of compliment slips!

£5.3m

our waste disposal costs for 2002-03



8,000kgs

of our redundant uniforms are reused or recycled each year



The headed paper was topped and tailed to remove identifying marks and from the remaining paper we produced 70,000 note books for primary school children. The discarded paper was pulped along with the envelopes, compliment slips and booklets and used in the production of recycled office paper.

All boxes, brown paper and other waste paper was pulped for recycling into cardboard and corrugated papers. In excess of 25 tonnes were disposed of in this way.

Uniforms recycling

A large majority of our uniforms are recycled, being sold on for reuse in the third world, mashed up and turned into padding for silencers on car bonnets or dashboards, or cut into wipes for use in printing presses. Annually the weight of uniforms recycled or reused is around 8,000 kgs. There is also a small donation to charity. However there are some types of uniforms which are harder to recycle, and for which we are investigating alternative disposal options.

Mobile phones

There is a scheme for reuse and recycling of mobile phones. Mobile telephones are assessed and tested and a decision made whether they will be redeployed within the business or recycled. If the handset is deemed unfit for redeployment, it is sent for recycling or disposal in an environmentally friendly manner. Money received from recycling is donated to charities around the country, and in 2002 we donated over £10,000 by good management of 1,385 mobile telephones.

Bicycles

Our bicycle fleet is currently running at around 37,000. When a bicycle has reached the redundant stage, at the agreed 7 year life span, we prepare and package it to go to the charity RE-CYCLE. The charity ships them to South Africa where they make a difference to local communities. We do not dispose of whole bicycles in landfill sites – only unusable bicycle waste is disposed via the businesses national waste contract. Around 400 redundant bicycles were recycled in 2002-03.

Vehicle workshop waste

Our vehicle workshops produce a wide variety of wastes, some of which are hazardous, which we try and recycle wherever possible. These are some of the wastes that we currently recycle.

Figure 15

Waste type	Disposal route and number recycled in 2002-03
Lead batteries	Lead is reused, plastic is recycled, and sulphuric acid is sent to a treatment plant. (8,200 batteries)
Oil filters	Residual oil and scrap metal are recycled (108,000 oil filters)
Oil/water mixtures	Processed for use in power stations and road aggregates (624,000 litres)
Plastic bumpers	Recycled, where possible, within plastic industry
Scrap metal	Recycled
Tyres	Remoulded, where possible, or shredded and used in cement kilns and as carpet underlay (150,500 tyres)

Catering waste

Our caterers, Quadrant, have been involved in a pilot initiative which has been running over the past year in Leicester, set up jointly with the environmental organisation ENVIRON, to promote the recycling of waste. If successful it may be adopted at other sites.

More specifically Quadrant has been working with suppliers to reduce packaging and have undertaken recycling at some of its sites for plastic cups, drinks cans and cooking oil. An environmental handbook has been produced outlining staff responsibilities, and each kitchen has an environmental checklist.

Toner cartridges

A toner and inkjet cartridge return and recycling programme was set up in December 2002 within our administration buildings, to minimise the environmental impact of the thousands of cartridges that are used by us on a daily basis.

Computers and associated IT equipment

There is a lot of environmental legislation around the disposal of IT equipment due in part to the heavy metals contained within computers and associated IT equipment. We take this matter seriously and ensure that the disposal of our IT equipment is sourced through a single ISO 14001 certified supplier. On our behalf the supplier will go through the following steps;

- refurbish and redeploy redundant equipment within our business wherever possible or
- remarket and sell on to individuals and countries wherever possible or
- recycle non-functional parts and sell on parts for reuse to organisations who can use them.

All waste that is processed into reusable material is carried out within the European Union. The packaging used for redeployed kit is either recyclable or has minimal impact on the environment.

Last year 502.2 tonnes of our redundant IT equipment was collected, with 94.78% being converted to re-usable materials. None of our IT waste went to landfill.



94.78%

of our redundant IT equipment was converted to re-usable materials

Suppliers

We spend about £1.8 billion amongst approximately 1,500 contract suppliers each year on products and services. After the Government, this makes us one of the UK's largest buyers. We believe we can positively influence environmental improvements outside of our business. Our Purchasing Services team has produced a Sustainable Development Charter to support this vision. This Charter commits us to being a socially responsible organisation reducing consumption of finite resources, and encouraging suppliers to improve their environmental performance.

Supplier assessment

Within our pre-tender questionnaire, we have a section asking the potential supplier about sustainable development. Through this our buyers can assess how well potential suppliers are tackling environmental and social considerations. Both our Master Purchase Agreement template, which is issued with every invitation to tender, and the final contact agreement, include a section on the Sustainable Development Charter. Tenders are evaluated on the most economically advantageous basis against advertised criteria, which may include environmental considerations, dependant upon the product area.

Supplier management

Contract Managers are responsible for developing appropriate supplier performance measurements and targets in line with our Availability, Service, Quality, Cost, Innovation, Environment and Disability (ASQCIED) model. The sustainable development criteria requires consideration of internal training, ethical purchasing process, environmental management standard certification, recycling and renewable energy.

First Class Supplier programme

Our First Class Supplier programme has been in operation since 1993. It assesses existing suppliers against agreed measurement criteria which includes sustainable development. A special award, the Sustainable Development Award, is given to suppliers who have taken actions to reduce their impact on the environment. The assessment form has recently been extended to cover the whole remit of sustainable development issues.

In October, BT Group plc were chosen as the winner of the Sustainable Development Award for 2002.

Training

All buyers should gain competencies during training development in a number of key skills which include sustainable development. In addition further training is planned in 2003-04 for procurement managers, covering health, safety and environment, which will be available online.



Our First Class Supplier programme has been in operation since 1993.

£1.8bn

approximate expenditure
on contract suppliers

Paper

Last year as a business we consumed:

- **Approximately 1,438 tonnes of copier grade office paper – of which 10.5 tonnes (0.7%) was a 100% post consumer waste recycled grade. The transition between contract suppliers meant that robust data was not available for 2001-02, hence it is intended to baseline the 2002-03 figures**
- **Approximately 430 tonnes of internal printing and letterhead/corporate stationery grade paper – of which 0.9 tonnes was recycled products**
- **An estimated 86 tonnes of envelopes – of which 6.3 tonnes, or 7%, was made from 100% post consumer waste.**

We are working with our contracted suppliers to ensure that we will be able to accurately report on the consumption of paper from publicity and direct mail uses in next years report.

An internal study was undertaken in the summer of 2002 looking at the cost and benefits of using recycled paper versus alternative ways of offsetting the impacts of virgin paper, and we intend to progress the findings of this report throughout 2003-04.

70,000

notebooks for school children produced from recycling headed paper as part of our name change to Royal Mail Group plc





Products and services

As a postal organisation, we develop a range of packaging solutions, both for our customers, and for internal use. Examples include self-adhesive stamps, re-direction envelopes and Safebox. A number of initiatives have been undertaken to encourage a more environmentally-based approach to product development.

Environmental workshops and briefings

Last year we held two Product Development Workshops for our product designers.

The aim of the workshops was to raise the profile of environmental issues as an important part of product development. This included increasing understanding of existing legislation and encouraging the generation of new product ideas with an environmental focus.

An environmental briefing was produced to support this process. The briefing benchmarked competitor and customer's activities and identified potential areas where new products could be developed.

An environmental checklist was also developed to assist designers with including environmental considerations into the design of new or revised products.

Later in 2003, when our business restructuring is complete, further workshops will be held and a decision taken on providing further environmental briefings.

Internal good practice

We already use multiple trip packaging, that can be used many times over, the prime example being tote boxes, mailbags and pallets.

Direct Mail

In response to the Government's calls for producer responsibility for 'direct mail', we have been involved in discussions with the various trade bodies, representing the direct marketing, printing and paper industries, and the Government. On the basis of this a working party was set up with the Department of Environment, Food, and Rural Affairs (Defra), representatives from within the direct mail industry and Royal Mail. The focus of this working party to date has been in the development of a voluntary agreement for the industry for recovery of domestic direct mail and a code of practice on producer responsibility. The Direct Marketing Association and Defra will sign a Heads of Agreement once targets have been finalised.

Although recycling mills will accept direct mail for recycling, it is less commercially viable because of adhesives, plastic laminates in window envelopes, and items such as pens spoiling the recyclates. We are working with the Government's Waste Resource and Action Programme (WRAP), looking at how we can recycle direct mail envelopes with adhesives. Our education programme to the industry will include highlighting the problems these cause and encourage the use of more recyclable alternatives wherever possible.



In 2003-04 we will support the Government's target for the recovery of direct mail items by providing information on more environmentally friendly alternatives via our Mail Media Centre's Infobank. This is a database that provides online advice to advertisers and mailers.



Impact on the community

For the Royal Mail group, sustainability is about linking communities, enhancing local economies, acting with social responsibility and minimising our impact on the environment.

Noise

In order to meet our universal obligation to deliver to every house within the UK this means we often must operate during night hours. Unfortunately this can occasionally disturb our local neighbours. While most of our large distribution operating sites are situated in brown field locations and disturbance to local residents does not normally occur, delivery offices by their nature need to be based within the local community.

There are a number of measures we use to try and prevent noise nuisance. Where possible our buildings are subject to Buildings Research Establishment standards relating to noise. It is business policy that an Environmental Impact Assessment is undertaken for all new builds over £2.5 million or where there is a significant impact.

When a noise complaint from a neighbour has been reported or a notice from the local council has been received, an investigation is carried out by our Property Holdings team or fleet managers. Appropriate remedial actions will then be taken in response to any complaint.

Visual

We have an agreed methodology, when seeking Planning Applications approval for new buildings. Our design teams work with local authorities to ensure that all factors are taken into account such as existing site features, changes in level, access, landscaping and proximity to existing buildings. Major projects are subject to an environmental impact assessment – which include a visual assessment.

Ongoing maintenance is carried out to support the visual appearance of our properties, with attention paid to the appearance of soft landscapes and litter removal. External glazing, signage and memorial plaques are also regularly cleaned.

'He acts as an informal, unpaid network of community support.'

Said a customer from Teddington of the postman Jesus Goyogana, who recently made a shortlist of only 4 people out of 139 nominations at London Borough of Richmond-Upon-Thames' London Business and Community Award.



We have a vehicle replacement policy which ensures that we renew our vehicles at regular intervals based on economic lives. This has enabled us to take advantage of new legislation, 'Euro standards' and technology which aims to reduce noise from vehicles. There are also environmental standards within our operator license for noise abatement, which is controlled by the Vehicle Licensing Authority.



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Frinton-on-Sea is indeed a first class destination. This starling has popped into a holiday home there for the third year running. She has now spent more than a week building a nest inside. The letter box has been taped up, leaving the letter slot open, and a sign erected asking residents to take their post elsewhere. It will remain out of action until the chicks have hatched and flown the nest.

Picture courtesy of East News

186,000

passengers carried by our postbus service each year

Heritage

Listed buildings are subject to requirements additional to normal statutory planning application procedures. We employ Town Planning consultants to provide specialist advice to prevent breach of the law and provide advice of what constraints to development apply.

English Heritage and the Royal Mail group, with the approval of the Department of Culture, Media and Sport, have agreed a joint policy for the retention and conservation of all Royal Mail letter boxes. A letter box will not be disposed of if it can be repaired and refurbished so it is fit for future operational service. Where it is not practicable and it is not of historic interest, serviceable parts will be salvaged for the future repair of operational letter boxes wherever possible. If it is no longer fit for operational use, it may be offered as an exhibit to a local museum, or it may be exhibited at local Royal Mail premises.

Biodiversity

We are corporate members of The Woodland Trust, the UK's leading woodland conservation charity. In partnership with The Woodland Trust, we have established ten Royal Mail Millennium Woods to promote biodiversity and provide recreational facilities to local communities.

We are currently supporting the Woodland Trust Phenology project. Across the UK people have been recording changes in nature's calendar, such as the first cuckoo or blackthorn blossom, to help understanding of how global warming is impacting on the natural world. We have been encouraging our employees to become recorders.

Fleet Congestion

We constantly examine our operation for efficient vehicle utilisation. We also ensure that as much empty running as possible is avoided, although some is inevitable. Our vehicle utilisation is further increased by using spare capacity to undertake external work from other companies.

Postbuses – our unique passenger service

A more socially acceptable application of our transport fleet is our Postbus service, which plays an important part in our commitment to serving the community, and our network of routes is largely the result of co-operation between local Government and the Royal Mail group,

Last year we operated 180 postbus routes, which carried 186,000 passengers and covered 3.9 million miles. A busy route can carry up to 5,000 passengers over more than 50,000 miles in a year. Fares differ across the UK depending on the route and distance travelled, with concessionary fares ranging between 50% and 100%, available on all services.



The Post Office® network

Our three year Urban Network Reinvention Programme aims to create a sustainable urban branch network. While this programme will result in a net reduction of approximately 3,000 urban branches, we are determined to ensure that over 95 per cent of people living in urban areas will have no further than a mile to travel, with the majority living within half a mile.

Consultation, computer modeling and specially trained teams are being used to assess the potential impacts of various network change scenarios, and to ensure the right decisions are made. Final propositions on any change are taken through a public consultation process agreed with the consumer watchdog Postwatch.

Post Office® branches in deprived urban areas

The Government Performance Information Unit (since renamed Strategy Unit) report highlighted that in many poorer neighbourhoods there is a scarcity of quality shopping facilities and that the reduction in neighbourhood retailing over the last decade has affected these areas more than others.

In contrast the density of Post Office® branches in these areas is often greater than in other urban areas and that in many cases acts as an anchor for the other local shops or is the last remaining retail facility.

The Government have set aside £15 million pounds of funding to help investment in branches which serve the most deprived communities. This scheme is particularly targeted to support those subpostmasters in urban deprived areas who would not benefit from the Urban Network Reinvention Programme.

Eligible subpostmasters will apply for capital grants to improve their branch and/or accompanying retail offer after first seeking business advice through the Phoenix fund.



The Government has also allocated pro rata funding to the devolved administrations to support Post Office® branches in deprived areas of Northern Ireland, Scotland and Wales. Post Office Ltd have been working closely with each of the devolved administrations to develop similar schemes to ensure consistent support for Post Office® branches.

The rural Post Office® branch network

Post Office Ltd run the largest retail branch network in Europe with over 17,200 branches and approximately 8,500 branches in rural areas. Rural Post Office® branches are defined as those in areas with a population of less than 10,000 people.

In line with Government policy Post Office Ltd seeks to maintain the rural network of Post Office® branches and to prevent avoidable branch closures in that area. An approach to this has been agreed with Postwatch and is included in a code of practice.

In order to pursue this policy, Post Office Ltd has appointed 31 Rural Transfer Advisors (RTAs) covering all parts of the country, whose role is to find solutions to recent or threatened rural branch closures. The RTAs work with the

local community, local councils and other interested bodies to find alternative sources for the provision of Post Office® services. These RTAs have had considerable success in restoring service to communities affected by closures.

A £2 million DTI fund has also been administered, providing capital grants to rural branches threatened with closure, or that have closed, and this has provided funding to individuals and communities to help them to maintain their local branch.

All of this has helped to reduce the level of rural Post Office® branch closures (441 in 2000-01, decreasing to 194 in 2001-02 and 115 in 2002-03).

Business in the Community – Awards for excellence 2003

Post Office Ltd in association with The Countryside Agency and Defra is sponsoring the Rural Action Award as part of the Business in the Community Awards for Excellence 2003.

This is the first year for the new Rural Action category. In line with the significant presence and contribution that Post Office® branches make in the rural area the award will focus upon the positive impact which companies can have in rural areas and on rural communities. The rural action award is looking beyond pure community investment and wishes to demonstrate that business can make the greater impact through the way in which it does business.



75%

of rural Post Office® branches have an attached shop, which 58% of residents use at least once a week. The majority of shop sales occur as a result of having a Post Office® attached.



Diversity

Our aspiration is to achieve our renewal strategy through our people. Only if all our people feel valued and respected by the organisation will they be motivated and committed to help us achieve our goals.

Diversity is of critical importance for achieving this. It impacts on our ability to recruit good people, to retain them and to develop high performing individuals and teams, which are pre-requisites for a high performing organisation.

Diversity will help us to create a culture where everyone feels valued and respected, and where discrimination, harassment, bullying and prejudice will not be tolerated.

Diversity also impacts on our ability to deliver outstanding service and effects our ability to relate to our customers and communities.

Management structure

The Director of Diversity and Inclusion role encompasses all aspects of diversity and associated legislation and is responsible for our Dignity At Work programme, sponsored by our Chairman and endorsed by the Board.

Our in-house Disability Action Centre team provides support, advice and awareness for all employees, agents, employee's relatives and external organisations.

We are currently putting in place a central diversity team that will ensure that the key strands of the Dignity at Work programme are delivered on. We will be developing a broad diversity policy and strategy over the coming year.



Diversity champions have been appointed at a senior level across all business units. These individuals will be responsible for promoting, supporting and driving the diversity strategy within their respective units.



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Demographics

We have been developing a set of measures for diversity, and in future will be able to report on a wider range of indicators, including recruitment, bullying, harassment and discrimination complaints, flexible working, training and helpline data.

We have already identified that minority ethnic groups make up nearly 9% of our workforce. This is slightly higher than the national population at 7.9%. 19% of our workforce is female, against a national population of 51% women. Both these groups are under represented at management and senior management levels, particularly so for women within our operational management structure.

Dignity at Work programme

Our Dignity at Work programme plays a key role in our approach to diversity within our workforce.

The principles of Dignity at Work are:

- We will make it easy for people to complain
- We will support them when they do complain and afterwards
- We will investigate complaints thoroughly and within a set time frame
- We will deal with the perpetrators appropriately
- We will take significant steps to change the culture of harassment in the organisation.

To achieve this we are working on the following strands;

- **Employee Opinion Survey.** Our new 'Have Your Say' survey has been developed, and is being rolled out throughout 2003-04. All employees are being given the opportunity to respond to questions on bullying and harassment, and through this we will be able to target efforts to support culture change at a local level
- **Independent and confidential bullying and harassment helpline.** This was piloted in 2002-03, and has now been rolled out. The helpline provides confidential advice and support to people who are being bullied or harassed at work
- **Trained accredited internal independent investigators.** Recently appointed, their role is to conduct impartial investigations of complaints and to coach managers on the standards and expectations of behaviour in the workplace
- **Diversity champions.** Diversity Champions have been appointed at executive/director level in each of the business units and are responsible to the Chairman to ensure that the diversity standards are implemented
- **Harassment and complaints procedure.** This new procedure aims to address the key principles of Dignity at Work in making it easy for people to complain and get swift action taken
- **Diversity training.** Our employees will be going through Diversity training over the next two years, and we have been piloting a range of training interventions. Senior manager and line manager training will include an emphasis on the leadership role and a focus on their responsibility for leading a change in culture. The training is aimed at reinforcing employee responsibility for treating their colleagues with dignity and respect and confronting inappropriate behaviour where they see it.



9%

of our employees are from
ethnic minority groups



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Flexible working

Flexible working provides a means by which employees can better balance their work and life commitments.

By accommodating requests wherever possible, there are benefits to be gained by both the employee and the Royal Mail group. For the employee, flexible working can be particularly helpful to those with family commitments, and the immediate benefits it provides may persuade an employee to remain with an employer, helping us to retain valuable expertise. Providing flexible working opportunities demonstrates recognition of and commitment to work-life balance issues. This motivates existing employees and establishes a reputation that is attractive to recruits.

The Government has decided to promote flexible working with legislation introduced in April 2003. This legislation establishes a procedure whereby certain eligible employees have the right to request flexible working arrangements.

While this legislation focuses on families, with a broader outlook we would look to provide flexible working for all employees, helping us to retain the best talent.

We already have a number of policies in place, which promote the opportunity for flexible working (these include part-time working, job share, Location Independent Working and career breaks) for which any employee can apply through existing, internal procedures.

Focus on disability

Our Disability Action Centre team works closely with a number of key disability organisations and disability related projects. We are 'gold card' member of The Employers' Forum Disability (EFD), working with nearly 400 of the country's top companies on the challenges faced in employing disabled people and providing an inclusive service for disabled customers.

Our Disability Action Centre website www.royalmail.com/dac provides general disability information including a range of fact sheets and guides, and is accessible via the internet and intranet. The website has been designed to support disabled access, and has 'Bobby' and Royal National Institute of the Blind (RNIB) approval, and meets the 'A' standard as set out by the W3C Web Accessibility Initiative.

Case study

Post Office Ltd developed and continues to maintain a 'concept' store to deliver a testing area for solutions with customers – including disabled customers – to enable practical solutions to be deployed at the earliest opportunity and using the most effective methodology. These include:

- The provision of 'helping hands' packs of supportive equipment to all Post Office® directly managed branches and agents comprising pen grips, signature guides, clipboard and hand-held magnifiers
- A programme for installation of power-assisted doors in directly managed branches
- 'Call assist' in directly managed branches with fundamental access problems. For example where steps hamper access and a ramp is not feasible, customers are able to summon assistance by means of a bell outside the office
- Induction loop facilities in franchised Post Office® branches.



Collection information plates on letter boxes now display key information in a larger font to make it more accessible to customers, including those with visual impairments.

Changes were made following consultation with the RNIB.



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Our customer management centres are audited to assess compliance with DDA requirements for customers and employees. Disability awareness is included in all induction training for new employees.



Other business wide initiatives and activities undertaken over the last year include:

- Ongoing maintenance programme to improve access to our buildings
- Upgrading the Royal Mail website to meet minimum access standards, with plans for it to be fully accessible by October 2003. Royal Mail brand guidelines also include information on accessibility
- Self-adhesive stamp books have been designed to make them easier to use by those with manual dexterity difficulties and visual impairment. Changes include notches on the cover to identify 1st and 2nd Class, and stamps standing proud of the book cover so they can be easily located and removed. These changes were made following consultation with the RNIB and Arthritis Care
- Our 'while you were out' card for deliveries has been improved with larger, clearer print. An audiotape version is currently being developed for trial with RNIB advice and involvement
- Most customer literature is offered in alternative formats and standard literature includes appropriate wording in a sans serif font, in 16 point size to make customers aware of alternatives
- The Articles for the Blind service allows blind or partially sighted individuals to send free of charge material specifically designed for use by blind people. This service is available both inland and overseas. The RNIB state that there are 300,000 registered blind people who are eligible for this service, and it is estimated that four million eligible items are posted annually.

Basis of reporting, Restatements Basis for auditing and verification



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Basis of reporting

- The data contained within this report is aggregated from all business units which make up Royal Mail Group plc – and cover Post Office®, Royal Mail, and Parcelforce Worldwide within the UK.
- The data does not cover the 16,500 independently owned and franchised Post Office® branches
- The aggregated HSE figures also do not contain data from our domestic and international acquisitions, subsidiary companies and joint venture arrangements – such as Romec Ltd, General Logistics Systems (GLS) and Citipost.

Restatements

These restatements have been made to our internal 2001-02 figures due to the detection of errors or changes to the methods of calculation.

- 1** The CO₂ emissions from personal business travel were overstated and have been reduced from the reported 24,140 tonnes to 17,409 tonnes, using the estimated petrol/diesel split provided for the 2002-03 report
- 2** The CO₂ emissions from our road fleet has been adjusted from 447,317 tonnes to 462,734 tonnes to account for our Cash Handling and Distribution vehicles which were not originally included

- 3** Our transport CO₂ emissions have been adjusted from 591,220 tonnes to 599,906 tonnes to account for changes one and two referenced above
- 4** Our total CO₂ emissions have been adjusted from 933,678 tonnes to 942,364 tonnes to account for changes one and two referenced above.

Basis for auditing and verification

In conjunction with the independent assessment of the reports scope and materiality, details of which can be found in the next section, nine key environmental parameters were selected for verification by our Internal Audit team.

It is our aim to broaden the scope and depth of the assurance in future years reports.



Sd3 Ltd Independent Assessment Statement

Assessment Objectives

Sd3 was commissioned to provide an independent assessment of the Royal Mail group Health, Safety and Environment Report 2002-03 as published on its website. This assessment was not a full report assurance. In terms of scope and context, it focused on the following issues:

- Materiality: has the Royal Mail group covered all significant environmental and social issues that are relevant to it and its stakeholders?
- Completeness: has each material issue being covered adequately?

To make this assessment the following criteria were used:

- UK government environmental reporting guidelines
- Global Reporting Initiative guidelines
- Royal Mail's assessment of stakeholder priorities
- AccountAbility's AA1000 assurance principles.

The assessment was limited in the following areas:

- As requested, it focused primarily on the environmental sections of the report with limited additional commentary on the Health, Safety and Diversity sections
- Sd3 checked that the data provided in the reporting database was accurately reflected in the report. The processes to provide this data were not checked in this instance.

The level of assurance provided reflects the fact that this is the Royal Mail group's first public HSE report. Sd3 would expect the level and scope of assurance to develop in subsequent years.

Method

Our team conducted the assessment process onsite at the Royal Mail group's London headquarters and through telephone interviews with employees who were responsible for provision of key reporting information.

Data provided in the report was checked for consistency with the data stored on the reporting database. This data-checking process examined both the reliability of the data provided and the robustness of this system for collecting and holding data.

Reporting claims and the management approach to the issue were discussed. Report content was systematically checked against the above criteria, complemented by Sd3's sustainability expertise and knowledge of the Royal Mail group's operations.

Our opinion

Overall we are satisfied that the information presented for the environmental and social performance of the Royal Mail group during the period 2002-03 is appropriate and reflects the key concerns of its stakeholders.

Report materiality and completeness.

The Royal Mail group holds a unique position in UK society through its presence in every community, the importance of its services and the significance of the impacts of its operations. It is therefore in a position to make unique contributions towards its own and UK sustainability.

The 'progress towards sustainability vision' clearly shows how the Royal Mail group intends to develop, with key milestones declared. We appreciate this level of foresight and that progress towards this vision is currently restricted to the environmental management structure at the Royal Mail group. We believe that the information contained in the whole report would benefit from being framed in the context of an expanded sustainability vision.





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The coverage of social issues, which are of particular importance for the Royal Mail group could be enhanced through the inclusion of the following areas:

- Employee training, covering employment and also covering retraining and programmes for redundancies
- Compliance position and performance for diversity issues
- Bribery and corruption policy and management approach
- Customer health and safety, in particular in relation to the Post Office branch network and other public sites
- Community initiatives.

Although much of the reported information is put into context, further explanations of its wider significance would enhance the completeness of the report. This applies to both the significance in meeting the Royal Mail group's priorities and in terms of global sustainability. For example, to frame the transport section in terms of local air quality, congestion and greenhouse gas emissions. Another example is to explain biodiversity issues in terms of the Royal Mail group's landholding and sites.

As a public organisation, we would like to see more information in the report showing the consistency between the Royal Mail group's approach and the UK government's position and policies. We recognise that there is further work needed to ensure that decisions are made in an integrated way, consistent with the principles of sustainable development and as such, recommend that social and environmental information is reported in the context of the Royal Mail group's financial and economic position.

There are limited discussions of stakeholder dialogue in all sections with stronger coverage in the environment section. The Royal Mail group has done some good work to understand stakeholder needs and concerns. There is more work to be done to ensure the report responds to the needs of stakeholders in all areas. We would like to see further evidence of stronger stakeholder engagement and how this has been integrated into the Royal Mail group's management decisions.

Data and performance indicators

Our checks revealed that both the data presented and the data manipulation techniques used were accurate and appropriate; however in certain cases the data collection techniques were limited and could be improved. We recognise that steps are being taken to improve data collection scope and techniques which will improve decision-making capabilities and support the reporting process.

Despite this, it is our belief that the Royal Mail group broadly meets the United Kingdom government reporting guidelines for greenhouse gas emissions, water consumption and waste disposal. In order to fully meet the UK government reporting guidelines four steps are needed:

- 1 Greater emphasis should be placed on targets and performance against them
- 2 Champions for greenhouse gas emissions, water and waste management should be identified
- 3 Specific objectives, strategies and the resources available to deliver them for each area, should be described more fully
- 4 Data for water should be expanded to include total usage.

The report would benefit from the inclusion of wider social and economic performance information covering areas such as working practices, harassment and impacts on local communities. In particular, while welcoming initiatives such as the new 'Dignity at Work' programme, the absence of a broad range of performance data on diversity issues reduces the completeness of these sections and the ability of the reader to understand actual performance. We commend the Royal Mail group's commitment to report on performance of these areas in future.

Greater use of normalised data, such as wider use of the 'per 1,000 mail items delivered' metric would help readers to understand the significance of and changes in performance. The Royal Mail group's commitment to working towards sustainability would be further strengthened with the inclusion of a broader range of clear, numerate and reachable targets.



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Our ethos and declaration of interests

Sd3 is a values based company committed to further the principles of sustainable development within organisations. As such, we have conducted an independent assessment based on the professional judgement and findings of our assessors. We believe that this statement is an accurate, honest and fair summary of these findings.

Sd3 have previously advised the Royal Mail group on aspects on sustainability and as such are well placed to understand the organisation. We have not, however been involved in the development of any part of this report and currently do not have any other contracts with the Royal Mail group.

This report, and its contents, remains the sole responsibility of the Directors of the Royal Mail Group plc.

Arlo Brady and Dave Knight,

Sd3 Ltd.

London, July 2003



Internal Audit assurance statement

We have been asked to provide assurance on processes to ensure the reliability and alignment to supporting documentation of selected data and graphs in the 2002-03 Royal Mail Group Plc Health, Safety and Environment Report (the Report). Our work was planned and completed to UK Internal Audit professional standards, which provides a reasonable basis for our opinion. Ultimately, the Report remains the responsibility of, and has been approved by, the Royal Mail Group Plc Board.

The scope of the review extended to assuring the robustness of specific internal procedures used to collect, summarise and report on:

- Number of prosecutions for breach of environmental legislation
- Electricity consumption
- Gas consumption
- Transport fuel procured
- Weight of paper procured
- Personal mileage
- Mass of waste taken to landfill sites
- Mass of waste recycled
- Water consumption.

In our opinion, the internal procedures used to collect, summarise and report on the above nine areas of the Report are robust and reliable.

Derek Foster

Royal Mail Internal Audit and Risk Management Director
July 2003



Glossary

Accident

An event or happening, with a specific cause or causes, (including acts of non-consensual violence), which arises out of or in connection with a work activity and leads to an injury, loss or damage.

Alternative Fuel Vehicle

Vehicles powered by fuels other than petroleum and diesel. Alternatives include electricity, hydrogen, LPG, CNG and methanol.

Asbestos

Asbestos is a generic name given to a fibrous variety of six naturally occurring minerals. The minerals possess high tensile strength, flexibility, and resistance to chemical and thermal degradation, and as such have been used in products such as insulation, fireproofing materials and building materials.

Asbestos fibres are easily inhaled, and occupational exposure has been linked with several types of life-threatening diseases, including lung cancer. The manufacture and use of asbestos is now strictly controlled in many countries.

Biodiversity

Refers to the variety and variability among living organisms and the ecological complexes in which they occur. Encompasses different ecosystems, species, and genes.

Bobby Approval

A web-based service that analyses and advises on accessibility of websites.

Carbon dioxide (CO₂)

A naturally occurring gas. Human activities are increasing the concentrations of CO₂ in the atmosphere, primarily from the burning of fossil fuels. It is the main greenhouse gas on account of the volumes released.

Chlorofluorocarbons (CFCs)

A family of inert, nontoxic, and easily liquefied chemicals used in refrigeration, air conditioning, packaging, insulation, or as solvents and aerosol propellants. CFCs drift into the upper atmosphere where their chlorine components destroy ozone and contribute to the greenhouse effect. Being phased out under the international Montreal Protocol agreement.

Compliance

Conformance to legislation, corporate policy or regulatory emission/discharge levels.

Compressed Natural Gas (CNG)

Natural gas is a mixture of hydrocarbons – mainly methane – and is produced either from underground gas wells or in conjunction with crude oil production. The gas is compressed to allow storage of suitable volumes onboard the vehicle.

Vehicles running CNG emitted around 90% less carbon monoxide than petrol fuelled cars, along with approximately 25% less CO₂ and 35% less nitrous oxides.

Corporate Social Responsibility

Understanding and managing the impacts a company has on the world around it, and doing so as a part of core business activities.

Delivery office

Local office where mail is sorted prior to delivery.

Direct mail

Items posted to a named individual as part of a marketing campaign for a product or service.

Diversity and Inclusion

The workforce consists of a diverse population, with visible and non-visible differences such as sex, age, background, race, disability, personality and work style. In an inclusive environment these differences are valued and utilised, creating a productive environment where talent and potential can be realised and organisational goals met. (Adapted from Kandola and Fullerton 1994).



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Effluent

Treated or untreated wastewater, generally from a commercial property, which discharges into surface waters and the sewerage system.

E-learning

Learning resources accessed online via the internet or intranet.

Environmental aspects

ISO14001 (Environmental Management standard) term which denotes elements of a company's activities, products or services that can interact, either beneficially or harmfully, with the environment.

Environmental Impact Assessment (Royal Mail Group interpretation)

Review of the potential environmental impacts of a new development, product or process over £2.5 million or with significant effects. It describes the positive and negative effects of the undertaking and cites alternative actions.

Environmental Management System

A system for managing a company's environmental impacts, which can be informal or formalised against an official standard – such as ISO14001.

FTE

Full Time Equivalent employees. Calculated as the equivalent number of full time employees, based on contract hours, excluding casual and agency staff.

Global warming

An increase in the near surface temperature of the Earth. Global warming has occurred in the distant past as the result of natural influences, but the term is now generally used to refer to the warming predicted to occur as a result of human activities.

Green travel plan

Organisational or site specific plans to reduce employee car dependency on journeys to and from their place of work – via the promotion of alternatives such as cycling, public transport and flexible working.

GWh

Gigawatt-hour (1,000 MWh).

Halon

Bromine containing compounds with a long atmospheric lifetime. Associated with the depletion of ozone. Principally used in fire extinguisher systems, their manufacture and use is being phased out under the Montreal Protocol.

Hub and spoke

Distribution model based on a network of satellite, regional offices, or spokes, and a central hub office. Allows smaller shipments to be consolidated into full loads, both for long haul journeys and for collection and distribution at either end of the journey.

Hydrochlorofluorocarbons (HCFCs)

CFC substitutes which have a reduced impact on the ozone layer and global warming. Manufacture and use is restricted under the Montreal Protocol.

Incident

Unplanned or uncontrolled event or sequence of events that has the potential to cause injury, ill health or damage.

Key performance indicator

Specific key issues, which performance is measured against. Can be used in conjunction with targets for reduction/improvements.

kWh

Kilowatt hour. One thousand watt-hours, or 1 kW supplied for 1 hour – the normal unit of electricity supply for domestic purposes.

Landfill

Waste disposal site for the deposit of waste onto or into land.

Liquid Petroleum Gas (LPG)

The generic name for commercial propane and butane. By-products of the oil and gas industries, they have the special property of becoming liquid at atmospheric temperature if moderately compressed and reverting to gases when the pressure is sufficiently reduced.

Vehicles running on LPG emit around 12% less CO₂ than a petrol fuelled car and around 30% less oxides of nitrogen (NO_x), Hydrocarbons (HC) and carbon monoxide (CO).

Mail centre

Regional office where mail is collated, mechanically sorted and dispatched, prior to being transported to local offices for delivery.

Manual handling

Transporting or supporting a load, by hand or bodily force, by means of body weight, movement and muscular strength. Includes lifting, lowering, holding, carrying, pushing and pulling.

Mechanical handling

Transporting or supporting a load using mechanical aids – such as forklift trucks.

Musculoskeletal disorder (MSD)

A major cause of sickness absence in the UK. The term embraces sickness absence affecting muscles, joints, tendons and other parts of the musculoskeletal system. Causes of sickness absence include repetitive use, manual handling, lifting, bending and twisting.

MWh

Megawatt-hour (1,000 kWh).

Occupational disease

Diseases attributable to work related activities, as defined by RIDDOR (1995). Examples include occupational asthma and dermatitis.

Packaging

Material used to protect and contain a product and/or enhance its image and appeal to consumers. Good practice demands that the design, composition and level of packaging material should be the minimum required.

Person in control

Manager who is assigned responsibility for ensuring a safe and healthy working environment at a site occupied by the Royal Mail group.

Personal protective equipment

Equipment which is intended to be worn or held by a person at work and which protects the individual against one or more risks to their health and safety and any addition or accessory designated to meet that objective. Provided as a last resort, after the consideration of controls and safe systems of work.

Post consumer waste

Discarded material that has been used for its final and intended use.

Recycling and recovery

Reducing waste generation by recovering and reprocessing usable products that might otherwise become waste. Reduces consumption of non-renewable resources, the demand for energy and the volumes of waste produced.

Renewable energy

Energy resource that is replaced rapidly by natural processes. Sources include wind power, solar energy and hydroelectric power.

RIDDOR

Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995.

Risk assessment

Formal assessment to identify where a significant risk may occur, measured by likelihood and severity of hazards in the workplace. Followed by the identification of appropriate control measures.

Sick leave accident

An accident at work which results in absence from work for more than half a shift.

Stakeholders

Any party which is affected by the activities of a company. Examples include members of the public, employees, shareholders and regulatory authorities.

Sustainability, or sustainable development

Meeting the needs of the current generation, without compromising the ability of future generations to meet theirs. Combines economic growth and societal development with environmental preservation.

Trauma

An injury or emotional shock, which can create substantial, lasting damage to the psychological development of a person.

Triage

An established practice for prioritising emergency medical care where many individuals are injured, for example in a major road traffic accident.



Appendices

Health, Safety and Environment policies

Our Health and Safety policy

The safety of individuals is the prime goal of our Safety Policy but Royal Mail group believes that it also contributes to business performance through the prevention of losses due to injury and ill health. Royal Mail group values the contribution to business performance of a positive health and safety culture that derives from a high quality health and safety policy deployed through strong leadership and commitment to realistic health and safety objectives designed to bring about continuous improvement in health and safety management and performance.

The management of health and safety is regarded as an integral part of Royal Mail group business activities as important as the management of all other business activities. It will accordingly ensure for all of its business activities whether working independently or with its partners or agents that there is an appropriate health and safety management system in place. The system will comprise the organisation and designated responsibilities for health and safety, the means for planning and implementing the work necessary to ensure the health and safety of Royal Mail group employees and others and the means for measuring and reviewing performance and for auditing the management system.

Royal Mail group will ensure that the health and safety management system identifies hazards and assesses and controls risks to the health and safety of employees, contractors, agency and partners staff and the public. It will also ensure, so far as is reasonably practicable, the provision and maintenance of a safe and healthy working environment and the provision and maintenance of safe equipment and systems of working.

It is essential for Royal Mail group to develop the necessary health and safety competencies in its employees, establish effective communication, co-operation and control and confirm the presence of these for contractor and agency staff acting on behalf of Royal Mail group to enable them to discharge their responsibilities safely and without risk to health so far as is reasonably practicable

The co-operation and contribution of all employees is an essential ingredient in the provision of a safe and healthy working environment and in securing compliance with health and safety legislation. Royal Mail group will accordingly use appropriate consultative mechanisms to take account of employee representations on health and safety matters.

This Policy is reviewed annually to assess its effectiveness in securing continuous improvement in health and safety performance.

Our environmental policy

Our values

We are firmly committed to increasing both our profitability and brand value, but our commercial needs shall aim to strike a balance with environmental, quality of life and social equity considerations.

We recognise that our business activities and policies have impacts on the environment. We shall take full account of the environmental effects of our policies in our planning, decision making and day-to-day activities.

We recognise and value our unique position in society that ensues from:

- Our heritage
- Our trusted brands
- Our nationwide coverage through our branches and delivery services.

Protection of this unique position and maintaining positive stakeholder relationships are integral to our business and we shall aim to clearly demonstrate that we are an environmentally responsible company.

We are committed to the principle of sustainable development. We will seek to contribute to national and local sustainable development policy aims. By enhancing economies, acting with social responsibility and minimising our impact on the environment we can help create a world in which our company can flourish now and for generations to come.

Our policy objectives

The overall objective of the environmental policy is to evaluate and seek to reduce our environmental impacts. The policy objectives may be summarised as follows: -

- The progressive integration of environmental and social considerations into business decisions and to establish relevant performance indicators along with key measures and associated improvement targets
- The development and implementation of management frameworks that ensure high standards of environmental performance
- To comply with all relevant environmental legislation and regulations and endeavour to meet and exceed appropriate environmental good practice standards
- To promote transparency by having clear environmental accountabilities and publish relevant information about our environmental performance on an annual basis
- To reduce consumption of materials in our operations, reuse rather than dispose whenever possible and promote recycling and the use of recycled materials

- To promote the prudent use of fuel, energy, water, raw materials and other resources, including progressively increasing our use of renewable energy sources
- To minimise waste and discharges to surface or ground water
- To reduce wherever practicable the level of harmful emissions from our vehicles, buildings and equipment
- To encourage the implementation by all employees of sound environmental practices, providing training where appropriate and include environmental issues in discussion with our employee representatives and stakeholder groups
- To support through our community programmes the promotion of active environmental management with relevant external groups and organisations
- To work with our suppliers to minimise the impact of their operations through a partnership approach to our purchasing policy and to develop, where practical, new products and services, which seek to achieve greater sustainability.

Environmental responsibilities

The Management Board has ultimate responsibility to The Board for the environmental policy and performance. This executive responsibility is managed by the Head of Environment, who as the Group Policy Holder for Environment has responsibility for environmental policy development and deployment across the group.

Scope

All our employees have a responsibility to support the aims and implementation of the environmental policy. This policy applies throughout the group.

Communication and implementation

This policy will be progressively communicated and implemented throughout the business by establishing a network of environmentally competent persons, using existing business processes where appropriate.

Environmental organisational structure of group

Environmental team

Responsible for leading, co-ordinating and supporting the development of the group's Environmental Management System (EMS) to meet the requirements of the environmental policy, legislation and environmental initiatives.

Development of environmental policy (for the Board's sign-off) and ensuring its implementation and co-ordination across group. Dealing with external organisations, enforcement agencies and government departments on environmental matters on behalf of group. Ensuring that the linkages between environmental policy and the group's CSR strategy are in place. Co-ordinating group's CSR strategy for the HSE Directorate. Leading the group's vision to corporate sustainable development.



Director of CSR

Corporate ownership of Royal Mail Group plc's environmental policy and strategy. Ultimate responsibility to the Board for the group's environmental policy and performance.



Head of Environment

Royal Mail's chief environmental specialist and group policy holder for the environment. Responsible for environmental policy development and deployment across the group, ensuring Environmental Management System (EMS) is maintained and production of annual Environmental Performance Report. Chairman of Environmental Steering Group (ESG).



Environmental Steering Group (ESG)

Environmental Decision Makers responsible for developing and reviewing environmental policy and strategy for the group, agreeing annual environmental performance targets, reviewing performance of EMS annually and reporting to the Board.



Business units

Responsible for appointing Environmentally Competent Persons for each BU/Function. Also developing, implementing and monitoring procedures to ensure compliance with the group's environmental policy.



Employees

All managers should ensure that any controls which exist to minimise the impact their operations have on the environment are implemented. They should also ensure that any requirement for training within their teams is carried out. They should know how to report an environmental incident and where to get help or advice on any environmental matter. All employees should be aware of the environment policy and aware of the impact their job has on the environment. Also responsible for defined processes and procedures to ensure Royal Mail continues to meet its environmental standard.



If you have any comments about this report please use the link on our website or contact us at the following address:

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