

# Corporate Responsibility

We are committed to Corporate Responsibility ('CR') and regard the integration of sound CR practices (which take into account the interests of all our stakeholders be they employees, customers, shareholders or the wider community) as a long-term, sustainable approach to business and we continue to devote significant resources towards improving CR standards and practices within the Group.

Steven Glew is the Board member responsible for CR with our CR strategy being approved at Board level. He, together with the CR Steering Committee actively manage, develop and communicate our CR strategy, with this strategy providing direction and guidance on all aspects of business practice and responsibility. The members of the CR Steering Committee are drawn from a number of disciplines across the company (human resources, health and safety, operations, transport, procurement, communications and legal).

To further develop and give direction to our CR strategy, as well as to show our continuing commitment to CR, we are a signatory to the United Nations Global Compact. As such we have committed to taking action and upholding each of the principles it describes in relation to business integrity, employment, human rights and the environment.

The Board takes account of the significance of social, environmental and ethical ('SEE') matters to the business of the company. Currently we have identified no social, environmental or ethical risks that would have a material impact on our business.

Our Corporate Responsibility programme has four key elements:

## Environment

The Group recognises that it has a responsibility to reduce its impact on the environment and seeks to increase the environmental sustainability of its operations and those of its suppliers. Whilst we recognise that we have an important role to play in delivering goods and mail in the UK, we are acutely aware of the impact that transport operations have on the environment and the Group is committed to reducing this impact by the introduction of cost effective solutions and changes which result in real benefits to the environment as a whole.

We have an environmental policy, which is regularly reviewed to ensure it continues to be appropriate. This policy is available on our company website, [www.ukmail.com](http://www.ukmail.com)

Our key long term initiatives are to reduce the carbon footprint of our buildings and vehicles, by reducing our energy and fuel consumption, and to reduce the waste we send for disposal.

## Health and safety

The Group fully embraces and endorses the legal and moral obligation to protect the health, safety and welfare of employees and others who may be affected by our operations.

## Employment

Treating our staff fairly and equally, investing in them and making sure everyone can develop and contribute.

## Community

Playing our part as a corporate citizen, supporting charities and community activities that affect our staff and customers.

## OUR CR TARGETS

We have chosen to drive our CR programme through four long-term targets, focused on the year 2013, three years from the base year 2010.

These are as follows:

- To cut the absolute carbon emissions from both our buildings and our vehicles by 10 per cent
- To increase recycling so that at least 90 per cent of our waste is recycled
- To improve health and safety scorecard performance to 95 per cent
- To achieve full ISO 14001 compliance

## 2010/11 Performance

Our performance in the year and our targets are as follows:

	Target	Actual	Actual	Change since 2009/2010
	2013	2009/10	2010/11	%
1. CO <sub>2</sub> emissions (tonnes)*	52.7k	58.6k	56.2k	4.1
2. Waste recycling (%)	90.0	80.0	86.0	7.5
3. Health & Safety compliance (%)	95.0	87.1	91.2	4.7
4. ISO 14001 compliance (% corporate sites)	100	8	19	137.5

\*Improved data capture resulted in recalculation of CO<sub>2</sub> base line from 44.7k tonnes to 58.6k tonnes, the target for 2013 has been adjusted accordingly

## 2010/11 ACHIEVEMENTS

### Environment

We have made good progress with these initiatives during the last year.

We have established mechanisms to identify and report on a monthly basis the CO<sub>2</sub> emissions that our business creates. We have set targets to reduce these outputs and put in place specific initiatives, with specific goals, to achieve these reductions. These initiatives relate principally to fuel and energy usage together with waste disposal.

### Fuel usage

With respect to fuel usage we have three key objectives:

Objective 1: to reduce the distance travelled by our vehicle fleet through effective route planning and optimisation of vehicle fill.

The use of route software enables the Company to reduce fuel usage by optimising journey distances. In conjunction with the implementation of partially automated sortation into our Birmingham hub, we have introduced new vehicle loading techniques which have reduced the number of vehicle routes. During 2010/11 changes to routes and optimisation of vehicle fill introduced in the year have resulted in the reduction of distances travelled by in excess of 750,000 kms, leading to savings in CO<sub>2</sub> emissions of 100 tonnes for the year. A new target of an additional 750,000 kms has been set for 2011/12.

Objective 2: to reduce the fuel consumption of our vehicles through a review of the design of vehicles used and other effective means.

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All our double-decker trailers have sloping fronts, designed in conjunction with the Group's trailer suppliers, which dramatically reduces the fuel consumption of the towing vehicle, thus reducing CO<sub>2</sub> emissions by up to 25 tonnes per vehicle per year. We are in the process of reviewing the specification of all of our trailers and commercial vehicles with the aim of making them more energy efficient.

We have recently introduced a new aerodynamic trailer design which will further reduce the CO<sub>2</sub> emissions from our vehicles.

All of our vehicles and trailers are regularly maintained to ensure only quality components and oils are used for peak performance. Vehicles and trailers are specified to run on road-friendly air suspension, reducing wear of components, damage to the road network and noise pollution. All new heavy goods vehicles ordered are specified with automated transmission, which optimises fuel economy and also reduces driver fatigue.

Tyres are audited on a regular basis to ensure repair agents maintain tyre pressures, which if not correct, can have a detrimental effect not only on the life of the tyre but also the vehicle's fuel consumption, which in turn has an effect on the CO<sub>2</sub> emissions of that vehicle.

During the year, we have continued to monitor the mpg per vehicle and will continue to do so in the current year. Analysis of this data leads to improved mpg, and therefore reduced carbon emissions, through such actions as driver training in fuel efficient driving techniques, and vehicle maintenance to ensure optimum fuel efficiency is achieved.

We are also in the process of trialling a number of telematics systems which gives feedback on driving behaviour and fuel consumption per journey.

We have continued to replace diesel run counterbalance forklift trucks with electric forklift trucks and there have also been improvements to the company car fleet following the move to a new fleet management company. All new company cars have CO<sub>2</sub> emissions below 160g/km and drivers are encouraged to make fewer business journeys by replacing them with conference calls and video conferencing. We have set a target of 140g/km for new company cars acquired in 2011/12.

Objective 3: to continue using bio-diesel and to investigate alternatives.

All our vehicles utilise bio-diesel which reduces the CO<sub>2</sub> emissions from our vehicles by 3% and we aim to continue the use of bio-diesel at current levels. We continue to investigate, (such investigations taking account of the overall environmental impact of the use of such products), other opportunities to reduce the carbon emission from the fuel we use, such as alternative fuel and fuel optimisation products (e.g. the use of additives in fuel).

## **Energy usage and waste**

With respect to energy usage in our buildings, we have been working with the Carbon Trust to identify actions that we can take. For example, we have deployed motion sensors to control lighting, installed simple time controls on office equipment, replaced wasteful traditional lighting with LED and low energy alternatives.

We have deployed 'smart' meters in 34 of our sites. These meters provide regular 'on line' energy usage readings throughout the day, every day. The information provided is allowing us to identify and reduce unusual energy usage, particularly during the periods when our operations are closed down.

We will be improving the visibility of energy costs and consumption at site level during 2011/12 with the aim of further reducing our usage.

We have also been working hard to increase the level of our recycling. For example we are backhauling our waste at a regional level in order to make our recycling more efficient. The increased focus on recycling has led to a further increase in the amount of waste which we now recycle to 86% and we have a target to achieve 90% by the end of 2013.

## **Employee involvement**

We have also during the past year, launched an internal campaign to raise awareness amongst our employees of the environmental impact of their actions. This has seen employees now consciously switching off lights, powering off machines and using on-site recycling facilities. Management at local sites have also been empowered to introduce practices which will encourage a reduction in on-site energy usage and waste, and an increase in recycling. This activity has been encouraged by the introduction of an intra-site 'eco-challenge' competition which awards the site showing the greatest reduction in energy consumption and increased use of recycling facilities.

## **ISO 14001**

ISO 14001 is the key standard for Environmental Management Systems. It sets rigorous demands for environmental management and is externally audited on a regular basis.

We are pleased to report that we have achieved this standard in 9 of our key sites. We are now progressing a plan to achieve full accreditation across all our corporate sites by the end of 2013.

## **Product innovation**

Our commitment to drive product innovation continues to remain as strong as ever. Following the launch of imail - our desktop to doormat delivery solution that combines the ease of electronic communication with the impact of physical mail, we have been able to reduce the carbon footprint of a letter by some 80%. The mail item is printed and enveloped in the sort centre closest to the delivery address and then transferred to Royal Mail for final delivery, thereby reducing the transport requirements that have previously been a necessary part of operating a national delivery solution. Since its launch just over two years ago imail has proved a particularly popular product offering in the UK mail market having already signed up some 4,000 customers with similarly strong growth forecast for the coming year. This is resulting in a significant reduction in these businesses' collective carbon footprints.

## **Working with our suppliers**

We have developed a new approach to improving the environmental standards of our suppliers and now require them to provide details of their environmental practices and whether they have any environmental accreditation. We have adopted a strict code of conduct with our suppliers which defines our minimum standards of business activity and shapes the way we work with our suppliers for mutual gain.

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## Health and safety

Robust policies are deployed to ensure training, risk assessment, safe systems of work and accident investigation procedures are carried out throughout the Company. Policies are updated on an on-going basis to ensure they reflect the changing environment in which we operate. Health and safety is discussed at Group Board meetings utilising the monthly health and safety report, which outlines proactive and reactive measures for discussion and debate. A full Safety Health and Environment (SHE) audit is carried out on a regular basis each year at all operating locations. We are pleased to report that the average score achieved in the year has increased to 91.2%. This has been achieved through safety being integrated into the way we work, improved staff awareness and new working methods.

The introduction of automation at the Birmingham hub has been a major benefit in this area as it reduces on site vehicle movements which can be a major cause of health and safety risks.

A health and safety intranet site contains readily available information for managers on specific procedures and policies such as safety policies and procedures, emergency response, safe systems, risk assessments, accident investigations, limited quantities of dangerous goods allowed and communications to promote health and safety and to prevent accidents from occurring in the work place.

## Employment and staff welfare

The Group is committed to providing equal opportunities for all our employees regardless of race, gender, age, disability or religious background. Steven Glew is the Board member responsible for Human Resources.

Our Human Resource policies are clearly defined and communicated both via our website and the staff handbook which is distributed to all employees.

The Group Investors In People accreditation has again been successfully renewed, and we continue to make significant progress in Human Resource management as we aim to become an 'Employer of Choice'. The Employee Consultative Group has been in operation for over 6 years and is well established to provide a robust platform for all employees to make a significant contribution to bringing about change in the workplace and to provide a forum for the exchange of information, opinions and feedback. Reps receive on-going training in their role including health and safety, effective communication and meeting and negotiations. This year a new ECG Chairperson was elected following a rigorous selection process.

Our reward schemes have also been reviewed resulting in improved incentives and competitive benefits and the introduction of a performance based bonus scheme. A number of voluntary benefits have also been introduced resulting in a wider choice for employees. The company also introduced a number of salary sacrifice schemes to allow employees to make further savings. The company currently has four separate salary sacrifice schemes in operation and will continue to promote these throughout the business.

Employee turnover has remained stable over the last 12 months. However, employee turnover in the last 5 years has fallen by a total of 20%.

The Group continues to make significant progress in Learning and Development and a series of management development programmes were launched amongst a cross section of the business. These 12 month programmes have provided development in a wide variety of skill areas including, performance management, communication skills, leadership, employment law and supervisory skills.

The company's First Line Management Programme which has been running for over 4 years, continues to provide development opportunities for aspiring managers with exceptional talent. The programme provides external accreditation through the Institute of Leadership and Management. So far, over 70% of delegates have moved into management positions.

Operational Training continues to be pivotal to the company's learning and development strategy.

In 2011, the company launched Dignity at Work Training which was rolled out to all management positions across the UK.

The 'Best Welcome' induction programme has also continued to be rolled out to new employees, providing an overview of the business, key operational matters and those matters which we value most (such as honesty, responsibility and a 'can-do' attitude). In addition to this a more detailed Managers Induction was introduced to allow successful on-boarding of managers joining the company.

Site Training Plans are managed effectively to ensure that all front-line staff receive training that is relevant to their job role. This includes such training as manual handling, customer care, health and safety and IT skills. As a result of this a total of 1,700 employees attended training in the year. The choice of training offered by the company is wide with a portfolio of over 50 courses available. In 2010, the company launched 'flexible training days', with the aim of reducing the need for employees to travel long distances to training courses. NVQ Training has also been implemented resulting in a number of employees gaining a nationally recognised qualification.

Occupational Health continues to form part of the Group's health and well-being strategy. The scheme, in conjunction with a major healthcare provider, provides support to employees who have long and short term sickness with the aim of aiding their recovery. This scheme will further support the company's approach to health and wellbeing with a number of initiatives being developed to support this including access to online health checks for all employees, 'Ride a Bike to Work' salary sacrifice scheme and health assessments for Night Workers.

To support our staff welfare programme, the Group provides, through a third party, a 24 hour confidential help line that provides counselling and advice on a wide range of subjects. The Group continues to ensure all the requirements of current and future employment and health and safety legislation are met and managers are kept up to date with changes in legislation through regular employment law updates.

The Group continues to promote family friendly initiatives by supporting working parents and carers by offering flexible working arrangements and Childcare Vouchers.

In March 2010, the company introduced an Employee Suggestion programme ('ESP'). The ESP is a programme that provides employees with an opportunity to be rewarded for innovative and creative ideas for improving UK Mail. The type of suggestions submitted included those which result in greater economy, efficiency, improved service, improved working conditions, improved morale or waste reduction. The company hosted a 'National Ideas Day' in March 2011 and two suggestions were selected and will go on to be implemented. Winners were awarded with a prize for their business unit.

In 2010, the company launched the I-Delivered Awards. The scheme was developed to recognize employees who had performed over and above the call of duty. Quarterly regional winners were selected by a judging panel with the chance to be shortlisted for a national award. The criteria for selection was closely linked to our operational core values.

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## **Community**

The Group has developed and issued a community involvement policy which is available on our company website, [www.ukmail.com](http://www.ukmail.com). Guy Buswell is the Board member responsible for community issues.

We firmly believe in community investment and encourage 'community mindedness' across the company by financially supporting employees who are involved in initiatives outside of work which encapsulate our CR vision. This year, this has meant we have helped fund the establishment of vocational training programmes for disabled and mentally ill adults in North East England, new facilities for local schools, scout groups and grass roots sports initiatives and the conservation of historic buildings, amongst others.

Our commitment to working with Job Centre Plus, to help potential recruits move from welfare to sustained employment, continues with the company having employed 11 people into part time operational/warehouse positions following the Work Trials Programme in March 2010. We are also introducing a work experience placement scheme throughout this year to empower job seekers who have been unable to find work for a period of 6 months or more with new skills that can help facilitate future opportunities in the employment market.

## ***Charitable support***

We continue to support Cancer Research UK as our chosen charity partner and have raised just under £90,000 for its critical work throughout 2010/11. The Group donates one penny to charity for every parcel consignment carried for customers who pay their accounts by direct debit and, this was responsible for £77,000 of the overall fund accrued. Our Payroll Lottery scheme in conjunction with a series of ad hoc regional staff fundraising activities was responsible for the remaining £13,000 raised.

We have also donated just under £20,000 to a diverse range of charities, including Help for Heroes, Lupus UK, Anthony Nolan Trust, Sir Bobby Robson Foundation, DEC Pakistan Floods Appeal and Comic Relief, via our Staff Sponsorship Scheme which supports individual employees' personal fundraising initiatives and the causes that are close to their hearts. We operate a 'Payroll Giving Scheme' allowing all our employees the opportunity to contribute to their preferred charity through tax efficient salary deductions.