

COMMENTARY ON **UN GLOBAL COMPACT** COMMUNICATION ON PROGRESS

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Deutsche Post DHL commits to its responsibility for its impacts on society. We want to make a positive contribution to the world. Corporate Responsibility is part of our Strategy 2015.

Deutsche Post DHL signed the UN Global Compact (UNGC) in 2006. Our commitment to responsible business practices, including respect for human rights, our employees, the environment and society, are enshrined in our Code of Conduct. We are an active member of the German UNGC Network.

Since becoming a formal signatory, we have embraced the ten principles of the UNGC, and continuously support them. We are committed to upholding human rights within our sphere of influence.

The 2011 Corporate Responsibility Report serves as our Communication on Progress for the UN Global Compact. This is our fifth Communication on Progress (COP) to demonstrate our continued commitment to Corporate Responsibility.

It is our first COP based on "Advanced Level" criteria. This differentiation scheme is an opportunity to go beyond the basic demands of the UNGC to demonstrate a range of sustainability strategy and management practices.

A summary of the indicators of the Global Reporting Initiative is part of our CR Report 2011. The Communication on Progress illustrates our efforts in the period since our last COP, from January until December 2011.

General remarks:

Coverage of the ten principles refer to:

Commitment:	A statement of specific commitments
Systems:	A description of policies, programs and management systems
Actions:	A description of practical actions taken in the reporting period
Performance:	A description of the impact of systems and tangible outcomes of actions

24 criteria for the "Advanced Level":

Best practices under some of the 24 GC Advanced criteria were updated in 2012 to reflect a closer alignment with core United Nations and Global Compact resources, including the Guiding Principles on Business and Human Rights and the Anti-corruption Reporting Guidance and key performance indicators of the Global Reporting Initiative (GRI). Other best practices were improved based on the results and feedback during the first year of the Differentiation Programme.

A criterion is met when a company communicates its implementation or planned implementation of commonly accepted best practices.



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STRATEGY, GOVERNANCE AND ENGAGEMENT

CRITERION 1: THE COP DESCRIBES C-SUITE AND BOARD LEVEL DISCUSSIONS OF STRATEGIC ASPECTS OF GLOBAL COMPACT IMPLEMENTATION

Suggested Best Practices:

- ☒ Impact of broader sustainability trends on the long-term prospects and financial performance of the organisation
- ☒ Major sustainability risks and opportunities in the near to medium term (3 to 5 years)
- ☒ Social and environmental impact of the organization's activities
- ☒ Overall strategy to manage sustainability impacts, risks and opportunities in the near to medium term (3 to 5 years)
- ☒ Key performance indicators to measure progress
- ☒ Major successes and failures during the reporting period

CRITERION 2: THE COP DESCRIBES EFFECTIVE DECISION-MAKING PROCESSES AND SYSTEMS OF GOVERNANCE FOR CORPORATE SUSTAINABILITY

Suggested Best Practices:

- ☒ Involvement and accountability of management (C-suite) in developing corporate sustainability strategy in line with Global Compact principles and overseeing its implementation
- ☒ Corporate governance structure (Board of Directors or equivalent) and its role in oversight of long-term corporate sustainability strategy and implementation in line with Global Compact principles
- ☒ Goals and incentive schemes for management (C-suite) to promote sustainability strategy in line with Global Compact principles

CRITERION 3: THE COP DESCRIBES ENGAGEMENT WITH ALL IMPORTANT STAKEHOLDERS

Suggested Best Practices:

- ☒ Regular stakeholder consultations in the area of human rights, labour, environment and anti-corruption
- ☒ List of stakeholder groups engaged by the organisation
- ☒ Process for stakeholder identification and engagement
- ☒ Outcome of stakeholder involvement
- ☒ Process of incorporating stakeholder input into corporate strategy and business decision making

UN GOALS AND ISSUES

CRITERION 4: THE COP DESCRIBES ACTIONS TAKEN IN SUPPORT OF BROADER UN GOALS AND ISSUES

Suggested Best Practices:

- ☒ Adoption or modification of business strategy and operating procedures to maximize contribution to UN goals and issues
- ☒ Development of products, services and business models that contribute to UN goals and issues
- ☒ Social investments and philanthropic contributions that tie in with the organization's core competencies, operating context and sustainability strategy
- ☒ Public advocacy on the importance of one or more UN goals and issues
- ☒ Partnership projects and collective actions in support of UN goals and issues

HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Commitment

We respect human rights within our area of influence and operate our businesses in such a way as to make us an exemplary employer. We aim to be the preferred employer in our industry, with a respectful common culture and support for our employees' well-being:

- Embedding a common culture
- Promoting health and safety

Systems

- Code of Conduct
- Supplier Code of Conduct
- Corporate Health Policy
- Global Road Safety Program/Road Safety Code

Actions

- Integrated our revised Supplier Code of Conduct into new supply contracts
- Continuation of the Global Road Safety Initiative as a long-term program
- Corporate Health Policy campaign and expanded measurement
- Establishment of Occupational Health & Safety Steering Committee
- Corporate Values embedded in Strategy 2015's Guiding Principle "Respect and Results"
- Human rights due diligence capacity assessment provided by the German UNGC network applied

Performance

- Procurement employees trained on Supplier Code of Conduct
- Workshop toolkit for managers on Strategy 2015 “Unlocking our Potential” covers the Guiding Principle “Respect and Results”
- 30,000 to 40,000 health promotion measures in Germany each year
- Deutsche Post DHL Corporate Health Award
- German Enterprise for Health Award 2010
- (External) Corporate Health Award (EuPD Research, Verlagsgruppe Handelsblatt, TÜV SÜD Life Service GmbH)
- Transformation of a limited one-off initiative to the “Global Road Safety Program”, established as an extensive, longer-term program, connected with the rollout of a new web-based trainings course in February 2011: “More than exemplary”

CRITERION 5: THE COP DESCRIBES ROBUST COMMITMENTS, STRATEGIES OR POLICIES IN THE AREA OF HUMAN RIGHTS

Suggested Best Practices:

- ☒ Commitment to comply with all applicable laws and respect internationally recognized human rights, wherever the company operates (e. g. the Universal Declaration of Human Rights)
- ☒ Statement of policy expressing commitment to respect and support human rights approved at the most senior level of the company
- ☒ Statement of policy stipulating human rights expectations of personnel, business partners and other parties directly linked to operations, products or services
- ☒ Statement of policy publicly available and communicated internally and externally to all personnel, business partners and other relevant parties

CRITERION 6: THE COP DESCRIBES EFFECTIVE MANAGEMENT SYSTEMS TO INTEGRATE THE HUMAN RIGHTS PRINCIPLES

Suggested Best Practices:

- ☐ On-going due diligence process that includes an assessment of actual and potential human rights impacts
- ☒ Internal awareness-raising and training on human rights for management and employees
- ☒ Operational-level grievance mechanisms for those potentially impacted by the company’s activities
- ☒ Allocation of responsibilities and accountability for addressing human rights impacts
- ☐ Internal decision-making, budget and oversight for effective responses to human rights impacts
- ☐ Processes to provide for or cooperate in the remediation of adverse human rights impacts that the company has caused or contributed to

CRITERION 7: THE COP DESCRIBES EFFECTIVE MONITORING AND EVALUATION MECHANISMS OF HUMAN RIGHTS INTEGRATION

Suggested Best Practices:

- ☒ System to monitor the effectiveness of human rights policies and implementation, including in the supply chain
- ☒ Monitoring drawing from internal and external feedback, including affected stakeholders
- ☐ Leadership review of monitoring and improvement results
- ☒ Process to deal with incidents

CRITERION 8: THE COP CONTAINS STANDARDIZED PERFORMANCE INDICATORS (INCLUDING GRI) ON HUMAN RIGHTS

Suggested Best Practices:

- ☒ Outcomes of due diligence process
- ☐ External and formal reporting of operations or operating contexts that pose risks of severe human rights impacts
- ☐ Disclosure of main incidents involving the company
- ☐ Outcomes of processes of remediation of adverse human rights impacts

LABOUR PRINCIPLES

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

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Commitment

We respect the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO) in accordance with national laws and customs.

Systems

- Code of Conduct
- Supplier Code of Conduct
 - Deutsche Post DHL has explicitly and unequivocally spoken out against, and does not tolerate any form of, forced and compulsory labor and child labor
- German Corporate Governance Code
- Embedding a common culture
- Working with employee representatives
- Deutsche Post DHL Forum and European Social Dialogue Committee for the Postal Sector

Actions

- Maintained an ongoing dialogue in the European Economic Area through our Deutsche Post DHL Forum
- Reached wage agreements in Germany
- A competitive edge through diversity
- Executive development
- Vocational training
- Code of Conduct workshop presentation and online training explicitly includes statement against forced and child labor
- Regular dialogue with Global Unions Federation on Group level
- Active participation in the European Social Dialogue Committee for the Postal Sector

Performance

- Detailed reference to ILO core labor standards included in the Code of Conduct basic training and official presentation
- Conducted 2010 Employee Opinion Survey with 80 % participation rate
- Regular check of workshop presentation and training usage via corporate intranet
- Final report of the European Social Dialogue Committee for the Postal Sector about the project “Social partners preparing for change” Second step of the Social Observatory

CRITERION 9: THE COP DESCRIBES ROBUST COMMITMENTS, STRATEGIES OR POLICIES IN THE AREA OF LABOUR

Suggested Best Practices:

- ☒ Reference to relevant international conventions and other international instruments (e.g. ILO Core Conventions)
- ☒ Reflection on the relevance of the labour principles for the company
- ☒ Written company policy (e.g. in code of conduct) on labour
- ☒ Inclusion of minimum labor standards in contracts with suppliers and other relevant business partners
- ☐ Specific commitments and goals for specified years

CRITERION 10: THE COP DESCRIBES EFFECTIVE MANAGEMENT SYSTEMS TO INTEGRATE THE LABOUR PRINCIPLES

Suggested Best Practices:

- ☒ Risk and impact assessments in the area of labour
- ☒ Allocation of responsibilities and accountability within the organisation
- ☒ Internal awareness-raising and training on the labour principles for management and employees
- ☒ Grievance mechanisms, communication channels and other procedures (e.g. whistleblower mechanisms) for reporting concerns or seeking advice

CRITERION 11: THE COP DESCRIBES EFFECTIVE MONITORING AND EVALUATION MECHANISMS OF LABOUR PRINCIPLES INTEGRATION

Suggested Best Practices:

- ☐ System to track and measure performance based on standardized performance metrics
- ☐ Audits or other steps to monitor and improve the labour performance of companies in the supply chain
- ☐ Leadership review of monitoring and improvement results
- ☐ Process to deal with incidents

CRITERION 12: THE COP CONTAINS STANDARDIZED PERFORMANCE INDICATORS (INCLUDING GRI) ON LABOUR PRINCIPLES INTEGRATION

Suggested Best Practices:

- ☒ Outcome of due diligence and follow-up efforts to uphold the freedom of association right to collective bargaining
- ☒ Outcome of due diligence and follow-up efforts to eliminate forced labour
- ☒ Outcome of due diligence and follow-up efforts to abolish child labour
- ☒ Outcome of due diligence and follow-up efforts to eliminate discrimination
- ☐ Disclosure of main incidents involving the company

ENVIRONMENT

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Commitment

We recognize that our transport and logistics activities have an impact on the environment. We are constantly minimizing our business' impact on the environment, focusing on carbon efficiency and climate protection.

Systems

- Group-wide Environmental Policy and dedicated guidelines to improve environmental performance across Deutsche Post DHL
- GoGreen environmental protection program
- Carbon accounting and controlling system
- Six-Step Approach to environmental management
- Regular GoGreen Management Board and integration of carbon performance into management processes
- Part of the quarterly business review meetings on top management and divisional level
- Member of relevant organizations such as the World Business Council for Sustainable Development and UNEP Climate Neutral Network

Actions

- Target to improve carbon efficiency by 30 % by 2020
- Efficiency optimization within our fleet and buildings, tests and implementation of alternative technologies and fuels
- Network and capacity optimization
- Mobilization of employees with awareness campaigns, activities and rewards
- Target to increase the percentage of employees working under ISO 14001 audited systems
- Extension of the green product portfolio including efficient logistics solutions and carbon-neutral shipping services with the introduction of the Group's first self-initiated climate protection project in Lesotho

Performance

- 2011 Deutsche Post DHL Carbon Efficiency Index value of 86 (previous year: 88)
- Number of non-conventional vehicles increased to over 1,563
- Percentage of ISO 14001 coverage increased to 52 % (previous year: 49 %)
- Employee Opinion Survey (EOS): 65 % confirmed that their teams are taking energy-saving measures in their workplace
- 1.86 billion carbon-neutral GOGREEN shipments in 2011 for customers of Mail, Parcel and Express
- Deutsche Post DHL ranked second-best company in the worldwide Carbon Disclosure Leadership Index in 2010 and confirmed in the Dow Jones Sustainability World Index and FTSE4Good Index

CRITERION 13: THE COP DESCRIBES ROBUST COMMITMENTS, STRATEGIES OR POLICIES IN THE AREA OF ENVIRONMENTAL STEWARDSHIP

Suggested Best Practices:

- ☒ Reference to relevant international conventions and other international instruments (e.g. Rio Declaration on Environment and Development)
- ☒ Reflection on the relevance of environmental stewardship for the company
- ☒ Written company policy on environmental stewardship
- ☒ Inclusion of minimum environmental standards in contracts with suppliers and other relevant business partners
- ☒ Specific commitments and goals for specified years

CRITERION 14: THE COP DESCRIBES EFFECTIVE MANAGEMENT SYSTEMS TO INTEGRATE THE ENVIRONMENTAL PRINCIPLES

Suggested Best Practices:

- ☒ Environmental risk and impact assessments
- ☒ Assessments of lifecycle impact of products, ensuring environmentally sound end-of-life management policies
- ☒ Allocation of responsibilities and accountability within the organisation
- ☒ Internal awareness-raising and training on environmental stewardship for management and employees
- ☒ Grievance mechanisms, communication channels and other procedures (e.g. whistleblower mechanisms) for reporting concerns or seeking advice regarding environmental impacts

CRITERION 15: THE COP DESCRIBES EFFECTIVE MONITORING AND EVALUATION MECHANISMS FOR ENVIRONMENTAL STEWARDSHIP

Suggested Best Practices:

- ☒ System to track and measure performance based on standardized performance metrics
- ☒ Leadership review of monitoring and improvement results
- ☒ Process to deal with incidents
- ☐ Audits or other steps to monitor and improve the environmental performance of companies in the supply chain

CRITERION 16: THE COP CONTAINS STANDARDIZED PERFORMANCE INDICATORS (INCLUDING GRI) ON ENVIRONMENTAL STEWARDSHIP

Suggested Best Practices:

- ☒ Indicators on uses of materials and energy
- ☒ Indicators on emissions, effluents, and waste
- ☒ Indicators on the company's initiatives to promote greater environmental responsibility
- ☒ Indicators on the development and diffusion of environmentally friendly technologies
- ☒ Disclosure of main incidents involving the company

ANTI-CORRUPTION IMPLEMENTATION

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Commitment

At Deutsche Post DHL, we do not tolerate corruption and are committed to compliance with international antibribery standards, as stated in the Global Compact and local anti-corruption and bribery laws.

Systems

- Code of Conduct
- Supplier Code of Conduct
- Anti-Corruption and Business Ethics Policy
- Competition Compliance Policy
- Third-party compliance standards
- In 2010 the Deutsche Post DHL Compliance Management System was reviewed and resulted in a new Compliance Organization, which now comprises:
 - The Chief Compliance Officer (cco): responsible for the Group-wide Compliance Management System
 - The Compliance Committee: acts as a sounding board to the cco
 - Global Compliance Office (gco): develops standards for the Compliance Management System
 - Business Unit Compliance Officers (BUCO): a major change in the new Compliance Organization was the creation of BUCOs. The BUCOs execute the Compliance Management Processes within their respective business units

Actions

- Anonymous Compliance hotline available worldwide; information is published on the corporate intranet
- Follow-up activities to intensify Anti-Corruption Policy roll-out and Anti-Corruption training
- Due Diligence process, based on the Due Diligence Questionnaire for agents, joint venture partners and consultants, has been implemented
- The scope and definition of the Compliance Management System was broadened to include core processes, tools, standards and guidelines that take into account the Group's specific risk profile and its requirements.

Performance

- The Global Compliance Office, in collaboration with Internal Audit investigates concerns and concludes them
- Executives confirm receipt of Anti-Corruption Policy and training in a formal mandatory process
- The completion of Anti-corruption training can be reviewed via monthly reports on the global e-learning portal
- Evaluation of third-party compliance by Global Compliance Office
- Review of the existing compliance processes as part of the compliance risk mapping project
- Member of the Partnering Against Corruption Initiative (PACI)

CRITERION 17: THE COP DESCRIBES ROBUST COMMITMENTS, STRATEGIES OR POLICIES IN THE AREA OF ANTI-CORRUPTION

Suggested Best Practices

- ☒ Publicly stated formal policy of zero-tolerance of corruption
- ☒ Commitment to be in compliance with all relevant anti-corruption laws, including the implementation of procedures to know the law and monitor changes

- ☒ Statement of support for international and regional legal frameworks, such as the UN Convention against Corruption
- ☒ Carrying out risk assessment of potential areas of corruption
- ☐ Detailed policies for high-risk areas of corruption
- ☒ Policy on anti-corruption regarding business partners

CRITERION 18: THE COP DESCRIBES EFFECTIVE MANAGEMENT SYSTEMS TO INTEGRATE THE ANTI-CORRUPTION PRINCIPLE

Suggested Best Practices:

- ☒ Support by the organization's leadership for anti-corruption
- ☒ Human Resources procedures supporting the anti-corruption commitment or policy, including communication to and training for all employees
- ☒ Internal checks and balances to ensure consistency with the anti-corruption commitment
- ☒ Actions taken to encourage business partners to implement anti-corruption commitments
- ☐ Management responsibility and accountability for implementation of the anti-corruption commitment or policy
- ☒ Communications (whistleblowing) channels and follow-up mechanisms for reporting concerns or seeking advice
- ☒ Internal accounting and auditing procedures related to anticorruption

CRITERION 19: THE COP DESCRIBES EFFECTIVE MONITORING AND EVALUATION MECHANISMS FOR THE INTEGRATION OF ANTI-CORRUPTION

Suggested Best Practices:

- ☒ Leadership review of monitoring and improvement results
- ☒ Process to deal with incidents
- ☒ Public legal cases regarding corruption
- ☐ Use of independent external assurance of anti-corruption programmes

CRITERION 20: THE COP CONTAINS STANDARDIZED PERFORMANCE INDICATORS (INCLUDING GRI) ON ANTI-CORRUPTION

Suggested Best Practices:

- ☐ Outcomes of assessments of potential areas of corruption, where appropriate
- ☒ Outcomes of mechanisms for reporting concerns or seeking advice
- ☒ Indicators Human Resources procedures supporting the anti-corruption commitment or policy
- ☐ Disclosure of main incidents involving the company

VALUE CHAIN IMPLEMENTATION

CRITERION 21: THE COP DESCRIBES IMPLEMENTATION OF THE GLOBAL COMPACT PRINCIPLES IN THE VALUE CHAIN

Suggested Best Practices:

- ☐ Analysis of sustainability risk, opportunity and impact in the value chain, both upstream and downstream
- ☒ Policy on value chain, including a policy for suppliers and subcontractors
- ☒ Communication of policies and expectations to suppliers and other business partners
- ☐ Monitoring and assurance mechanisms (e.g. audits/screenings) for compliance in the value chain
- ☐ Awareness-raising, training and other types of capacity building with suppliers and other business partners

TRANSPARENCY AND VERIFICATION

CRITERION 22: THE COP PROVIDES INFORMATION ON THE COMPANY'S PROFILE AND CONTEXT OF OPERATION

Suggested Best Practices:

- ☒ Legal structure, including any group structure and ownership
- ☒ Countries where the organisation operates, with either major operations or operations that are specifically relevant to sustainability
- ☒ Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)
- ☒ Primary brands, products, and/or services
- ☒ Direct and indirect economic value generated for various stakeholders (employees, owners, government, lenders, etc.)

CRITERION 23: THE COP INCORPORATES HIGH STANDARDS OF TRANSPARENCY AND DISCLOSURE

Suggested Best Practices:

- ☒ COP uses the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines
- ☒ COP qualifies for Level B or higher of the GRI application levels
- ☐ COP includes comparison of key performance indicators for the previous two to three years
- ☒ Board, where permissible, approves COP and other formal reporting on corporate sustainability
- ☒ Relevant sustainability information from COP is included in annual financial report and filings

CRITERION 24: THE COP IS INDEPENDENTLY VERIFIED BY A CREDIBLE THIRD PARTY

Suggested Best Practices:

- ☐ Accuracy of information in COP is verified against assurance standard (e.g. AA1000, ISAE 3000)
- ☒ Accuracy of information in COP is verified by independent auditors (e.g. accounting firm)
- ☒ Content of COP is independently verified against content standards (e.g. GRI Check)
- ☐ COP is reviewed by a multi-stakeholder panel or by peers (e.g. Global Compact Local Network)