

creating a **positive**
difference at home & abroad



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From the PRESIDENT'S DESK



Dear fellow stakeholders,

The world around us has seen a number of changes in recent years as we continue to deal with the aftermath of the economic struggle of 2008. Over the past two years we have experienced both hardships and triumphs as we begin to rebuild our companies, families and homes.

As a result, it has become increasingly important to work together in order to make the world a better, safer and more productive place to live. As a corporation, we hold the responsibility to lead the way to a stronger more sustainable tomorrow.

NAC is proud to remain committed to the UN Global Compact and continue acting according to its guidelines. We hold the notions of human rights, labor, environment and anti-corruption at the forefront of our minds in every corporate interaction and business endeavor we make.

In the following pages, we outline our sustainability, goals, progress and areas for improvement. Moving into the future we will continue to support the UN Global Compact and promote socially-responsible business practices.

Sincerely,

A handwritten signature in black ink that reads "Robert E. Herman". The signature is written in a cursive, flowing style.

Rob Herman
President & COO

Report Overview

Scope

The 2010 Communication on Progress encompasses company performance, initiatives and statements for North American Communications (NAC), and its partner company, North American Mailing Services (NAMS).

The boundary of the report is limited to January 2010 through December 2010. This is NAC's second CSR report. Reports for previous years can be viewed at <http://www.unglobalcompact.org/COPs/detail/8271>

Company statistics are calculated per calendar year, and represent all U.S. and Mexico locations.

Unless otherwise noted, statistics referenced in this report represent combined averages of data sets from all NAC and NAMS facilities.

Company References & Statements

Reference to "NAC" within the scope of this report shall mean "NAC and its partner company, NAMS". Unless otherwise stated references to "NAC facilities, operations, systems and locations" shall mean "NAC and NAMS facilities, operations, systems, and locations." Use of the words "we" and "our" within the scope of this report shall mean of, belonging to, or on behalf of "NAC and its partner company, NAMS".

Metrics

NAC is currently in the process of improving its systems for data collection and metrics analyses. Indicators describing corporate performance can be found on pp. vi-vii. To maximize the quality of company data in the future, NAC is exploring options for obtaining third-party assurance for upcoming reports.





COMPANY SNAPSHOT

Founded in 1934, North American Communications, Inc. (NAC) has grown impressively from its roots in envelope manufacturing, now proudly calling itself the largest, bi-national direct mail manufacturer in the United States. NAC offers regionalized production from its locations in the United States and Mexico. Such locations allow NAC to provide an

expansive range of direct mail services to its loyal customers found all across North America. Boasting 100% in-house production and mailing services, NAC allows companies the security of knowing that reaching their customers efficiently and effectively is the number one priority, always.

2010 Performance Highlights

PERFORMANCE	2009	2010	Progress
Total NAC and NAMS locations and facilities ¹	3	3	n/a
Average total workforce (non-hourly employees)	1,147	1,064	

Workplace

Human Rights & Well-being

Percentage of employees receiving training on human rights & Open-Door Policy ²	100%	100%	0
Percentage of security personnel receiving training on upholding human rights while providing security ³	100%	100%	0
Percentage of senior management positions occupied by women	26%	36%	10%
Percentage of senior management positions occupied by minorities	50%	35%	-15%
Percentage of total workforce comprised of women	34%	40%	6%
Percentage of total workforce comprised of minorities	55%	68%	13%

Safety & Health

Total number of formal health and safety training programs provided to employees ⁴	13	58	45
Percentage of employees receiving general health and safety training ³	100%	100%	0
Number of patient visits at on-site NAC health clinic	12,689	25,008	12,319

Professional Growth

Percentage of corporate locations employing KSA tool sets for career development in production departments ⁵	100%	100%	0
Percentage of employees receiving regular performance and development reviews	67.0%	69.0%	2.0%

Marketplace Value

Product & Service Quality

Total number of mail units produced	532,153,731	712,802,458	180,648,727
Percentage of mail units produced with no errors	99.6%	98.5%	-1.10%
Number of customer complaints warranting actions	70	6	64
Number of customer complaints due to loss of data or breach in privacy ⁶	0	0	0
Percentage of customer complaints warranting action that received action ⁶	100%	100%	0

Value Creation

Number of value-added services offering carbon reduction benefits	5	5	0
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PERFORMANCE	2009	2010	Progress
Sustainable Mail Products			
Percentage of corporate production facilities with FSC Chain-of-Custody Certification	100%	100%	0
Percentage of corporate production facilities with SFI Chain-of-Custody Certification	100%	100%	0
Environment			
Water Stewardship			
Reductions in water consumption due to company-wide efficiency initiatives (gallons)	28,225,212	47,015,203	18,789,991
Paper Savings			
Pounds of paper recycled	8,090,122	17,071,718	8,981,596
Number of trees saved due to company-wide efficiency initiatives	68,766	125,347	56,581
Climate Protection			
Reductions in landfill space use due to company-wide efficiency initiatives (cubic yards)	12,282	24,030	11,748
Reductions in air pollutant emissions due to company-wide efficiency initiatives (pounds)	2,374,452	4,627,092	2,252,640
Reductions in energy consumption due to company-wide efficiency initiatives (KWH)	176,968,725	413,379,503	236,410,778
Supply Chain Engagement			
Number of supplier-practice assessment surveys conducted	0	N/A	0
Percentage of suppliers engaged through supplier-practice assessment surveys	N/A	N/A	0
Global Community			
Total charitable contributions for social development	\$77,000	\$42,000	-\$35,000
Percentage of charitable contributions by category			
Economic Development	79%	56%	-23%
Health & Social Services	12%	25%	13%
Education	7%	7%	0%
Culture & the Arts	2%	10%	8%

¹ Inclusive of all NAC and NAMS locations in the U.S. and Mexico.

² Human rights initiatives are company-wide, but quantitative information represents U.S. facilities only.

³ Statistics are available for U.S. facilities only.

⁴ Health & Safety initiatives are company-wide, but quantitative information represents U.S. facilities only.

⁵ Refers to the adaptation of the NAC KSA model for company locations in Mexico.

⁶ "Complaints" are defined as subjective complaints pertaining to issues such as color match.

FUTURE GOALS

Workplace

- Re-release the NAC *Statement on Human Rights* and improve human rights training protocols for security personnel
- Improve and expand corporate employee assessment, development and evaluation programs
- Identify and implement location-appropriate employee incentive strategies
- Add benefit opportunities, trainings and adult education

Marketplace

- Integrate customer satisfaction survey and client-job performance evaluations into the NAC *QMS-CS*
- Identify and implement methods to calculate environmental and financial benefits of value-added services
- Increase the total percentage of product labeled under the chain of custody certification programs

Environment

- Revise the NAC *Environmental Policy* to incorporate internationally-supported environmental initiatives

Supply-Chain Engagement

- Create and publish corporate Supplier Guiding Principles - and disseminate to stakeholders along the supply chain for voluntary endorsement
- Develop primary sourcing options for all NAC purchased paper to be sourced through vendors holding one or more certifications

Global Community

- Create a formal budget for investment in Global Community projects.

Report Breakdown

	Workplace
	Marketplace
	Environment
	Supply Chain
	Global Community

WORKPLACE

NAC believes it is a direct responsibility to do business ethically, with integrity and to uphold human rights in all business activities. We support the principles of the *Universal Declaration of Human Rights* and have incorporated these into our own workplace policies.

We are committed to providing an equal employment opportunity, freedom of association, elimination of forced labor, child labor, employee discrimination, harassment and workplace violence, which is confirmed in our NAC Associate Handbook. In addition, we continue to provide human rights training to 100% of our employees, maintain our New Hire Orientation Program and an Open-Door Policy.

DIVERSITY

NAC understands the importance of a diverse workforce. The combination of unique skill sets, knowledge and experience allow us to capitalize on ever-changing opportunities in the direct marketing arena. In 2010, NAC's total workforce comprised of minorities increased from 13% to 68%.

As we move into 2011, we will continue to look for ways to improve our operations to create the best possible working environment for our associates.

SAFETY & HEALTH



NAC is committed to providing a safe and healthy environment for our employees.

Our employees are the force behind the success of our business. It is essential that the environment in which they work is safe, healthy, clean and friendly. In addition to the annual safety trainings provided to all associates and adhering to strict OSHA regulations, NAC has expanded its safety and health initiatives.

In 2010, NAC expanded its associate garden providing space for 10 additional associates to grow and harvest fresh produce. Not only do associates get to enjoy the satisfaction of consuming a product grown from seed solely by own, but the risk of eating vegetables or fruits containing harmful chemicals has been drastically reduced.

NAC continues to offer comprehensive family medical benefits to hourly and full-time U.S. employees. Free flu shots were made available to all associates in the Pennsylvania facility. These vaccines help safeguard our workforce against possible illness, keeping them happy and healthy.

We maintain a full-service on-site medical clinic for our associates working in Mexico. In 2010, eye examinations were offered to all members of our team. As a preventative measure, medical examinations were given to those associates working with moving equipment. Auditive testing was performed on 92% of the personnel to determine if hearing had been affected in the workplace.

To ensure not just physical health, but also emotional health, we do our best to make sure each employee is on track to building the life they desire. NAC restructured its attendance and punctuality bonuses in 2010, to help dedicated employees excel. In addition, we implemented a Savings Fund program, in which a portion of the associate's salary and an equally matched sum from the company is put into a savings account. This program teaches practical money-saving skills that will help build a bright future for themselves and their family.



PROFESSIONAL GROWTH

In 2010, NAC broadened the scope of the professional growth and enrichment opportunities available for all of our associates.

NAC has always been a company dedicated to innovation and achievement. Throughout the past thirty years, one of the central elements to success has been the ability to develop the most competent, experienced and engaged staff. As we've evolved, so too, have our methods for cultivating our work force.

With our Knowledge, Skills, and Abilities (KSA) Training and Evaluation process, each of the skilled production positions has clarity of purpose, path, and performance standards. In 2010, NAC introduced its Leadership Training Program to provide the framework for continual growth and enrichment for our

management team. The LTP was designed to not only address the skill sets needed for transitional mid-level management, but to foster growth for the senior and executive management teams, as well.

Through the implementation of multi-level management teams, senior and executive management took an active role in providing mentorship to mid-level and supervisory level management. The teams focused on skill building and participated in workshop exercises designed to enhance critical thinking, analysis, and implementation skills. As the LTP progressed, results were seen on not only the individual, but on a departmental level. The effectiveness of the management team grew, as individual leaders not only met their key objectives, but inspired and motivated their staff.

PRODUCT & SERVICE QUALITY

Exceeding customer expectations.

NAC's proprietary Quality Management System (QMS) emphasizes maintaining the highest product quality standards throughout each production process and service. In 2010, we extended this system by implementing our Quality at the Source (QAS) initiative. With an emphasis on providing continuous education to all NAC associates, the QAS initiative was structured to reinforce each of the primary quality objectives for all processes and products. Through classroom training, workshops, and hands-on activities, associates participated in the program, with the ultimate goal of achieving QAS certification.



The QAS focused on best practices, fundamental concepts, and compliance with established standards, increasing the proficiency with which each associate performs their job duties.

By extending the focus to emphasize producing products with the highest efficiency and least amount of waste, our associates were able to understand the correlation between product & performance excellence.

Participation in the QAS program resulted in a heightened level of

empowerment for each of our associates, setting the foundation for other quality initiatives, such as the participation in continuous improvement teams, and strengthening the proactive quality culture.

In addition to the QAS Initiative, NAC began the development of an electronic QC inspection repository, allowing certain inspection point results to be cataloged and communicated in real-time. This is the first phase of a system that allows quality concerns and results to be instantly communicated from the production floor to management.



Vertically-Integrated Solutions

Vertical integration doesn't just make sense for our company, but for our clients, the industry at large and more importantly the environment.

From manufacturing to distribution, we provide a one source solution at each of our facilities for all of your direct mail needs. Vertical integration reduces our carbon footprint as well as that of the mail campaign by concentrating our manufacturing operations into two regionalized facilities. This means we aren't shipping unnecessary components across the world. In turn, we are not only minimizing our consumption of oil and petroleum products, but additional packaging is cut dramatically. Usable products are no longer lost due to waste or damaged from shipping.

Printing Services

NAC has continued to utilize and promote Computer-to-Plate (CTP) as a cornerstone of our printing operations.

As the name suggests, the image is transferred directly from the computer to the plate without film-making and imaging steps. By eliminating

these steps, time and energy to produce the plate are reduced, in turn reducing the impact on the environment while improving image quality. These systems are approximately 50% more energy efficient than others. This practice reduces the amount of paper consumed and the usage of chemicals required to maintain the typical film-to-plate technologies.

NAC has also incorporated the use of low VOC and no VOC chemistry, ink, solvents and press wash into its printing operations. We consider whether chemistry used in printing contains Hazardous Air Pollutants (HAPS) or EPA-regulated chemicals.

Though our printing presses yield a very low amount, a rigorous protocol has been established for handling wastewater as well as ink. All waste ink is recaptured and recycled through a company that converts the waste ink to fuel source.

As testing and exploration of products progresses, NAC factors in cost and efficiency, effectiveness, time consumed and effects on press parts. Our continued goal is to find and utilize products that are safe for the environment and our associates, while yielding quality results and value for our customers.



SUSTAINABLE MAIL PRODUCTS

The world's forests belong to all of us, and as a large company we recognize our share of the responsibility in protecting them. Deforestation is often the catalyst of more serious environmental problems such as habitat destruction, water pollution, displacement of indigenous people and conflict over logging land.

NAC understands that the primary element of our products is paper made from trees. Because of this fact, practicing responsible forest stewardship is always one of our top priorities. We know that it is critical to do our part in protecting the environment and promoting a sustainable future. We achieve our environmental goals through the use of company-wide recycling programs and Chain-of-Custody (CoC) certifications.

NAC begins the process of protecting the environment with its system-integrated recycling programs. Our largest recycling initiative is centered around paper, but branches out to include plastic, glass, metal and aluminum as well. NAC also has its very own environmental resource team, which goes out into the community, promoting and providing education on the benefits of recycling. NAC furthers its "green" value by packaging 75% of all in-house products in reusable containers.

Aside from recycling, NAC has been given CoC certification from the Forest Stewardship Council (FSC) for the third consecutive year as of 2010. This certification allowed NAC to use 659,501 pounds of FSC responsibly-produced certified paper. An additional 6.5% of NAC produced paper was also certifiable under FSC regulations. Similarly, in 2010 NAC was CoC certified by the Sustainable Forestry Initiative (SFI) for the second consecutive year. Through this program, NAC was able to print and mail 52.6% of mail on SFI certified paper.

Our consistency in being re-certified within these prestigious organizations provides proof that we are steadfast in our dedication to achieving our goals and complying with the standards set before us. We are determined to increase our use of certified paper and our reuse of recyclable materials in the future.



WATER STEWARDSHIP

At NAC, taking action to educate ourselves and promote the sustainability of critical water supplies is a vital business concern. We understand that water is a scarce resource and by continuing to find ways to minimize our water use, we are actively promoting long term economic and social benefits for our communities and the planet.

From 2009 to 2010 NAC reduced water consumption by **24 million gallons**. The water conservation program instituted in our Mexican facility in 2009 alone saved **21,000 gallons of water**.

NAC is currently in the process of developing and implementing a water resource management project in expansion to our system-integrated recycling programs. We have joined the Alliance for Water Stewardship and are building a better understanding of the impact of not only internal water usage but our products' and suppliers' total water footprint.

As we continue into 2011 our goal remains consistent, seeking new projects and opportunities to reduce our water impact and grow as a sustainable corporation.

CLIMATE PROTECTION

The crisis of global warming is one that continues to plague the planet we live on. That is why it is imperative that we educate both others and ourselves on how we can take action against this global catastrophe. The time is now to start implementing strategies to reduce energy use, air pollutant emissions and solid waste output throughout our operations.

In order to do our part in protecting the environment, we began strictly regulating the air conditioning system in the Lettershop, Bindery & Imaging departments of NAC. By not allowing the air conditioning to run during the evening hours, this new regulation policy was able to cut air conditioning use in half.

In addition, NAC further cut energy usage by installing more energy efficient lighting. A total of 75 fixtures were

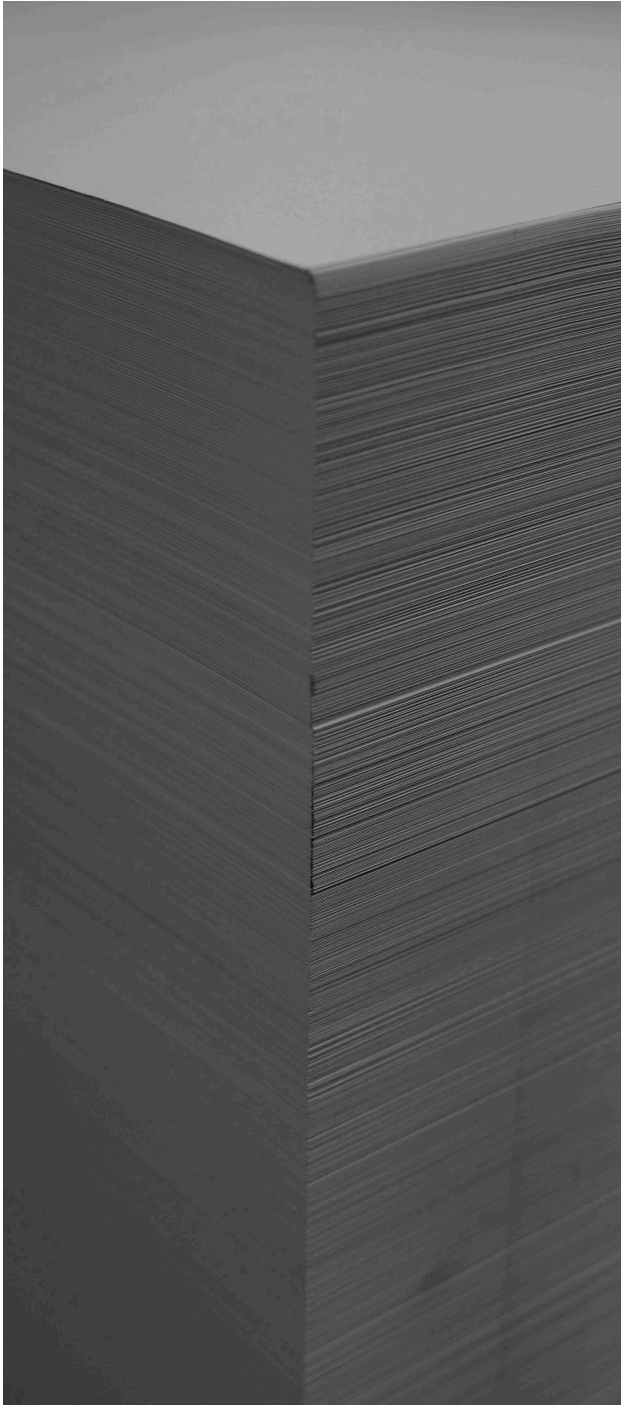
installed throughout the plant, which allowed us to cut our energy consumption in half.

NAC has seen both significant direct and indirect savings between 2009 and 2010 as a result of our energy saving initiatives. The indirect savings achieved in 2010 include:

- 231 million KWH of electricity
- 1.6 million pounds of air pollutants
- 8,379 cubic yards of landfill space



SUPPLY CHAIN ENGAGEMENT



In 2010, we had the opportunity to engage our stakeholders and vendors through a forum designed to educate all parties on the paper supply chain. The forum was specifically focused on environmentally sustainable practices such as the use of certified products.

The engagement with two of our largest stakeholders was introduced to improve and understand their environmental objectives and highlight NAC's environmental stewardship and participation in the SFI and FSC Chain-of-Custody programs.

A meeting/tour was held at the Team Ten American Eagle Mill in Tyrone, PA. NAC sales staff, CoC Compliance team, and customers learned additional information on the supply-chain, including the paper mill process, certified sourcing and recycled paper manufacturing. Participants also took part in a round table discussion comprised of paper sourcing/manufacturers, paper merchants, direct mail manufacturers and customer representatives from one of the largest direct mail marketing programs in the United States.

The process from forest to paper was brought into perspective and opportunities were generated to share how we can achieve common sustainability goals. It emphasized the role of each party in our supply-chain and increased transparency.

In 2011, NAC plans to see increases in the total percentage of product labeled under the Chain-of-Custody certification programs. We aim to develop primary sourcing options for all NAC purchased paper to be sourced through vendors who hold one or more certifications.

As a part of our continued goal, we plan to release our Supplier Guiding Principles (SGP). Through our SGP, we will ask our vendors to sign a voluntary commitment to uphold the core principles of our *Statement of Human Rights and Environmental Policy*.

GLOBAL COMMUNITY

Through the collective power of our corporation, suppliers and customers, NAC has created a Global Community to effect positive social change. Working in partnership with charitable and non-profit organizations, we invest our time, energy and resources in efforts aligned with the UN Millennium Development Goals to eradicate poverty and in celebration of our global heritage.



At Home

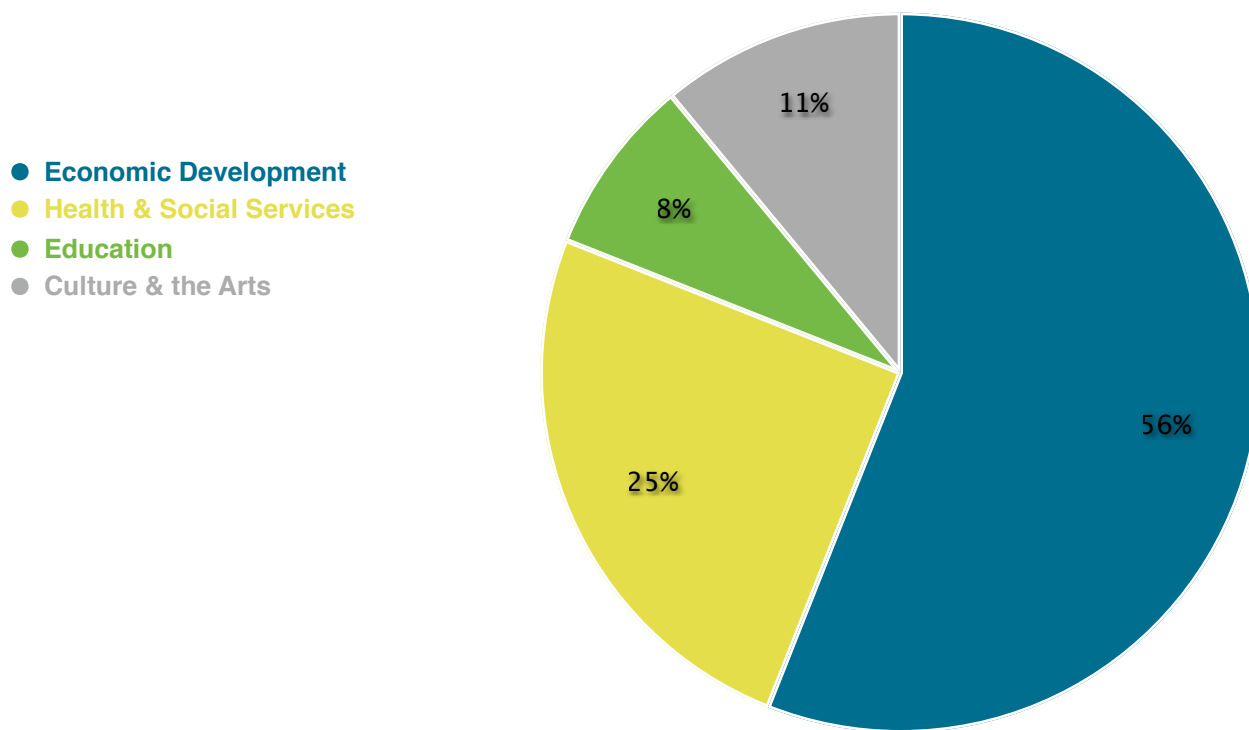
NAC is committed to making a difference to the communities we live and work in. Our associates put the same passion and dedication into volunteering as they do their job. We participate in a variety of programs that support various causes. Our biggest philanthropies include Blair County Respiratory Disease Society's Annual WallyBall Tournament, Big Brothers Big Sisters' signature fundraiser, Bowl For Kids' Sake, and Easter Seals' Softball Marathon.

Abroad

Although our main focus for 2010 was in the local community, we still did our part to devote time to other countries. NAC continues to support Bead For Life (BFL), a nonprofit organization that works to eradicate extreme poverty by creating bridges of understanding between impoverished Africans and concerned world citizens. NAC makes a difference through fundraising, business mentorship and by donating printing services for marketing materials.

Global Community Impact

2010 Giving



Partners for Change

The NAC Global Community includes many partners for change - partners we are proud to support in their efforts to create a better world:

ABCD Corp.
BeadforLife
Bishop Guilfoyle Athletics
Blair County Arts Foundation
Blair County Respiratory Disease Society
Blair Senior Services
Community Blood Services
Direct Marketing Association of Washington
Easter Seals
Equine Advocates
Gary Deem - Annual Thanksgiving Dinner
Greater Altoona Economic Development Corp.

Hollidaysburg Area Junior High
Katonah Museum of Art
Keystone County Ride
Millbrook School
Nason Hospital
Penn's Woods Council
Professional Insurance Marketing Association
Penn State University
Rippowam Cisqua School
St. Vincent DePaul Soup Kitchen
Toys for Tots

NAC Commitments

UN Global Compact

As a signatory to the UN Global Compact since April 2008, NAC has made a voluntary commitment to align its corporate practices with values of sustainability and social responsibility. To uphold our commitment to the UN Global Compact, we strive to promote human rights, labor rights, environmental stewardship and anti-corruption through our actions and strategic planning.

Universal Declaration of Human Rights

NAC supports the UN General Assembly *Universal Declaration of Human Rights*. We believe in the alienable rights of all people to enjoy freedom, dignity, equality, justice and peace, and are committed to upholding these rights through our corporate operations and practices.

Equal Opportunity

NAC endorses equal opportunity for employment and promotion in the workplace, without distinction of race, religion, sex, or disability status. Our commitment as Equal Opportunity Employers is documented in the *NAC Associate Handbook*.

Business Memberships & Associations



Corporate Overview

Corporate Structure & Governance

NAC is a privately-owned U.S. company operating in North America. The NAC Board of Directors is comprised of current and former senior-level executives. The Board of Directors provides the overall vision and guidance of the company, and promote its strategic growth.

Code of Ethics & Anti-Corruption

NAC operates under a Code of Ethics which promotes honesty, integrity and ethical practices throughout every level of corporate operations, and through all interactions with stakeholders.

In 2006, NAC became certified by the Customs Trade Partnership Against Terrorism (C-TPAT) and in 2007 began participating in BASC (Business Alliance for Secure Commerce). NAC became part of these programs to promote anti-corruption and transparency in all cross-border operations in the U.S. and Mexico.

Awards & Recognitions

Professional Insurance Marketing Association (PIMA) Marketing Methods Competition – Bronze Award for ‘Commitment to Excellence in Marketing’. July 2010.

Direct Marketing Association of Washington (DMAW) Bridge Conference - ‘Best Booth’ Award. August 2010.

Company Headquarters

North American Communications
20 Maple Avenue
Armonk, NY 10504

Other Corporate Locations

North American Communications - East
141 NAC Drive
Duncansville, PA 16635

North American Communications - Texas
9660 Joe Rodriguez Drive, Suite 1-2
El Paso, TX 79927

Contact

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Disclaimer

“This report is correct to the best of our knowledge, information and belief. The data contained herein is for informational purposes only, not represented to be error-free, and subject to change.”

GRI Reporting Index

Global Reporting Initiative (GRI)

The index below outlines NAC reporting against the GRI G3 Guidelines, and indicates where GRI information can be found within the content of this *2010 Communication on Progress*.

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UN Global Compact Principles

This *2010 Communication on Progress* reports on the 10 universally-accepted Principles embodied by the UN Global Compact in the areas of human rights, labor rights, the environment and anti-corruption. Below is an index indicating our reporting against the 10 Principles, and their location within this report.

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