

# UNITED NATIONS GLOBAL COMPACT – COMMUNICATION ON PROGRESS

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|-------------------------|---|----------------------------|----------------------|
| <b>Company Name</b>     | Berendsen plc                           | <b>Submission Date</b>     | 19 April 2014        |
| <b>Address</b>          | 4 Grosvenor Place<br>London<br>SW1X 7DL | <b>Membership Date</b>     | 27 January 2009      |
| <b>Country</b>          | United Kingdom                          | <b>Number of Employees</b> | Approximately 15,000 |
| <b>Contact Name</b>     | Chris Perkins                           | <b>Sector</b>              | Support Services     |
| <b>Position</b>         | Group Risk Manager                      |                            |                      |
| <b>Telephone Number</b> | 0044 207 259 6663                       |                            |                      |


## INTRODUCTION AND PROGRESS SINCE JOINING

This is our fourth communication on Progress. We outline below the progress we are making with each of the areas covered by the United Nations Global Compact's ten principles, human rights, labour, environment and anti-corruption.

Berendsen plc became a signatory to the United Nations Global Compact on 27 January 2009. Participation in the Global Compact continues to provide us with a recognised and respected policy framework for our work on sustainability and corporate responsibility. Many of the markets that we operate in are continuing to demand contributors that are embracing the ideals outlined in the Global Compact's ten principles.

## STATEMENT OF CONTINUED SUPPORT

As Chief Executive Officer I commit Berendsen plc to continued support for the United Nations Global Compact in the coming year.

|                  |   |                      |   |
|------------------|---|----------------------|---|
| <b>Signature</b> |  | <b>Name/Position</b> | <b>Peter Ventress<br/>Chief Executive<br/>Officer</b> |
|------------------|---|----------------------|---|

## OUR BUSINESS AND ITS IMPACTS

We continue to be a focused European textile maintenance business. Our business provides specialist service solutions to source, clean and maintain the textiles that our customers need to keep their business running. The European textile rental market in which we operate can be broken down into six key areas. Through our network of laundries and other production facilities we provide workwear, facilities, hotel, restaurant and healthcare textiles. We also provide some direct sales and production.

Within each of our business lines there are market dynamics that will influence individual market segments. The specialist services we provide are predominantly non-core activities for our clients. Our density and scale in our key geographies allows us to provide an expert and cost-efficient service, meeting our client's needs and allowing them to free up capital to invest in their own business. As clients expand, we can expand with them, working efficiently across national boundaries. Our services may be non-core but they are often absolutely critical for the safe day-to-day running of our clients' operations (e.g. food industry, R&D centres, hospitals). Our track record in understanding evolving standards and our ability to devise innovative products and service to meet them means we are a partner of choice in many industries. Our economies of scale mean that we can launder and sterilise far more cost-effectively and efficiently than our clients. Our focus on reducing our use of water, electricity, chemicals, oil & gas and CO<sup>2</sup> emissions (WECO) not only gives us a competitive advantage but also gives our clients the confidence to use us as part of their own environmental supply chain due diligence.

The nature of our business dictates that the services we provide to customers have varying impacts on the environment, our employees and the communities in which we operate. These manifest themselves in varying degrees throughout the product and service lifecycle, including the following:

- The production and/or purchase of textiles, much of which is sourced from overseas, and as a consequence we are mindful of the importance of them maintaining appropriate labour

practices;

- The washing, drying and packing of textiles at our plants where the use of water including recycling, energy and detergents are closely monitored within a programme of reduction;
- Many of our employees work in our plants with industrial laundry machinery and equipment so we recognise the importance of providing them with a healthy and safe working environment;
- Continually reviewing the routing of delivery vehicles to our customers to ensure the most efficient use of our fleet resources and fuel; and
- As our operations recruit where they can from their local communities and many of our plants are in suburban areas we recognise the importance of maintaining a strong local reputation.

Our customers demand that we provide the highest standards of products and service; they require us to source the products that they need, providing the highest standards of cleanliness. Increasingly we need to be innovative and flexible, whilst maintaining high standards of reliability and timeliness of delivery. We continue to focus on maintaining excellent operational standards both in our laundries and within our distribution network. We recognise that our customers and our own people demand that we comply with all appropriate employment standards, in all the countries in which we operate.

Each of these businesses' contribution to our total group revenue in 2013 and 2012 was as follows:

|   | <b>% of 2013 Group Revenue</b> | <b>% of 2012 Group Revenue</b> |
|---|--------------------------------|--------------------------------|
| <b>CORE GROWTH</b>  |                                |                                |
| <b>WORKWEAR</b> <ul style="list-style-type: none"> <li>• Managed supply of dedicated garments;</li> <li>• Fitting and selection advice; and</li> <li>• Automated dispensing solutions.</li> </ul>   | 29%                            | 29%                            |
| <b>FACILITY</b> <ul style="list-style-type: none"> <li>• Mats;</li> <li>• Washroom; and</li> <li>• Cleanroom.</li> </ul>  | 23%                            | 22%                            |
| <b>UK FLAT LINEN</b><br><b>Hotels and restaurants</b> <ul style="list-style-type: none"> <li>• Managed linen supply;</li> <li>• Product innovation;</li> <li>• Workwear supply and chefwear; and</li> <li>• Restaurant textile services.</li> </ul> <b>Healthcare</b> <ul style="list-style-type: none"> <li>• Managed linen supply to hospital wards;</li> <li>• Sterile textiles supply to operating theatres; and</li> <li>• Supply of single use textiles, dressing packs and sterile consumables.</li> </ul> | 19%                            | 20%                            |
| <b>MANAGE FOR VALUE</b>   |                                |                                |
| <b>HOTELS OUTSIDE UK</b>  | 29%                            | 29%                            |
| <b>HEALTHCARE OUTSIDE UK</b>  |                                |                                |
| <b>CLINICAL SOLUTIONS AND DECONTAMINATION</b>   |                                |                                |

Our businesses operate from more than 125 service centres in 16 countries across the UK and Europe

## LABOUR AND HUMAN RIGHTS

### ***Our Policies***

Our ability to look after the well-being and development of all our people has a direct impact on our overall strategic performance. By engaging our people we improve customer satisfaction and retention and ultimately Berendsen's growth prospects.

Our Human Resources and Employee Policy outlines our appreciation of our responsibility to our employees, and the importance of creating and maintaining a working environment where the basic rights of all employees are recognised. Our employment procedures continue to be guided by the following principles:

- Non-discrimination between employees or potential employees and equal opportunities for all;
- Recruitment, promotion and development of employees based on each individual's aptitude, abilities and skills;
- Provision of suitable training according to role and responsibilities;
- Employee pay that meets at least national minimum standards;
- Excessive hours not being encouraged;
- Effective communication with our employees;
- Acknowledgement of the right of any employee to join a trade union;
- Non-toleration of victimisation, sexual or other harassment or bullying; and
- Regular feedback through biannual employee surveys.

We continue to maintain a whistle-blowing system in all of the countries in which we operate, whereby our employees can raise any concerns in confidence, which cannot be dealt with through their local management team. Any calls received are diligently followed up and appropriate action taken where considered necessary.

Of course we acknowledge the importance of supporting and respecting the protection of internationally proclaimed human rights and having in place procedures designed to ensure that we are not complicit in human rights abuses. Our supplier whistleblowing policy initiative enables suppliers to raise with us any issues or concerns they may have relating to the supply chain.

We have confirmed again our commitment to the UK government's request that all businesses in the FTSE 350 sign up to the Prompt Payment Code. As a signatory to this we undertake to pay suppliers on time and provide them with clear guidance on for example payment procedures and how disputes will be handled.

We have updated our Group Ethics Policy with appropriate training material and "Questions and Answers". We recognise the importance of reinforcing the key messages in this policy to our people regularly.

Our Health and Safety Policy identifies the key principles to be adopted to ensure that best practices are in place across the group. Each of our business units are required to adopt and operate with appropriate health and safety documentation, at all times considering the appropriate local legislation and specialist operational requirements. We are working towards the development of company health and safety standards which go beyond the requirements of local legislation.

Our diversity strategy is focused predominantly on gender diversity. We are committed to improving gender diversity with particular emphasis on the number of women in management roles. Our Gender Diversity Policy is focused on increasing the pool of female candidates we have for senior management and executive roles by 2016.

## ***What have we done and what we plan to do in the next year?***

### **Maintaining a motivated, healthy and safe workforce**

#### **Vision and Values**

In 2013 we continued the embedding of our One Berendsen Vision and Values programme. We are driven by a strong sense of passion and belief. We push for engagement through communication of our values which actively stimulates discussion within the business.

Across the group, 2013 was a year of implementation of our previously announced plans to motivate, engage, develop, reward and recognise our employees.

#### **Engagement survey**

In September 2013 we conducted our first company-wide "One Berendsen" employee engagement survey. The high response rate gives us confidence in the survey category results of communication, engagement, leadership, organisation, my manager, my team, my role, performance and personal development. We will continue to communicate the results in 2014, working with employee groups to identify three to four improvement actions for each site, aimed at further enhancing levels of engagement before the survey is undertaken again in 2015.

#### **Berendsen Universe**

We place a high priority on employee communications. First installed in 2012, Berendsen Universe (group intranet) provides a wide range of company information, news, knowledge sharing and best practice guides. There were eight editions of Berendsen's online Newsletter in 2013 highlighting company successes in sales, product news and other developments across the whole company with each issue introduced by the CEO giving regular updates on company performance.

#### **Training and development**

In all areas of the business we invest in the development of our people's skills and in 2013 we spent over £2.24 million on training and development. In addition to the management and leadership development programmes, we invested in the skills development of our people in the areas of safety awareness, driving, customer service, engineering, selling, and our CL2000 methodology.

In 2013 we continued to add to the learning and development opportunities provided through the Berendsen Academy. The Academy, first launched in 2012, is Berendsen's in-house "corporate university" for furthering company knowledge, expertise and leadership development. In January 2013 the Academy trained over 200 managers in pricing and commercial terms to improve the profitability of our contracts and support our strategy for higher growth. In 2014 we will introduce new courses aimed at building further understanding, involvement and empowerment.

Our LEAD (Leadership Effectiveness and Development) model defines key areas of effective leadership and behaviour for our senior manager and plant manager roles. This was developed during 2013 and combines behaviours which have made us successful up till now with other behaviours our people believe will make us even more successful in the future. These behaviours will also be a cornerstone of our PDR (Performance and Development Review) process. In 2014 we will continue to embed LEAD through the introduction of LEAD Development Centres. These are intensive and stretching one day events aimed at building competency around LEAD behaviours. They are either one to one, or group based programmes and result in each participating manager being provided with a tailored development report identifying leadership strengths and opportunities for ongoing learning and development. 50 managers, selected from the talent lists in our succession planning process, will be invited to take part in LEAD Development Centre programmes in 2014.

#### **Management rewards**

We reward our managers based on their performance, potential and contribution to the success of the business. We aim to provide competitive fair rates of employee pay and benefits in every country where we operate. In 2013 we continued to focus on clear and transparent links between performance and reward. We incentivise managers through annual bonus programmes aligned to the key performance objectives of each business line which in turn are in support of our strategy for growth. The new

Berendsen Long Term Incentive plan, first introduced in 2012, rewards approximately 100 managers for the achievement of strategic goals and encourages share ownership.

### **Management Trainee Scheme**

The Berendsen Management Trainee scheme was enhanced and expanded further in 2013. A total of 24 trainees, 14 men and 10 women, an increase of 50% on the numbers in 2012 began or continued a two year traineeship which requires the completion of four six-month projects aimed at addressing complex organisational issues. Trainees get experience in many functional areas, are provided with a thorough grounding in the company and are expected to work internationally for at least one of their six month projects. The scheme provides a pipeline of future management talent and at the end of their two year programme trainees are typically appointed to middle management roles throughout the organisation.

### **Gender diversity and succession**

In 2013 we made good progress in understanding better the gender diversity of our workforce. Whilst 43% of our employees are female, they occupy only 24% of middle management roles, and 9% of senior leader roles. In 2013 we have continued to focus on this area through a number of initiatives. Each member of the "Women in Berendsen" network, first established in 2012, took on the responsibility of mentoring another more junior woman manager to strengthen the network deeper into the company and to encourage and build confidence. In 2014 we will undertake a more detailed analysis of women in management positions across the company with a view to achieving a better understanding of their aspirations and career development needs. We are committed to the development of practical initiatives which will help us achieve our gender diversity objectives for 2016.

Our Succession and Development Planning process is focused on the development of a pool of strong management with identified succession for the most senior positions; this is further complemented by our talent identification process.

### **Health and safety**

Our employees are at the heart of our business and their motivation, health and safety is a fundamental element of our strategy.

Our Incident Reporting System requires that all major injuries, significant near misses/dangerous occurrences, and cases of any occupational disease are reported upwards through the organisation. The Board receives information twice each year on health and safety, including details of all reported incidents, as well as incident statistics, including major injury rate.

Due to more manual handling in our Flat Linen businesses compared to other business lines, we have historically seen a higher major injury rate there. Our Facility business line had no injuries in 2012 and three in 2013, however this is not an obvious trend development. Our Operational Risk Management Group has placed increased focus on health and safety including more accurate reporting and categorisation of incidents as they occur. If there were to be any instance of an employee becoming disabled during their employment with us, every effort would be made to make sure that their employment with us continues and that, where needed, appropriate retraining is arranged.

Major injury rate statistics for 2013 reported to the Board and included in our 2013 Annual Report and Accounts were as follows:

| Business Line                          | Major Injury Rate | Number of major injuries |
|--|-------------------|--------------------------|
| Facility                               | 0.89              | 3                        |
| Workwear                               | 0.55              | 4                        |
| UK Flat Linen                          | 0.80              | 8                        |
| Flat Linen outside UK                  | 1.49              | 8                        |
| Clinical Solutions and Decontamination | -                 |                          |
| <b>Total group – 2013</b>              | <b>0.79</b>       | <b>23</b>                |
| Total group – 2012                     | 0.51              | 15                       |
| Total group – 2011                     | 0.57              | 17                       |

Major Injury Rate = (Number of major injuries/Total hours worked) X 1,000,000

The reporting and monitoring of all health and safety related incidents will continue into 2014 and beyond, including regular reporting to the Board.

The health and safety of our people is paramount. Tragically last year we saw the death of a driver from

our Fürstenwalde plant in Germany. His colleagues, and all Berendsen employees, were deeply saddened by this tragic event. As we operate in many countries, local standards, both in terms of regulation and accepted best practice, do vary. Group-wide we want to achieve a much higher standard than mere compliance as the common standard. We reviewed and updated our Group Health and Safety Policy in 2013. The new policy builds on the standards previously set.

As part of the process of rolling-out this new policy, we asked all businesses in the Group to complete a self-assessment questionnaire to identify any gaps in compliance. To get an external perspective on how we manage health and safety we commissioned a specialist health and safety consultant to visit seven plants in six different countries. This review has been completed in Q1 2014 and the findings were presented to the Operational Risk Management Group in April 2014. We will use results of this review to focus on areas of greatest importance. Any health and safety related incidents, across the Group, are reported through our internal reporting system. This ensures that incidents are promptly reported to senior management and that actions are taken to try and prevent incidents of a similar nature occurring again.

#### **Overseas textile suppliers**

We regularly visit suppliers and use a single assurance provider to carry out independent audits of these suppliers to ensure that our ethical standards are being correctly observed, including those relating to human rights and working conditions. During 2013 they completed eight audits at supplier locations in Cambodia, China, Pakistan and Vietnam. They made a number of recommendations to further improve the high standards that our suppliers adopt. We have been working with our external specialist and our suppliers to ensure that actions are complete, or are in progress, to address all of the recommendations made.

This approach provides us with a standard audit process and reporting mechanism, highlighting each supplier's level of compliance, flagging any actions required for improvement. For added assurance, we have a supplier whistleblowing scheme which enables suppliers to flag up any issues or areas of concern.

In our next Communication on Progress in April 2015 we will provide an update on the progress we have made with these audits.

## **THE ENVIRONMENT**

### ***Our Policy***

We continue to acknowledge the importance of our business units supporting a precautionary approach to environmental challenges, undertaking initiatives to promote greater environmental responsibility, and encouraging the development and diffusion of environmentally friendly technologies.

We remain committed to protecting the environment both through our own actions and also by working with our suppliers. Our environmental principles are consistent with those of the European Textile Services Association, which represents and promotes the textile rental services sector in Europe. Through the communication of our own Group Environmental Policy we actively promote awareness in our business units of the need for:

- Lower water and energy consumption;
- Use of environmentally friendly washing detergents and packaging materials;
- Minimisation of distances travelled when making deliveries;
- Re-use or recycling of textiles; and
- Targeted staff training on environmental issues and housekeeping.

To complement the adoption of these principles our business units specifically focus on:

- Researching with suppliers ways to minimise the amount and concentration of detergents used in our laundries and disposed of in effluent, and opportunities for low temperature washing;
- Routinely recovering water for re-use;
- Minimising heat, energy loss and fuel usage;
- Regularly reviewing vehicle routing to ensure the most efficient use of fleet resources and fuel; and
- Recycling textiles, paper and packaging materials wherever this is possible.

## ***What have we done and what we plan to do in the next year?***

The nature of our business means that in our everyday operations we inevitably use significant amounts of raw materials, energy and chemicals. Reducing the volumes used and better managing our overall environmental impact will make our business more sustainable, reduce costs for both ourselves and our customers and ultimately help us to win and retain more customer contracts.

Our priorities are therefore now well-established and are centred on our use of water, electricity, chemicals and oil/gas (WECO).

### **Water and energy consumption**

Water plays an inevitably significant role in our washing processes and its effective use and recovery has an important impact on our overall environmental and operational performance. Across the group, most operations now have water recovery systems in place. Typically, these lead to a reduction in water consumption of 20%-25% and also have a positive knock-on effect on energy usage – when we use less water, it requires less energy to heat it. Recent initiatives include the trialling of membrane water filtration technology that recovers our waste water for re-use. This technology also recovers the heat energy in the waste water which leads to further reductions in our energy consumption. Because the recovered water is already at a high temperature, we need less energy to bring it up to the correct temperature for washing. This means we use less water and less energy. Water-related concerns also drive product innovation. For example, in the UK, we moved from 100% cotton to 100% poly cotton products, as we realised this was driving significant energy and water use reductions, and that it extended our products' lifespan.

In the UK we have introduced new systems to reduce rinse water volumes and recover the effluent to a quality that is suitable for washing and rinsing our products. The award in water management efficiency at the Sustainability Leaders Awards held in London was given to us due to the savings and efficiencies achieved of up to 75%. The Sustainability Leaders Awards remain one of the few environmental awards schemes recognised by the European Commission.

We also work alongside our suppliers to validate our water recovery processes. Chemical suppliers analyse our performance and identify areas for improvement, while our boiler water treatment suppliers check boiler operation and provide reports on efficiency. An efficient boiler is the mark of good energy management, and we check performance by monitoring the quality of the water. We also use flue gas thermometers, steam trap surveys and check on hot well temperatures to help us identify efficiency issues.

We will continue to focus on initiatives that will reduce our use of water and increase our recovery rate, as long as they also make commercial sense in reducing our cost base to the benefit of us and our customers.

### **Vehicles impact**

All vehicles conform to the requirements of low emission zones and we always specify the latest and most efficient engines for new vehicles. In order to maintain tight control on our operations, we own and operate most of our fleets ourselves. We also constantly review fuel costs and usage. We have a range of initiatives and programmes in place to help us reduce this impact. The aim is to reduce fuel consumption by minimising harsh acceleration, braking, and excessive idling. Across the business, we monitor and regularly review vehicle routes to improve fuel efficiency and, wherever possible, use fewer large vehicles instead of more of the smaller ones. Large vehicles have the advantage of being able to carry greater volumes per mile driven, which enables us to reduce the overall number of vehicles on the roads at any one time.

### **CO<sup>2</sup> Emissions**

As the table below shows, Kg of CO<sup>2</sup> per tonne of laundry shipped has fallen from 411Kg in 2012 to 402Kg in 2013, a reduction of 2.2%, although our tonnes shipped in 2013 has risen by 3.1% compared to 2012.

| <b>Kg of CO<sup>2</sup> per tonne of laundry shipped</b> | <b>2013</b> | <b>2012</b> |
|--|-------------|-------------|
| Facility   | 269         | 280         |
| Workwear   | 522         | 521         |
| UK Flat Linen  | 387         | 398         |
| Flat Linen outside UK                                    | 391         | 393         |
| Clinical Solutions and Decontamination                   | 1,146       | 1,230       |
| <b>Total group</b>                                       | <b>402</b>  | <b>411</b>  |

We use the Greenhouse Gas Protocol methodology and conversion factors to assess our carbon footprint. Factors have recently been updated, but we will only implement those from 1 January 2014

to ensure we have consistent and comparable data till then.

We value the role of the Carbon Trust Standard in helping companies reduce emissions and our UK business is proud of its existing certification which we will actively be looking to renew after the end of 2014. The standard is only awarded to those organisations that measure, manage and reduce their carbon footprint, which is a key priority for Berendsen. Our UK business also achieved the Carbon Trust Water Standard certification in 2012 and this has just been retained with an qualitative assessment score of 80%. To be re-awarded this unique accreditation our UK business must demonstrate a 2.6% reduction in water usage from 2011 to 2013.

Article 8 of the EU Energy Efficiency Directive came into force towards the end of 2012 and requires that Member States introduce a programme of regular energy audits for 'large enterprises'. The first audit must be completed by the end of 2015, with further audits on a four-yearly basis. In the UK, the Government is now consulting on the implementation of Article 8, with early suggestions indicating that the audits will include: review of the total energy use and energy efficiency of the organisation; and clear information on potential savings which identify and quantify cost-effective energy saving opportunities. We are considering how we can best facilitate the audit process and are identifying an approved assessor to support us. In addition, we believe that our involvement with the Carbon Trust will be of help in the UK. During 2014, we will work to identify what the audit process will require in our other operating countries.

## **ANTI-CORRUPTION**

### ***Our Policy***

We have zero tolerance of bribery and corruption and rolled-out our minimum requirements across the group in 2011. The audit process for new suppliers includes compliance with these requirements, a process that is overseen by our group procurement function. Each year, or upon any significant changes to the business, each business unit must complete an anti-bribery and corruption risk assessment, and bribery awareness is frequently an agenda item for management meetings.

### ***What have we done and what we plan to do in the next year?***

Our Group Ethics Policy, updated in March 2013, states that we are committed to operating within the law of each and every jurisdiction in which we operate and to the highest ethical standards. We recognise that this can only be achieved with the continued integrity and commitment of our employees. The policy identifies key principles that should be adopted by all employees which include not accepting or offering anything of value in the nature of an inducement, facilitation payment or bribe.

All businesses within the group are tasked with adopting a risk-based approach to managing any potential issues relating to bribery and corruption.

We already have a well-established Incident Reporting System which covers a number of different areas. This has been extended to include any known instances of actual or suspected bribery and/or corruption.

Our Audit Committee is regularly updated on compliance with our anti-bribery and corruption procedures and this will continue into 2014 and beyond.

## **IMPLEMENTATION AND REPORTING**

The importance of corporate responsibility continues to be recognised by our board and it has established policies that are distributed throughout the group. These policies cover ethics, the environment, our employees and the communities in which we operate. We have a comprehensive incident reporting system whereby any known or potential breaches of these policies are reported to senior management and the Board. In addition we require that each of our business units' Country Managers provide biannual confirmations that these policies are communicated throughout their business and that they are being complied with. The Board is fully updated following receipt of these biannual confirmations including details of any areas of potential non-compliance.

We will continue to work with our business units on ongoing improvement and will report annually and publicly on the progress that we are making. Our next Communication on Progress will be published by 19 April 2015.

## **HOW ARE WE MAKING THIS COMMUNICATION ON PROGRESS AVAILABLE**



## **TO OUR STAKEHOLDERS?**

It can be downloaded from our website ([www.berendsen.com](http://www.berendsen.com)) and has been submitted to the United Nations Global Compact. It will also be made available locally to our employees in each of the countries in which we operate, and to our customers and other stakeholders upon request.