

UK Mail & the Global Compact

Communication on Progress 2014



UKMail
express parcels & mail



2014 Communication on Progress

The Ten Principles of the United Nations Global Compact



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

LABOUR

- 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 labour;
- Principle 5** the effective abolition of child labour; and
- Principle 6** the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

- Principle 7** Businesses are asked to 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

ANTI-CORRUPTION

- Principle 10** Businesses should support and respect the protection of internationally proclaimed human rights.

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About UK Mail

Originating in London in 1971, UK Mail quickly evolved into a national carrier and successful market player. In 2004 we made postal history by being the co-author of the first ever Downstream Access agreement with Royal Mail, effectively ending its 370 year monopoly. Today we continue to be a leading alternative to Royal Mail, delivering one in every six letters in the UK and handling almost three billion items every year. We offer mail, packet and parcel delivery services around the UK and Worldwide. UK Mail has over 4,500 employees, 3,000 vehicles and 52 depots across the UK as well as Eurodis coverage across 34 European countries. In 2013/14 we reported Group revenues of £508.5m.

Parcels

Choosing the right delivery solution is of paramount importance when sending a parcel. That's why we offer an assorted and flexible range of economy and premium parcel services to cater for every delivery requirement. In addition to our nationwide service, we also deliver by road to Europe and Worldwide by air.

Mail

We offer a versatile range of service options for both domestic and international mail. Mail is collected, sorted, consolidated and tracked as it moves through our network until the point of handover to the local postman for final mile delivery. There is a Business Class two day definite and Economy three day definite delivery option available UK-wide. Our unique Packets product provides a cheaper alternative to Royal Mail's second class service for non-urgent items weighing up to 2kg.

imail

Our unique solution for creating, printing and posting mail online enables users to enhance direct mail response rates, cut postal costs, enjoy increased ease of use and simultaneously reduce carbon emissions by some 80%.

Courier & Logistics

We offer cost-effective, tailored and time-critical solutions for urgent same day distribution 24 hours a day, 365 days a year.

Pallets

The palletised distribution division of the UK Mail Group, UK Pallets operates a UK and pan-European network comprised of over 80 independent logistics specialists to ensure the seamless and swift collection and delivery of palletised goods.



OUR SERVICES

Statement of continued support

For the past 40 years, UK Mail has consistently been run in accordance with a set of guiding principles that have allowed us to become the UK's leading independent integrated postal services operator. The principles that have guided us replicate those 10 principles that form the basis of the United Nations Global Compact - a network of global businesses that adhere to the common principles of respect for and support of fundamental human and labour rights - something we were both proud and privileged to join in 2007. In support of the 10 principles of the UN Global Compact we have implemented an overarching Human Rights policy that combines combating discrimination, corruption, wastage with those promoting equal opportunities, investment in employees and an employee voice in the direction of our business, as well as the opportunity to contribute to the ethical framework that influences our business decisions. These guiding principles still inform and influence our business decisions today and as a result we are continuing to grow and expand. We are proud to unequivocally state our continuing support of the UN Global Compact and its noble ideals.

Guy Buswell



Chief Executive

UK Mail

Human Rights

HUMAN RIGHTS

Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2

Make sure that they are not complicit in Human rights abuses.

Human Rights



Our Current Practices

UK Mail has always been committed to equality and fairness in all aspects of business. We have long standing policies that reflect the principles enshrined in the Global Compact to promote equality of opportunity.

At UK Mail, we have zero tolerance for prejudice, harassment or discrimination on the basis of race, religion, gender, age, disability, sexual orientation, socio-economic background or status as a parent. Our equal opportunities policy is closely monitored and statistics compiled to ensure that any negative trends in terms of discriminating against a particular group of people can be identified quickly and remedial action taken.

To ensure we do not abuse human rights, we have a robust disciplinary procedure which seeks in the first instance to resolve potential disciplinary issues. Upon the need for formal escalation, it ensures that this process is conducted in a manner that is entirely fair, appropriate and proportionate.

Our Suppliers

We work closely with our suppliers to improve their environmental standards and we request details about their environmental practices and accreditation as part of the supplier selection process. Our Supplier Code of Conduct defines our minimum standards of business activity and shapes the way we work with our suppliers for mutual gain. We continually work with suppliers to develop new products and in the re-engineering of existing products to use more environmentally friendly materials and less finite materials such as paper and polymer. We are introducing degradable Bagits at a lower micron thickness which will use about 10% less polymer. We are in the process of rolling out a new fleet of photocopiers which will be set to print double-sided, this along with the introduction of the driver scanning system which will mitigate the need for driver run sheets will see the amount of copier paper reduce by some 10%. We also work with more UK based suppliers who produce our high volume products in the UK instead of other parts of the world, and this significantly reduces the transportation involved.

Labour

LABOUR

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 labour.

Principle 5

The effective abolition of child labour.

Principle 6

The elimination of discrimination in respect of employment and occupation.

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Labour



At UK Mail, we feel that our people are our most valuable asset and we constantly strive to invest in and protect our employees. We are firmly opposed to any form of discrimination and support its elimination in all aspects of business life. UK Mail allows its employees to join a trade union should they wish to and seek representation from them in any formal disciplinary or grievance procedure. As a UK-based business, we rigidly adhere to the requirements of the EU Working Time Directive and do not coerce our employees into working above and beyond its stipulations. If employees actively wish to work longer hours they are asked to sign a declaration stating that it is their desire to do so. We do not support child labour in any form, not just from a legal obligation but from a firm ethical belief that such labour is immoral and exploitative.

The Employee Consultative Group

UK Mail established the Employee Consultative Group (ECG) in 2004 to act as a representative body for the UK Mail workforce and an outlet for the articulation of employees' voices. The committee of the ECG is drawn from the ranks of UK Mail employees by popular election and frequently meets with the directors in order to discuss the direction of the business and any prevailing issues at that time. These will have been passed on by ECG representatives, also elected by their peers, who are tasked with taking note of any concerns so that they can be passed onto the committee. This ensures that not only are the concerns of the workforce given the highest level of attention but also from a director's perspective, the ECG is able to provide all-important feedback on proposals from UK Mail's most valuable asset – its people.

Human Rights Policy

UK Mail's Dignity at Work policy states that any kind of harassment, bullying, victimisation or discrimination is unacceptable, and any such behaviour from employees or third parties, regardless of the seniority of those involved, will not be tolerated or condoned. Our policy defines bullying as an individual or group of people in a position of strength, authority or responsibility, abusing their power by using intimidating, insulting or malicious behaviour which may include persistent, unfounded criticism, humiliation, intimidation, ridicule and/ or personal abuse, social exclusion and the imposition of unfair punishments. There is zero tolerance towards discrimination in any form – whether it be directly or indirectly undertaken or discrimination by association or perception. We define harassment as intimidating or offensive behaviours, including language, and does not need to be intended in order to be present; it is not the intention but the impact of the unwanted conduct that results in harassment. This includes unwanted physical, verbal and non-verbal conduct. We regard victimisation as being where an individual is treated badly as a result of making or supporting a complaint or grievance relating to discriminatory behaviour.

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Under UK Mail policy guidelines, all employees have a personal responsibility to create a working environment that is free from discrimination, harassment, bullying and victimisation and to not behave in a manner that could have a detrimental impact on another's ability, well-being and confidence to carry out their work. Any employee or manager found to be breaching the company policy may be liable to disciplinary action. It is the duty of UK Mail line managers to ensure that this policy is implemented and observed unequivocally at all times.

Grievance Procedure

UK Mail operates a procedure that allows any employee in complete confidence to raise a grievance, safe in the knowledge that it will be both thoroughly and impartially investigated and resolved discreetly.

Equal Opportunities Policy

UK Mail is committed to the principle of equality and fairness of opportunity in employment as stated in the Equality Act 2010 and fully supports the rights of all individuals to seek, obtain and take up employment and to develop within their chosen career without fear of discrimination. Diversity is central to UK Mail's vision, values and long-term business goals, with our workforce being made up from a large number of employees from differing backgrounds, ages, gender, abilities and disabilities, race and nationalities.

For us, inclusion is about ensuring everyone has an equal opportunity to access UK Mail as an employer. We aim to provide the opportunity for everyone to gain meaningful work and treat every member of our diverse workforce exactly the same. We recognise that diversity within our workforce will enhance the organisation and provide a broader spectrum of opinions, experiences, ability, educational background and knowledge - which will ultimately benefit our employees, the business and our customers. Catering for all our employees' needs includes providing a range of flexible working practices for those caring for children or other dependants, as well as the enlistment of on-site interpreters to deal with any communication or language issues that may arise amongst our non-English speaking workforce.

Our commitment to diversity means that we acknowledge people's differences whether they are visible or nonvisible and attempt to promote the differences in a positive way. It means that our policies and practices are fair, flexible, engaged and responsive to cultural, physical or social difference. In fact we are proud of our personnel retention rate and actively encourage our employees to maximise their potential. We consistently promote from within with many of our senior employees and managers originally starting from the ground up.

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Labour



Maternity and Paternity benefits

At UK Mail, we recognise the importance of a work-life balance to benefit both our employees and the business, in terms of loyalty and retention. In view of this, we are committed to developing work practices and human resource policies supporting this, with the provision of alternative working patterns that enable our employees to strike a balance between paid work and personal life. We offer a comprehensive range of both maternity and paternity benefits for those employees who already have, or are about to start, a family, including financial assistance with childcare costs and flexible working arrangements, such as working from another location to help with childcare provisions.

Health & Safety Policy

We fully embrace the legal and moral obligation to protect the health, safety and welfare of employees and others who may be affected by our operations. Robust policies have been developed to ensure training, risk assessment, safe systems of work and accident investigation procedures are carried out throughout the network.

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 Health, Safety and Environment audit is carried out each year at all operating locations. We are pleased to report that the average score achieved in the last year has increased to 96.6%. This has been achieved through safety being integrated into the way we work, improved staff awareness and new working methods. A Health and Safety intranet site contains readily available information for managers on specific procedures and policies such as 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 workplace. 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 quarterly seminars. We are currently building a new site in Coventry which will be our central hub and we will be implementing an automated sorting system which will reduce on site vehicle movements which can be a major cause of health and safety risks.

Principle 7

Businesses are asked to support a precautionary approach to environmental challenges.

Principle 8

Undertake initiatives to promote greater environmental responsibility.

Principle 9

Encourage the development and diffusion of environmentally friendly technologies.

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Corporate Responsibility



The Environment

UK Mail 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 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. 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.

Our 2013/14 CR Targets

We have chosen to drive our CR programme through four long term targets, focused on the year 2013. Our performance against those targets was as follows:

	Actual 2013	Target 2014	Actual 2014	Change against 2013	Variance against target
1. CO² emissions (tonnes)	58.4k	55.5k	61.0k	4.5%	9.9%
	(57.9k Original baseline*)				
CO² emissions by consignment	0.441kg	Not set	0.393kg	-10.9%	N/A
2. Health & Safety compliance	95.77%	95.0%	96.61%	+0.84%	+1.61%
3. Workplace fatalities	0	0	0	0%	0%
4. Maintain ISO 14001 corporate site compliance (% of the 41 corporate sites)	100%	100%	100%	0%	0%
5. ISO14001 franchise site compliance (% of the six franchise sites)	N/A	N/A	N/A	N/A	N/A
6. OHSAS 18001 compliance (% of the 41 corporate sites)	N/A	N/A	N/A	N/A	N/A
7. Land diversion (%)	90.57%	95.0%	96.32%	+5.75%	+1.32%
8. Waste to landfill (tonnes)	270.6t	257.1t	125.6t	-53.6%	-51.1%
9 Total waste (tonnes)	2,917t	2,771t	3,563t	+22.1%	+28.6%
10. Water consumption (m³)	36,938M ³	35,091M ³	32,886M ³	-11.0%	-6.2%
11. Staff turnover (%)	20.17%	20%	16.43%	-3.74%	-3.57%

*Baseline increased by 500 tonnes to reflect more accurate data

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Corporate Responsibility



Targets and Achievements

We set out 2013/16 targets which are equally challenging as the previous 3 years. Again the main focus is on health and safety, reducing our CO₂ emission, health and safety, utilities, waste and our people. We are using 2012/13 as the key baseline to ensure continuous improvement. Following the successful implementation of ISO14001, we are going to work toward certification of OHSAS18001; the British Standard for occupational health and safety management systems.

Since setting the original CO₂ reduction targets and whilst UK Mail has worked to reduce its CO₂ emissions, it is also experienced significant growth. We have therefore introduced a normative metric to assist in measuring and reflecting the true success of our carbon reduction efforts (CO₂ per item handled). For the 2012/13 period a baseline of 0.441Kg per item has been established. In the 2013/14 period, we have recorded a measurement of 0.393Kg per item. This means UK Mail's normative performance is a carbon reduction of 10.8% from the baseline year.

We have again set ourselves challenging emission reduction targets for the next 3 years which we aim to meet by a number of initiatives which includes a new consignment volume target.

CO₂ Emissions

- **2014 Achievement – 9.9% adverse to target**
- **10.9 favourable to 2012/13 by consignment volume**
- **2014 – Reduce by 5%**

Fuel

UK Mail's total carbon emissions were 61 tonnes. This is overwhelmingly made up of emissions from fuel burn. The calculation of these emissions is based on respected industry measurements (Carbon Trust and Defra). With respect to fuel usage, we have two key objectives:

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

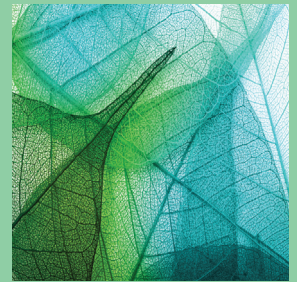
We continue to use sophisticated route planning software to optimise the mileage travelled by our line haul fleet.

Telematics devices are fitted to allow our heavy commercial vehicles provide information on a number of key factors such as harsh braking, driving in the 'green zone', idling time and speed all of which can have a negative effect on MPG.

Close management of our telematics devices to all of our heavy commercial vehicles has significantly improved driving behaviour and fuel consumption per journey. We will continue to proactively manage our drivers to ensure we maximise the MPG by vehicle and route.

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Corporate Responsibility



In 2013/14 we implemented new software for our parcel delivery scanners which ensure our drivers take the most optimum route when collecting and delivering parcels.. One of the key benefits of this software is to significantly reduce the miles driven.

.The move to automation in 2015 will mean improved vehicle fill, resulting in fewer vehicles and less journeys made. It is anticipated we will 1.5m fewer kilometres and reduce our fuel consumption by some 0.5m litres.

Objective 2: To reduce the fuel consumption of our vehicles through a review of the vehicle designs used and other effective means.

We have replaced 193 commercial vehicles over the past 2 years, including 88 the Euro 6 tractor units which comply with the latest diesel engine emission standards. Over the next 12 months we will be replacing a number of trailers with improved aerodynamic features. We continue to review and re-engineer our vehicle and trailer specifications and designs to maximise MPG through the use of sloping roof trailers and other innovations.

Improved tyre husbandry ensures our tyres run to maximum performance. Lower rolling resistance tyres (to aid MPG) are being fitted as standard.

Our average CO² across our company cars has reduced to an average of 122g/km. Drivers are encouraged to make fewer business journeys by replacing them with conference calls and we now have video conferencing on all desk and lap-top computers. We have reduced our maximum CO² to 120g/km for new company cars acquired in 2014/15.

We have recently recruited a Driver Trainer and one of his key objectives will be to ensure maximum MPG from our drivers through changing driver behaviour.

Energy

We have reduced our electricity consumption by 5.3% and gas consumption by 6% in 2013/14

We have installed energy 'smart' meters in all of our sites. These meters provide regular 'on line' energy usage readings for both gas and electricity throughout the day, every day. This information is enabling us to identify and reduce unusual energy usage, particularly during the periods when we are not operating.

In 2013/14 we replaced the lighting in our Birmingham, Manchester, Thames Valley, Leicester and Docklands sites to more energy efficient lighting with movement and light sensors which reduced our lighting energy consumption by around 50%.

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Corporate Responsibility



During 2014/15, we are looking at extending the replacement lighting initiative at a number of other sites. We have also installed energy reduction systems at various sites to reduce electricity consumption of our automation equipment.

We have launched an Environmental challenge with the aim of further engaging all our employees in energy conservation.

Health, Safety and Environment (SHE) Compliance

➤ **2013/14 Achievement – 96.6%**

➤ **2016 Target 95%**

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.

Robust policies are deployed to ensure training, risk assessment, safe systems of work and accident investigations 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 our monthly health and safety report, which outlines proactive and reactive measures for discussion and debate.

A full Health, Safety and Environmental (HSE) audit is conducted at each operating location at least annually, with locations receiving a score and an improvement plan on completion. Locations are challenged to achieve a “Pass Mark” of 95% and those failing to do so undertake a re-audit within 6 months to ensure that improvement plan actions have been implemented. We are pleased to report that the average score achieved in the year has increased to 96.61% (with all sites scoring the 95% passmark). This has been achieved through improved staff awareness, new working methods and safety being integrated into the way we work.

Our health and safety intranet site hosts management information which includes specific procedures and policies such as emergency response, safe operating methods, risk assessments, accident investigation procedures and the carriage of dangerous goods, as well as communications to promote health and safety in the workplace.

ISO 14001 Compliance

➤ **2013/14 Achievement – Maintained Certification at all sites 100% No progress on franchise sites or OHSAS18001**

➤ **2016 Target – Maintain Certification & rollout to Franchise sites and certification of OHSAS18001 at all corporate sites**

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Corporate Responsibility



ISO 14001 is the key certification standard for Environmental Management Systems. It sets rigorous demands for the continuous improvement of our environmental management system provisions and is externally audited and verified by an UKAS accredited certification body on a regular basis. We are pleased to report that we continue to hold ISO14001 certification across all of our corporate sites and plan to extend our ISO14001 certification to our franchise sites by 2016. In addition, we have an objective to achieve OHSAS18001 certification across all of our corporate sites

Waste Management:

Landfill Diversion

- **2013/14 Achievement – Increased to 96.3% against target**
- **2016 Target – Increase to 95%**

Waste To Landfill

- **2013/14 Achievement – Reduced by 54.6% against target**
- **2016 Target – Reduce by 5%**

Total Waste

- **2013/14 Achievement – Increased by 8.8% against target**
- **2016 Target – Reduce by 5%**

We continue to improve the management of our waste. UK Mail now backhauls all of our cardboard and stretch-wrap waste at a regional site in order to make recycling more efficient. We now only have 2 waste streams; landfill and mixed recyclables. Our landfill diversion rates are over 96%, compared with just 5% in 2008.

Although we are sending significantly less waste to landfill, our volume of waste generated has increased due to the growth in our business volumes. Our key focus over the next 12 months is to reduce this.

Water Consumption

- **2013/14 Achievement – Reduced by 3.4%**
- **2016 Target – Reduce by 5%**

Good progress has been made in reducing our water consumption to 3.4% against our target. The average number of employees has increased since the 2012/13 base year which means that the comparison of usage per employee has reduced by 12%.

- 2012/13 – 2637 employees – 13.62M³
- 2013/14 – 2751 employees – 11.98M³

We have installed water saving devices at all sites to reduce consumption and waste.

We have also removed vehicle wash facilities at a number of sites to further reduce our water usage and have installed smart metres at our high consumption sites.

Principle 10

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

Anti-Corruption



OUR POLICIES

Anti-Bribery

UK Mail is committed to adherence to the highest legal and ethical standards and values its reputation for ethical behaviour and financial integrity. This policy has been adopted by UK Mail's Main Board and is available to all employees within the business to ensure commitment to it. The Board applies a zero tolerance to acts of bribery and corruption by any employee or third party representative. Any breach of this policy will be regarded as a serious matter and is likely to result in disciplinary action. Bribery is defined as the accepting of gifts, money, hospitality or other favours in return for providing something of value to the briber. The purpose of this policy is to set out the rules that must be followed within UK Mail to ensure that no bribery occurs.

UK Mail prohibits the offering, the giving, the solicitation or the acceptance of any bribe, whether cash or other inducement to or from any person or company by any individual employee, agent or other person or body acting on UK Mail's behalf, in order to gain any commercial, contractual or personal advantage. Bribery exposure is minimised through:

- Training employees and instructing all third parties so that they can recognise and avoid exposure to bribery by themselves and others
- Encouraging employees and third parties to be vigilant and to report any suspicion of bribery via easily accessible channels of communication
- Rigorously investigating instances of alleged bribery and assisting the police and other appropriate authorities in any resultant prosecution
- Taking firm and vigorous action against any individual(s) involved in bribery.

Ethics Policy

UK Mail's ethics are always dictated by open and fair dealings based on mutual trust. Decisions made are for the good of the business and should be free of any material personal interest that could affect impartiality or judgement. These ethical considerations pervade every aspect of UK Mail's operations and have been incorporated into a coherent policy to guide the decisions of UK Mail.

Anti-Corruption



Whistle Blowing Policy

It is UK Mail's policy to support, protect and where possible preserve the anonymity of any of our employees that report apparently questionable activity, even if their fears subsequently prove to be unfounded. Therefore, we have an anonymous and confidential Crime Hotline that has been successfully utilised over the past seven years. The features of the hotline are:

- It is totally confidential, independent and anonymous
- Employees can phone anytime between 09:00hrs – 17:00hrs
- The call is free anywhere in the UK and is not traceable
- They are not asked their name, address or telephone number
- They may get a cash reward if their information results in an arrest or charge
- Rewards are paid without ever revealing an employee's identity to anyone
- An employee does not have to go to court should a prosecution arise.
- All calls made to the hotline are formally investigated and reported to the PLC Board on a monthly basis.

Periodic Fraud Audit

A formal review of fraud controls takes place every six months and is focused on areas of the business where people are exposed to the resources that may subsidise fraudulent activity. The results of this review are then reported to the PLC Board. The anti-bribery policy's effective implementation is monitored via periodic audits involving questionnaires being sent to a random selection of customers asking them to confirm any gifts or hospitality that has been received. Any employee who has failed to comply with the policy will be subject to disciplinary action which could include dismissal for gross misconduct.