



Communication on Progress 2016

Rhenus Air



CONTENTS

1. Introduction

1.1 Statement.....	2
1.2 Scope of the report	2
1.3 Company profile.....	2

2. Actions in 2015 / 2016	3
---------------------------------	---

3. Focus Areas

3.1 E-Projects and programs	4
3.2 Environmental friendly sites and equipment.....	6
3.3 Management systems and certifications	6

4. Values and behaviours

4.1 Code of Conduct.....	7
4.2 Corporate Compliance	7
4.3 Internal Compliance Program	8

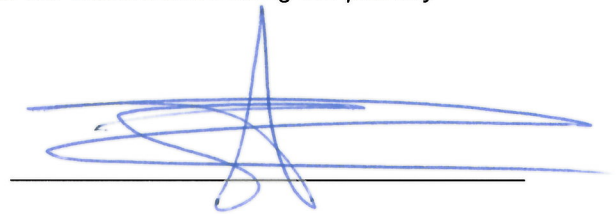
5. Preview 2016 / 2017	8
------------------------------	---

6. Contact details	9
--------------------------	---

1. Introduction

1.1 Statement

I am pleased to confirm that Rhenus Air reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption. In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke, positioned above a solid horizontal line.

July 8, 2016
F. Roderkerk
Managing Director
Rhenus Air and Ocean Netherlands

1.2 Scope of the report









This annual report covers a 12 months period from July 2015 till June 2016 and is applicable for the sites of Rhenus Air B.V. in the Netherlands only. The report will be published on the website www.unglobalcompact.org and available for all stakeholders upon request.

1.3 Company profile

Rhenus Air is an airfreight forwarder based in the Netherlands. The head office of Rhenus Air is at Schiphol Airport. There are side branches on regional airports (Eindhoven, Maastricht and Rotterdam) and in Drachten, Vaassen and Tilburg. In total Rhenus Air has approximately 120 employees. Rhenus Air offers logistical solutions that are tailored to the specific needs of our customers. We are capable of this due to the dedicated efforts of our employees and our ability to anticipate the ever-changing market circumstances and demands in a professional and decisive manner. This is accomplished by continuous improvement of our commercial, operational, financial, HR, quality and sustainability policy and procedures.

Rhenus Air is part of the Rethmann Group (Germany). The Rethmann group is one of the leading logistics service providers in Europe. Rhenus Contract Logistics, Freight Logistics, Port Logistics and Public Transport divisions manage complex supply chains and provide a wealth of innovative value-added services. In our Communication on Progress we refer to the Code of Conduct of Rhenus Logistics (Netherlands) and the Corporate Compliance document of the Rethmann Group (Germany). Both documents are published on the (intranet) website of Rhenus Logistics and available for and distributed to all employees. It is the shared responsibility of the managers and employees of Rhenus Air to communicate those policies with clients and suppliers.

2. Our actions in 2015 / 2016

Goals 2015/2016	What we achieved last year	Status
Further improve our communication regarding (our efforts on) the UN Global Compact principals to our stakeholders (more specific our clients, partners and suppliers)	Whenever appropriate we referred to the UNGC principles and website in tenders from clients. However there are more possibilities to introduce this topic, for example via our website or by informing customers in sales visits or by an email campaign.	
Further specify and improve our national Code of Conduct for employees (more focus on business integrity)	A draft version of our National Code of Conduct is completed, but is under review by the Works Council before it can be officially introduced.	
Implement the Supplier Code of Conduct on corporate social responsibility	A draft version for a supplier code of conduct has been made and was approved by the Division Management of Rhenus Logistics Netherlands (incl. Road and Contract Logistics). Subjects in the Code of Conduct are compliance, environment, Health and Safety, business ethics and social responsibility. Since implementation not only concerns the Dutch division of Rhenus, there is some delay in the introduction.	
Implement a Document Management System with the aim of linking scanned documents (also invoices) directly to our operational system and approve invoices electronically (instead of signing hard copies)	The Document Management System has been implemented in January 2016. In the beginning we faced some problems with the recognition software, but these problems are solved now.	
75% of our top 100 clients will receive the invoices digitally by the end of 2015	In 2015 62% of our clients received their invoices digitally.	
25% of our top 100 clients will use Logiweb or EDI when booking their shipments	In 2015 27% of our clients used Logiweb or EDI when booking their shipments.	
Percentage doubling of the number of E-AWB's by the end of 2015	In December 2014 the percentage was 31.2% and in December 2015 the percentage was 62.5%	
Implement a green carrier index and offer clients a green choice (before 31/12/2016)	In previous years we concluded that we are not able to present a green carrier index ourselves without objective branch information. IATA is working on defining a standard reporting format but unfortunately, they have not progressed as expected. We are still in close contact with IATA (The International Air Transport Association) and trust that this will lead to information we can use to present an independent index.	

Other projects Rhenus Air participated in or actions taken last year are:

- **Milkrun project:** The Milkrun originates from the need of an optimization of the complete supply chain. There is a lot of inefficiency in "On Airport Transport". Most forwarders arrange individual transport at Schiphol, which leads to many trucks with a load factor of less than 25%. By combining freight of multiple forwarders and delivering these in a "Milkrun", fewer individual transport is required. May 1, 2016, it was exactly one year ago that the Milkrun started. In total there are 2481 Milkruns driven in the past year. By combining cleverly there were as many as 2915 truck movements savings. A caveat to this is that milkrun sometimes more often comes to a

freight forwarder while the freight forwarder would have fewer cargo pick-ups during a day. The savings on the number of Milkrun trucks also means 2915 fewer trucks movements at the participating ground handlers and 2915 fewer drives at the counter. The load factor has doubled compared to last year, from 2.5 tons per truck to 5.2 tons per truck. Finally, there is achieved a CO2 reduction of 30% on average).

- Compliance training: In 2015 all Rhenus Air employees participated in a compliance training which was developed especially for Rhenus and which focussed on integrity in business dealings, the risks we face not being compliant to (customs) rules and regulations and how to prevent and handle in doubtful cases.
- DG awareness training: In the first months of 2016 all export employees of Rhenus Schiphol attended a DG security awareness training with the aim of recognising potential risks and or special handling request in an early stage.
- Continuous Improvement & Innovation Team (CIIT): in October 2015 we started an initiative with a team of colleagues to optimize processes and to make improvements on a project basis. In 2016 we started with the following projects: (1) Pilot for a paperless office in Maastricht, (2) digitalize the airfreight procurement process and (3) digitalize the process for signing the authorization to act as a direct representative for customers.

3. Focus Areas

As an European based company we feel it is obvious that the principles related to environment are the biggest challenge for us since being compliant with all laws and regulations automatically means that we for example respect human rights, eliminate all forms of forced and compulsory labour and child labour. Therefore our main focus in the last years was to improve our environmental policy and procedures, to implement durable (logistic) solutions, further implement E-Cargo and participate in other E-projects.

3.1 E- Projects and programs

E-Cargo

Paperless airfreight carriage is the main objective of E-freight. Rhenus Air is one of the biggest e-Freight stakeholders in the Netherlands of this worldwide IATA initiative and ships, together with Rhenus Fresh, on average approximately 1.300 e-Freight shipments per month. From the beginning of the e-Freight project back in 2007, Rhenus Air has been frontrunner for this project in the Netherlands. The goal of e-Freight is to make the supply chain faster, safer, more cost efficient and more durable. Rhenus Air participates in several e-Cargo initiatives (e-Freight, e-AWB etc) together with Amsterdam Airport Schiphol, IATA, Cargonaut, Dutch Customs, branch organisations ACN and EVO, the Ministry of Infrastructure and Environment, the Ministry of Economic Affairs and other stakeholders.

Schiphol SmartGate Cargo

Dutch Customs, Schiphol Airport and ACN have initiated innovative public-private cooperation between government agencies responsible for enforcing border crossing legislation and the private sector. It is referred to as Schiphol SmartGate Cargo and includes the integrated monitoring and, in the case of perceived risks, the one-stop physical inspection of goods leaving the EU.

Since April 2014 Rhenus Air started with e-Link. E-Link is part of Schiphol SmartGate Cargo and provides seamless connections and real time status information to all parties involved in the delivery of export shipments. Simply by connecting the AWB number to the ACN Cargo Card (driver's ID),

shipment statuses and customs and security controls are immediately visible to all concerned. The e-Link pilot project has shown that an average delivery truck can save 15 minutes of every hour it spends at the ground handler, simply by passing over the "intake" desk. Reusing key shipment information brings more transparency and fewer errors. Moreover, the system provides real-time status reporting in line with Cargo 2000 milestones. It enables the industry to deal with any customs controls and inspections before building up pallets and loading the goods in the truck. It seamlessly integrates e-Freight and automated compliance checking.

CO2 Program

We already had the possibility to offer our clients a CO2 compensation program via our sister company. Recently we agree with Climate Neutral Group to offer the program ourselves. In the program there are two options: compensation of CO2 only or compensation of all greenhouse gasses (ClimateSave). By choosing for one of these options our clients can take responsibility for the negative climate effects of airfreight. In the next months promotion actions will be taken.

Green carrier index

As part of our environmental management system we are working on a way to compare airlines on their environmental impact by setting up a ranking / index of airlines in which airlines are judged and categorized on their sustainability activities (either in general or for a specific route). It is our objective to present our customers a "green choice".

In previous years we concluded that we are not able to present a green carrier index ourselves without objective branch information. Airlines are using different and incomparable methods to calculate their CO2 emissions. Another bottleneck is that available information is classified as "unusable" by airlines. The first problem was also acknowledged by IATA (The International Air Transport Association, the trade association for the world's airlines), who in 2013 initiated the Air Cargo Carbon Footprint (ACCF) working group to create a common methodology to calculate CO2 emissions. As a result the IATA Recommended Practice for "CO2 Emissions Measurement Methodology" was created and has been adopted by Cargo Services Conference on 9 March 2014. It has been adopted as a Recommended Practice, meaning that airlines are encouraged to use it, but might decide not to. IATA is working on defining a standard reporting format, but unfortunately they have not progressed as expected.

We are still in close contact with IATA and trust that this will lead to information we can use to present an independent index.

3.2 Environmental friendly sites and equipment

In Drachten, Eindhoven, Rotterdam and at Schiphol Airport Rhenus Air moved into new freight buildings in the past years. The buildings have several eco-friendly solutions and provide optimal working conditions for all employees. Where possible also on the other sites of Rhenus Air measures are taken to release the environment and to create optimal or better working conditions.

- Attendance detection for light dimming and regulating the air conditioning are installed (Drachten, Eindhoven, Vaassen, Rotterdam, Schiphol, Tilburg).
- The building in Rotterdam The Hague Airport is connected to a "ATES installation" (Aquifer Thermal Energy Storage), a sustainable energy control system. An ATES system uses aquifers (underground water-bearing formations) to store heat and cold and uses the groundwater as a heat carrier.
- Reduction of the ventilation system (up to 40%): a monitoring system detects the number of employees present and will adjust the ventilation to a level that fits the amount of people present (Schiphol).
- Heating pump (15KW): a pump will be used to get remaining heat out of the ventilation system and this heat will be warmed up to a higher temperature so that it can be used as heating for the building. This leads to reduction of gas consumption. Since the yield of the pump is higher than the yield of the boiler energy will be saved (Schiphol).
- Tap water collector showers: water for the showers is heated by sun collectors (Schiphol).
- Sun collectors: 500m2 PV cells on the roof which produce 50.000 Kwh of energy on a yearly basis (Schiphol).
- Electric forklift and pallet trucks are used (all sites)

3.3 Management systems and certifications

ISO standards

Rhenus Air has an integrated quality and environment management system. The system has the aim to improve our processes and to meet the needs and requirements of our customers and to comply with all legal and other requirements. The systems are ISO 9001 and ISO 14001 certified by Lloyd's Register. The management systems is evaluated at least twice a year during management meetings and via internal and external audits. The Quality and Environmental Manual is published on the Rhenus Air intranet site and is available for all employees.

TAPA-A Certification

The freight building of Rhenus Air Schiphol is TAPA-A certified by Lloyd's Register. All measures taken and procedures on safety and security issues are described in a Safety & Security Manual. The management system is evaluated twice a year during a management meeting and via internal and external audits. The Safety & Security Manual is published on the Rhenus Air intranet site and is available for all employees.

AEO Certification

In 2008 Rhenus Air was one of the first forwarders in The Netherlands who applied for and received the AEO-certificate (Authorized Economic Operator). This certificate offers different advantages in international trade. Dutch Customs Authorities grant various facilities for physical customs inspections to enterprises with the AEO status. Enterprises that would like to qualify for the AEO status must meet a number of criteria. Rhenus received the combined customs simplification and security and safety certificate.

GDP

Good distribution practice (GDP) deals with the guidelines for the proper distribution of medicinal products for human use. GDP is a quality warranty system, which includes requirements for purchase, receiving, storage and export of drugs intended for human consumption. GDP regulates the division and movement of pharmaceutical products from the premises of the manufacturer of medicinal products, or another central point, to the end user thereof, or to an intermediate point by means of various transport methods, via various storage and/or health establishments.

Since Rhenus Air is faced with a growing demand of customers to comply with the GDP guidelines we recently made an GAP analysis on this topic and are in the middle of improving procedures and the facility to be fully GDP compliant.

4. Values and behaviors

Rhenus Air embraces all UN Global Compact principals and actively promotes them via the Code of Conduct (national level) and the Corporate Compliance document (published by the Rethmann Group). The Code of Conduct is available for all employees via intranet. The Corporate Compliance Document is available for all stakeholders on the website.

4.1 Code of Conduct

The Code of Conduct is published by Rhenus Netherlands and is focused on what Rhenus Netherlands stands for and what Rhenus Air expects from its employees. The Code of Conduct explicitly states the following:

1. Rhenus Air only provides services that are legal and ethical. Activities in contravention of national and international law and rules will not be accepted (UNGC principle 1 on Human Rights: Businesses should support and respect the protection of internationally proclaimed human rights).
2. Rhenus Air avoids illegal activities and violation of human rights (UNGC principle 2 on Human Rights: make sure that they are not complicit in human rights abuses)
3. Rhenus Air respects its employees as a group and as individuals. A works council is active over more than 20 years and is involved in all company issues that affect the employees and their rights (UNGC principle 3 on Labour: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining).
4. Rhenus Air opposes against all forms of discrimination, exploitation, intimidation, teasing and deceit. This is in accordance with the UNGC principles on labour (principle 3 till 6) regarding; the elimination of all forms of forced and compulsory labour, the effective abolition of child labour and the elimination of discrimination in respect of employment and occupation.
5. Rhenus Air avoids unnecessary activities which harm the environment and will always keep an active approach to and supports initiatives that aim reducing environmental impact. This policy is

in line with the UNGC principles 7 till 9 on Environment: Businesses should support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies.

4.2 Corporate Compliance

The main objective of the Rethmann Group (holding company of Rhenus) is to deliver high value across the Group's individual divisions, in line with the interest of all stakeholders; shareholders, employees, the wider community etc. This must be achieved in compliance with legal and ethical requirements. We value our company's good reputation: business partners, authorities and the public all expect us to act in a professional and responsible manner. The growing importance of good corporate governance and the legal risks associated with non-compliant behavior was the reason to set out formal Corporate Compliance Principles, which are:

1. We are committed to fair competition – no illegal cartel agreements
2. We are committed to integrity in our business dealings – no corruption
3. We are committed to separating our business and private activities – no conflict of interest
4. We are committed to full cooperation with the authorities – no false or misleading information

All principals are in line with the UN Global Compact anti-corruption principle (*Businesses should work against all forms of corruption, including extortion and bribery*). Some clients request Rhenus activities to be compliant to the FCPA (Foreign Corrupt Practices Act / USA), which has been agreed upon with those clients.

4.3 Internal Compliance Program

For Rhenus Air & Ocean Netherlands an Internal Compliance Program (ICP) is available. The program includes responsibilities, regulatory agencies, embargoes/sanctions, "red-flag indicators" and employee training. Goal of this program is to comply with customs and other requirements (USA en EU), protect employees and the brand name of Rhenus Logistics and reduce the risk of liability and to prevent employees from sharing confidential information.

5. Preview 2016 / 2017

Although we made some good progresses last year, especially on environmental level, there are still enough challenges for the coming year. Goals for the coming period (July 2016 – June 2017) are:

1. Further improve our communication regarding (our efforts on) the UN Global Compact principals to our stakeholders (more specific our clients, partners and suppliers)
2. Further specify and improve our national Code of Conduct for employees (more focus on business integrity)
3. Implement the Supplier Code of Conduct on corporate social responsibility
4. 80% of our top 100 clients will receive the invoices digitally by the end of 2016
5. Use of the E-AWB in 85% of the shipments with the possibility of E-AWB by the end of 2016
6. Implement a green carrier index and offer clients a green choice

6. Contact details

Contactperson Krista Zuurmond, Quality Manager

Email krista.zuurmond@nl.rhenus.com

Phone +31 (0)20 3165 555