



Communication on Progress 2017

Rhenus Air



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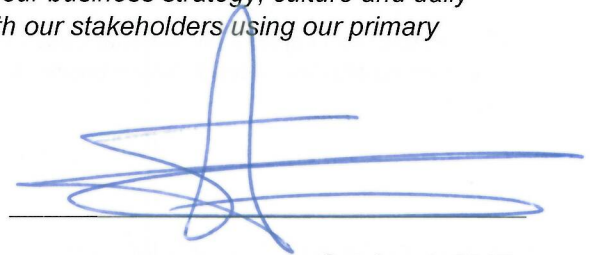
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1. Introduction

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 loops and a long horizontal stroke, positioned above the printed name and title.

October 4, 2017
F. Roderkerk
Managing Director
Rhenus Air & Ocean Netherlands

1.2 Scope of the report







This annual report covers a 12 months period from July 2016 till June 2017 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 is 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.

2. Our actions in 2016 / 2017

Goals 2016/2017	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 requests and tenders from clients. However there are more possibilities to introduce this topic, for example via our website or by informing customers in sales visits, sales calls or by an email campaign.	
Further specify and improve our national Code of Conduct for employees (more focus on business integrity)	In February 2017 the Dutch Code of Conduct was introduced. The contents of this Code of Conduct are: (1) respect and behavior towards others, (2) separating professional and private interest (3) handling privacy-sensitive data and external and internal communication and (4) health & safety	
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 are hick-ups in the introduction and doubt whether it will be introduced at all.	
80% of our top 100 clients will receive the invoices digitally by the end of 2016	In 2016 almost 70% of our clients received their invoices digitally. The goal of 80% was a bit too ambitious but we are still satisfied by the growth.	
Use of the E-AWB in 85% of the shipments with the possibility of E-AWB by the end of 2016	The goal of 85% has been proofed far too ambitious: in December 2016 the percentage for Rhenus Air was 61.08%, which is still a good result compared to the market.	
Implement a green carrier index and/or offer clients a green choice	In previous years we concluded that we are not able to present a green carrier index without objective branch information. During 2017 we changed the idea on how to offer clients a green choice and we are now realizing the idea to offer clients the greenest option on a certain destination.	

Projects Rhenus Air participated in or actions taken last year are:

- Environmental KPI's: In the second half of 2016 we set up a KPI overview to measure our impact on the environment. KPI's included in the overview are (1) energy consumption, (2) use of paper, (3) use of water, (4) lease cars, (5) own transport and (6) transport arranged via third parties. The figures are also related to Co2 emissions. Since 2016 is the basic year to measure the performance we will be able to make a good comparison by the end of 2017.
- Milkrun project: The Milkrun originates from the need of an optimization of the complete supply chain. There was and still 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. The project started in May 2015 and it has been proven that it is successful: capacity is used more efficient, there are less truck movements (>50%) and the

relative CO2 emission has been reduced with 29% per ton freight. Based on these results all parties involved are optimizing their combined processes and are still looking for further improvement and extension of the project.

- Compliance training: In 2017 all Rhenus Air managers and staff participated in a compliance awareness training which was developed especially for Rhenus (worldwide) and which focussed on integrity in business dealings, separating professional and private interest, handling privacy-sensitive data etc. Also an interactive e-learning tutorial on "Fair competition" was launched by the German Head Quarters. The online tutorial focused on familiarizing with the matters of compliance. Participants in the training were taken in easy steps through hands-on examples of everyday business situations involving multiple compliance issues. The training was to be completed successfully for all participants.
- DG awareness training: In 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.

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

RHEVO project

The logistics industry, one of the oldest industries, is currently hit by a wave of radical innovations, ultimately impacting and altering the way companies operate. Thus, one may question: How can Rhenus Logistics utilise its expertise in technology to further create value-added solutions for its customers? Generally speaking, how will Rhenus continue with the digitalization of supply chains? With reference to all those questions, Rhenus Freight Logistics GmbH & Co. KG has established Rhevo Ventures – a newly in-house innovation incubator. The incubator is targeted at all employees with an innovative mindset, enabling Rhenus to not only further develop and digitalise its offered services, but also establish new services and products, helping Rhenus to strengthen its position as one of the key logistics service providers across the globe.

The first RHEVO project started in March 2017 in Germany and several Dutch teams of Rhenus Air Netherlands participated. Among the 20 teams that were invited to pitch their idea to the "shark tank" on July 12, 2017 there were two Dutch teams, which were both granted with full support, priority and funding. The two ideas are:

1. RheQuote: this is an online tool for all clients, Rhenus Offices and their partners that streamlines their communication & cooperation, enabling automated quotation ending endless e-mail conversations
2. RHEgreen: this service gives customers the choice to reduce CO2 emissions directly by selecting the green flight. The green flight is an extra option offered next to the regular ones which are based on speed, price and reliability. It is up to the customer to decide whether they want to use this service or not. Choosing RHEgreen is reducing CO2 emissions from the start and not compensating by buying off CO2 emissions.

E-Cargo

In 2016, more than 50% of the global air trade relied on paper-based processes. A shipment can generate up to 30 paper documents and many of the processes, such as track & trace, still depend on human intervention. E-freight is an industry-wide program that aims to build an end-to-end paperless transportation process for air cargo made possible through the regulatory framework, modern electronic messages and high quality of data.

Rhenus Air is one of the biggest e-Freight stakeholders in the Netherlands of this worldwide IATA initiative and ships, together with Rhenus Fresh, over 2.000 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. 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

In the first quarter of 2017 Rhenus Air signed an agreement with Climate Neutral Group to offer clients a CO2 compensation program. In the program there are two options: compensation of CO2 only or compensation of all greenhouse gasses (ClimateSave). By choosing one of these options our clients can take responsibility for the negative climate effects of airfreight. Promotion actions are temporarily on hold due to the focus on the RHEgreen idea which was launched during the RHEVO project. RHEgreen (actual CO2 reduction) and the CO2 compensation program (only compensating CO2) are not (yet) easy to promote together since one of the advantage of the first undermines the goal of the second one.

3.2 Environmental friendly sites and equipment

All sites of Rhenus Air are fully compliant to all labor and environmental legislation. The sites of Rhenus Air in Drachten, Rotterdam and at Schiphol Airport Rhenus Air however even have some more eco-friendly solutions and provide optimal working conditions for all employees since the buildings are quite new (<7 years). Below we summarize some of the solutions:

- 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 are 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.

Rhenus Air is faced with a growing demand of customers to comply with the GDP guidelines and therefor there has been focus in the last year on improving procedures 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). Both documents are available for all employees via intranet. The Corporate Compliance Document is available for all stakeholders on the website.

4.1 Corporate Compliance

The main objective of the Rhenus SE & Co. KG (holding company of Rhenus Logistics) 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
5. We are committed to respecting human rights and creating proper working - without making any compromises

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.

4.2 Code of Conduct

The division management of Rhenus believed to further implement and explain the corporate compliance code of our holding company which resulted the Code of Conduct for Rhenus employees in the Netherlands. This Code of Conduct is an addition to the brochure with the title 'Corporate Compliance'. The Code of Conduct contains all regulations and rules of conduct that Rhenus employees may encounter while at work.

The main aim of the Dutch brochure is to set out those guidelines that we believe to be important at Rhenus. We also describe how to handle and respond to certain situations, and how to create a pleasant working environment. This is called 'doing the right thing'. The Dutch Code of Conduct sets out what we mean by 'doing the right thing', and enables us to take a more in-depth look at a number of subjects, including :

(1) Respect and behavior towards others

Rhenus believes that it is important to have a pleasant working environment. Working well with other company departments and divisions, colleagues, customers and third parties will always have a positive outcome. A good working environment starts with showing respect to others and behaving appropriately towards colleagues, customers and third parties

(2) Separating professional and private interest

Working in an honest, professional manner is the top priority for all employees. This means that professional interests and private interests have to remain separate. A few rules of conduct are provided in the Code of Conduct to help employees to follow these rules. This will guarantee integrity and reliability in the workplace at all times. A few examples are: do not accept any business gifts at home, do not give discounts to customers in exchange for private benefits, never ask (potential) suppliers for gifts etc.

(3) Handling privacy-sensitive data

Privacy-sensitive data should always go hand in hand with governmental regulations, i.e. permitted and non-permitted activities in accordance with the law. It is important to make sure that employees do not pass on any information about their selves to others. Furthermore, employees should not collect or check information about others. While there are of course exceptions to this rule (e.g. in the event of risk/danger), employees should treat such information with care at all times and only share the details which are absolutely necessary. At Rhenus, we wish to avoid:

- Loss of private data regarding employees, customers and third parties.
- Unauthorized access to employee, customer and third-party data.
- Unauthorized use of employee, customer and third-party data.
- Theft of personal data of employees, customers and third parties.

(4) External and internal communication

In the age of modern digital communication, e.g. smartphones and e-mail, it is easy to disseminate information that both employees and Rhenus would prefer not to be shared. Digital communication equipment is hugely important to Rhenus' business operations. We want to be sure that we are able to continue using our technical infrastructure and digital communication and that it continues to function correctly. This is why it is important to use this equipment and these systems carefully. If we fail to do so, this could endanger our logistical processes and lead to financial losses.

(5) Health & Safety

A healthy and safe working environment is important. At Rhenus, we constantly strive to improve our working environment, thereby reducing the risk of any employees being placed in danger. This also serves to minimize the effect of our activities on the environment. To ensure that we are able to continue working as effectively as we are doing now, we have set out a few rules of conduct such as:

- Rhenus makes sure that working conditions are safe. All employees are responsible for ensuring that this remains the case. If you follow Rhenus' operational health and safety procedures, you are in full compliance with the company's requirements.
- During working hours, Rhenus expects its employees to refrain from ingesting intoxicating agents (alcohol / drugs) that may have an adverse effect on workplace safety.
- Rhenus requires you to report all work-related accidents.
- Rhenus is committed to sustainability (and a healthy environment), which is why we want to prevent employees from taking risks that may have an adverse impact on people and the environment.

4.3 Complaints and Reporting Committee

At Rhenus in the Netherlands we have a complaints and reporting committee. Employees can contact the Complaints and Reporting Committee in case they have a complaint or observe a violation of the code of conduct and if they were not able to solve or discuss it with their manager. The committee can be reached via a confidential email address.

Employees who prefer to make an anonymous statement can contact the external confidential adviser. More information about these two bodies and the relevant procedure is available on the Dutch intranet site on the page 'Compliance'.

5. Preview 2017 / 2018

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 2017 – June 2018) are:

1. 80% of our top 100 clients will receive the invoices digitally by the end of 2017
2. Increase the number of clients using Rheview/EDI for their bookings with 5 client of our top 100 by the end of 2017
3. Use the E-AWB in 67.5 % of the shipments with the possibility of E-AWB by the end of 2017
4. Introduce the greenest airfreight choice to a destination (RHEgreen)
5. Further improve our communication regarding (our efforts on) the UN Global Compact principals to our stakeholders (more specific our clients, partners and suppliers)

6. Contact details

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