

UK Mail & the Global Compact - Communication on Progress 2011



UKMail
express parcels & mail



2011 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 hugely 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 not only offer mail, packet and parcel delivery services around the UK and Worldwide, but are also transforming the face of the traditional mail market with imail, an innovative desktop to doormat solution that combines the ease of electronic communication with the impact of physical mail.

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 2009/10 we reported Group revenues of £385m.

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 conceivable 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 - with a Business Class, two day definite and Economy three day definite delivery option available UK-wide. Our unique Packet+ product provides a cheaper alternative to Royal Mail's second class service for non-urgent items weighing up to 5kg.

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 comprehensive UK and pan-European network comprised of over 80 independent logistics specialists to ensure the seamless and swift collection and delivery of palletised goods.



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 at the end of 2007. In support of the 10 principles of the UN Global Compact we have implemented an overarching Human Rights policy that integrates our existing policies combating discrimination, corruption and 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. Our principles have allowed us to steer a steady course through recent and turbulent times. We are confident that the 10 principles of the UN Global Compact will continue to prove invaluable and we are therefore 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's commitment to equality and fairness in all aspects of business and employment is not new and prior to signing the Compact, we already had in place a number of policies that reflected the principles enshrined in the Global Compact. To safeguard supporting and respecting the protection of internationally proclaimed human rights, we have a number of firmly entrenched policies to promote equality of opportunity regardless of race, colour, gender, religion or creed. To ensure we are not complicit in human rights abuses, we have in existence a robust disciplinary procedure which seeks in the first instance to resolve potentially disciplinary issues and upon the need for formal escalation, ensures that this process is conducted in a manner that is entirely fair, appropriate and proportionate.

What's Next

Our purchasing policy has been developed in conjunction with our beliefs in how business should be conducted.

This is in line with the 10 principles of the UN Global Compact. In particular:

- UK Mail will have an open and honest approach to potential and existing suppliers, ensuring equality of treatment.
- UK Mail will seek to develop trading relationships based on mutual trust.
- UK Mail will not source from suppliers and/or manufacturers who either use or are aware of the use of child labour or forced labour in their supply chain.

All of UK Mail's suppliers, including consultants, agents and sub-contractors, are required to sign up to our Code of Conduct as a condition of trading.

At UK Mail, our working practices embody and reflect the values of equality and fairness. We have zero tolerance for prejudice, harassment or discrimination on the basis of race, religion, gender, colour, creed, 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.

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.

Labour



At UK Mail we feel that our people are our most valuable asset and we have constantly striven 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. Such labour has no place anywhere within our business.

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 staff 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.

OUR POLICIES

We have implemented a number of formal policies to ensure that we consistently conduct ourselves in line with our commitments.

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.

2011 Communication on Progress

Labour



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 and they are issued with additional training and instruction with regard to its content to facilitate this happening.

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, cultures, beliefs, race and nationalities. For us, inclusion is about ensuring everyone has an equal opportunity to access UK Mail as an employer including those who may be, or feel, disadvantaged in the workplace. 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 views, approach, 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.

Labour



Maternity and Paternity benefits

At UK Mail we respect the fundamental right of people to a private and family life and 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, UK Mail is committed to developing work practices and human resource policies that support 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 home or another flexible location, to help with childcare provisions.

Health & Safety Policy

At UK Mail 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 and deployed 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 91.22%. 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.

The introduction of a partial automatic driven Birmingham hub will be a major benefit in this area as it reduces on site vehicle movements which can be a major cause of health and safety risks.

Environment

ENVIRONMENT

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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Environmental Policy



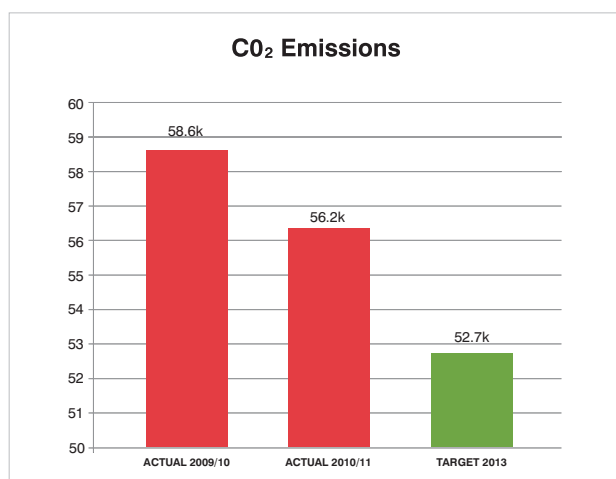
UK Mail recognises that it has a responsibility to reduce its impact on the environment and seeks to increase the environmental sustainability of its operations and those of its suppliers. Whilst we recognise that we have an important role to play in delivering goods and mail in the UK, we are acutely 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 CR Targets

We have chosen to drive our CR programme through four long term targets, focused on the year 2013. The areas are as follows:

- To cut the absolute carbon emissions from both our buildings and vehicles by 10%
- To increase recycling so that at least 90% of our waste is recycled
- To improve health and safety scorecard performance to 95%
- To achieve full ISO 14001 compliance

We have made good progress with these initiatives during the last year. We have established mechanisms to identify and report on a monthly basis the CO₂ emissions that our business creates. We have set targets to reduce these outputs and put in place specific initiatives, with specific goals, to achieve these reductions. These initiatives relate principally to fuel and energy usage together with waste disposal.



Environmental Policy



Fuel

Fuel usage

With respect to fuel usage we have three key objectives:

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

The use of route software enables us to reduce fuel usage by optimising journey distances. In conjunction with the implementation of partially automated sortation into our Birmingham hub and loose load processing we have also introduced postcode reallocation, which have collectively combined to reduce the number of vehicle routes. The introduction of changes to routes and optimisation of vehicle fill have resulted in the reduction of distances travelled by 1.1 million kilometres in 2009/10 and a further 750,000km in 2010/11 leading to total savings in CO₂ emissions of 235 tonnes throughout the combined period.

Objective 2: to reduce the fuel consumption of our vehicles through a review of the design of vehicles used and other effective means.

All our double decker trailers have sloping fronts, designed in conjunction with our trailer suppliers, which dramatically reduces the fuel consumption of the towing vehicle, thus reducing CO₂ emissions by up to 25 tonnes per vehicle per year. We have also introduced a new aerodynamic trailer design which is further reducing the CO₂ emissions from our vehicles. All powered vehicles have bespoke aerodynamic air kits, which have resulted in mpg improvements of between 5%-10%. They are also regularly maintained to ensure only quality components and oils are used for peak performance. Vehicles and trailers are specified to run on road-friendly air suspension, reducing wear of components, damage to the road network and noise pollution. All new heavy goods vehicles ordered are specified with automated transmissions, which optimise fuel economy and also reduces driver fatigue. Tyres are also audited on a regular basis to ensure repair agents maintain tyre pressures, which if not correct, can have a detrimental effect on the life of the tyre but also the vehicle's fuel consumption, which in turn has an effect on the CO₂ emissions of that vehicle. We have also trialled using 'energy' tyres which provide approximately 6% less rolling resistance and should lead to a reduction in the vehicle's fuel consumption. During the year, we have continued to monitor the mpg per vehicle. Analysis of this data leads to improved mpg, and therefore reduced carbon emissions, through such actions as driver training in fuel efficient driving techniques, and vehicle maintenance to ensure optimum fuel efficiency is achieved. We have continued to replace diesel run counterbalance forklift trucks with electric forklift trucks and there have also been improvements to the company car fleet following the move to a new fleet management company. We have also introduced a cap on company cars at 160grams, and have removed all fuel retail cards. Meanwhile, drivers are encouraged to make fewer business journeys by replacing them with conference calls and video conferencing.

Environmental Policy



Our work in carbon emission reduction initiatives earned UK Mail a nomination for a Low Carbon Champion Award by Millbrook, part of the prestigious Low Carbon Vehicle Partnership. Our carbon-cutting initiatives also became the subject of a case study in the official Logistics Best Practice Guide compiled by the European Association of Freight Forwarding.

Objective 3: to continue using bio-diesel and to investigate alternatives.

All our vehicles utilise bio-diesel which reduces the CO₂ emissions from our vehicles by 3% and we aim to continue the use of bio-diesel at current levels. We continue to investigate (such investigations taking account of the overall environmental impact of the use of such products) other opportunities to reduce the carbon emission from the fuel we use, such as alternative fuel and fuel optimisation products (e.g. the use of additives in fuel).

Energy

Our efforts to reduce the amount of energy currently being used by UK Mail were focused on heavily in 2010 and this trend has continued into 2011. The established efforts currently in place consist of; 24 additional smart meters being installed to add to the existing 10 which are managed by a specialist energy management company and increased visibility of spend via monthly reports and updates. The same company is also managing our billing for water, gas and electricity leading to improved usage data. There have been a series of energy audits undertaken across a number of sites from which the findings were fed back with valuable recommendations.

With respect to energy usage in our buildings, we have been collaborating with the Carbon Trust to identify actions that we can take. For example, we have deployed motion sensors to control lighting, installed simple time controls on office equipment and replaced wasteful traditional lighting with LED and low energy alternatives. Meanwhile, we have also reduced our water consumption in the last year by 3 million litres, as part of our work on the ISO 14001 programme.

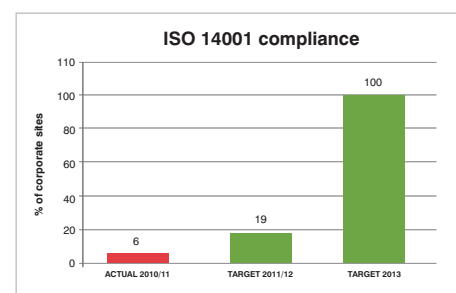
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Environmental Policy



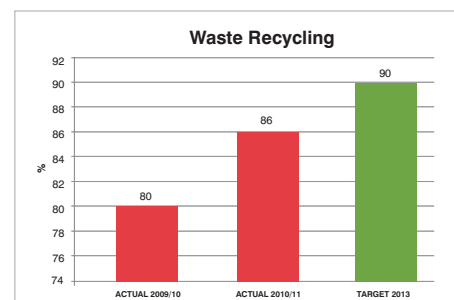
ISO 14001 Compliance

ISO 14001 is the key standard for Environmental Management Systems. It sets rigorous demands for environmental management and is externally audited on a regular basis. We are pleased to report that we have achieved this standard in three of our key sites and are now progressing a plan to achieve full accreditation across all our corporate sites by the end of 2013.



Waste

UK Mail's recycling performance displays a very definite trend towards improvement with figures rocketing from 5% of total waste in December 2008 to 86% in April 2011, and we are confident we will achieve our 2013 target of 90%. We achieved this through the introduction of office recycling stations at all sites and the elimination of individual waste bins alongside a series of concerted company-wide campaigns promoting various waste reduction initiatives. Linking in with this we now operate the regional bailing of waste at certain key sites to help improve the efficiency of recycling and are looking to roll this out business-wide.



Printing

A new fleet of printer/ copiers were installed in 2009 which reduced overall printer numbers from 400 to 140. The quarterly report of volume issued to all stakeholders challenging usage, illustrated that UK Mail has reduced its printing from 24 million in 2007 to 13million in 2009/10 – a trend we are committed to continuing. Along with this, all the paper the company now uses is 80% recycled.

Packaging

Our Bagits have been redesigned to use 10% less polymer during manufacturing. All labels that UK Mail uses have been reengineered, and we are currently trialling pre-stretched Shrink Wrap which will reduce the usage by 50%.

Environmental Policy



Product innovation

We are also driving product innovation which is able to reduce the environmental impact of our operation. In November 2008, we launched imail, a desktop to doormat delivery solution which expertly combines the ease of electronic communication with the impact of physical mail. The mail item is printed and enveloped in the sort centre closest to the delivery address and then transferred to Royal Mail for final delivery. This product offering reduces the carbon footprint of a letter by some 80% by reducing the transport requirements that have previously been a necessary part of operating a national delivery solution.

CR Steering Group

UK Mail ascribes huge importance to the welfare of the planet and as such has formed the CR Steering group, comprised of representatives from Fleet Engineering to Marketing, in order to address the environmental activities of all aspects of the company. The CR Steering Group is chaired by Steven Glew, Group Finance Director. Its meetings take place quarterly with progress and activity updates being shared with the PLC and Ops board, as well as, being communicated to all employees via quarterly team briefings.

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 and ensuring sensitive information is treated appropriately
- 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 in place an anonymous and confidential Crime Hotline that has been successfully utilised over the past six years. The features of the hotline are as follows:

- 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.