Logistics & Transportation Corporate Citizenship Initiative (L&TCCI)

Second Report to the Governors Davos 2005

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I. Executive summary

At the World Economic Forum's Annual Meeting 2003 in Davos, the Governors for Logistics and Transportation formally agreed to work together and address global corporate citizenship challenges. The mission of the newly formed Logistics and Transportation Corporate Citizenship Initiative (L&TCCI) was: *Proactively contributing towards sustainable development*.

By January 2004, the Governors had launched eight Principles of Corporate Citizenship and approved three programmes of work:

- **Principles and tools –** To include ongoing refinement of the Principles and tools for embedding them as well as sharing best practice – within and outside the L&TCCI.

- **Handbook –** The Governors recommended that the working group develop a handbook to explain the sector's wider role in society to the public and special interest groups.

- **Multi-stakeholder dialogue and Key Performance Indicators (KPIs) –** To develop five KPIs by Davos 2005 – within the framework of a Global Reporting Initiative (GRI) multi-stakeholder dialogue process and as a sector supplement to the GRI core indicators.

This report presents a review of work completed to date and a forward plan for the next five years.

Deliverables

Deliverables so far have significantly exceeded goals and have generated great enthusiasm among participant companies to continue collaboration beyond 2006. Deliverables include:

1. **Principles and governance**: Ongoing reviews have been undertaken to ensure the continued relevance of the Principles, and a governance framework put in place to oversee progress. Based on our principle of inclusivity, new members have participated in activities.

2. **Tools for implementation**: Several tools to support the implementation of the Principles were developed; the highlight is a state-of-the-art electronic audit programme currently being piloted by DHL, Exel and Stena. The audit links the Principles with externally credible standards and codes such as FTSE4Good, Dow Jones Sustainability Index (DJSI), SA8000 (a labour standard), ISO14001 (an environmental management systems standard) and the GRI to ensure synergy with KPI development and reporting plans (below).

3. **"Our sector in society" – Outline plans for a handbook and paper for stakeholders**: The substantial **"Our sector in society"** paper was produced, building on public domain resources, as background for the multi-stakeholder dialogue process. Terms of reference were outlined for Volume 1, a third party selected and the proposed method piloted for the L&T sector in India, the United States and the United Kingdom (quantitative); an outline proposal was agreed for Volume 2 (qualitative), an "expression of interest" request released and author selection was made. In addition, 12 questions were added to the World Economic Forum's *Global Competitiveness Report*, which helped us generate an analysis of the sector's contribution to national competitiveness. Also, the L&TCCI produces a fortnightly digest of sector-relevant corporate citizenship news and events.

4. **Stakeholder and customer consultation**: A revealing stakeholder consultation was undertaken (report produced) that surveyed eight civil society groups as well as a customer consultation (report produced) that analysed non-financial supply chain requirements.

5. **Multi-stakeholder dialogue, KPIs and industry benchmarking**: A multi-stakeholder dialogue is underway, convened by GRI, involving DHL, Exel, FedEx, La Poste, Stena and TPG, as well as civil society stakeholders. Two dialogue meetings were held successfully in 2004. A benchmarking exercise using selected KPIs is now underway. The requirement of the Governors in Davos in 2004 that at least five KPIs be developed has been exceeded.

6. **Initiatives, transparency and sharing best practices**: L&TCCI members are increasingly collaborating in sub-working groups on priority issues including benchmarking, disaster relief and the sharing of best practices. There is a commitment to reporting against common KPIs linked to the Principles. The working group is committed to being as transparent as possible. Generic reports and website postings provide feedback to stakeholders and customers, a fact which has been greatly appreciated. Finally, in the spirit of transparency, each working group member provided a current case study for this report.

II. The way forward

The following core ongoing activities are proposed on our "Road Map" for 2005 – 2010.

Principles and tools

Continue to disseminate the Principles and engage with potential new members and to pilot and refine electronic audit tools and back office electronic processing of results and reporting in order to embed the Principles – *Deliverables: New members; refined audit tool.*

Sector in society

Widen Digest circulation. Handbook: third-party contractor to be commissioned for Volume 1 (quantitative) and authors commissioned for Volume 2 (qualitative) – *Deliverable: Handbook.*

KPIs and stakeholder engagement

- GRI multi-stakeholder dialogue to continue, moving into indicator selection phase (January – April 2005) and public consultation period (May to July 2005) – *Deliverable: GRI sector supplement for L&T with commentary on how/when to report against these KPIs, to be delivered to the Governors, Davos 2006.*

- Benchmarking initiative to be further developed by KPI sub-working group and reporting to begin against selected L&T KPIs – *Deliverable: Report on progress by Davos 2006.*

- Consultation process to continue with customers on an annual basis, with a larger sample of those from Fortune 500 companies, the public sector and NGOs – *Deliverable: Report.*

New L&TCCI initiatives for 2005-2010

Environment and the emissions imperative

Climate change and emissions associated with the use of fossil fuels are a priority issue for both business and wider society – and of particular concern to the L&T sector given the vast amounts of carbon dioxide and other greenhouse gas emissions associated with the operation of vehicles and business entities. It is therefore crucial that the sector address the emissions imperative strategically, systematically and as an area for continuous improvement. Findings from recent stakeholder and customer consultation exercises completed for the L&TCCI underline this obligation, making it a special area warranting cooperative action over the next year. We suggest L&T companies might explore further ways to address such issues by: (1) benchmarking customers' broader environmental performance requirements and their implications for competitiveness; (2) developing a toolkit of "quick wins", including KPIs for reducing, measuring and accounting for emissions; and (3) exploring possible strategic industry initiatives (for example with reference to regulatory emissions trading schemes and waste prevention legislation) – *Deliverable: Proposal and joint action.*

Humanitarian relief

A number of L&TCCI member companies have already sprung into action to support international disaster relief operations. The fact that certain disasters (such as the recent Asian earthquake and tsunami) hit many countries simultaneously means that the UN and international relief organizations can be severely stretched and logistics competence is at a premium. This is an opportunity for the L&T sector to make an important humanitarian contribution. The Forum convened the *Disaster Resource Network* (DRN) in 2004 to help facilitate and coordinate corporate support of disaster management efforts in developing countries. We suggest L&T companies might wish to reinforce the impact of their own support efforts by working together or in cooperation with the DRN in one or more of the following ways: (1) coordinate employee fundraising and corporate financial contributions; (2) donate goods and skilled services – L&T core competencies are particularly useful if they match specific needs and can be delivered effectively; and (3) with respect to the Asian crisis, both the DRN and the Forum expect to take a leadership role in coordinating business efforts to help redevelop the region economically. The L&TCCI working group considers it a strategic opportunity for the sector to participate in these discussions as they unfold in 2005 – *Deliverable: Proposal for cooperation and relevant DRN or other project initiation.*

III. Strategic agenda on corporate citizenship 2004–2006

Background

At the World Economic Forum's Annual Meeting 2003 in Davos, the Governors for Logistics and Transportation agreed formally to work together and address the compelling challenges of global corporate citizenship. The mission of the newly formed L&TCCI was: *Proactively contributing towards sustainable development*.

This agreement resulted in a consultation process that generated a set of Principles and a guidance document – along with a commitment to a programme of work to implement the Principles, measure work in progress and ensure the sector is viewed by stakeholders as a positive force in society through a process of awareness-building, consultation and multi-stakeholder dialogue. In January 2004, the Governors launched the Principles and approved a three-pronged work programme lasting two years in the first instance.

This report presents a summary of the results and status of work completed during the first year (2004–2005). It includes a forward plan for the next five years, building on work to date.

Three programmes of work

1. **Principles and tools**: Industry leaders signed eight Principles of Corporate Citizenship and recommended the working group engage with more companies to sign the Principles, develop tools for embedding them and share best practices.

2. **Handbook**: The Governors recommended that the working group explore the quality of data sources about the sector and develop a handbook to explain our sector's wider role in society to the public and special interest groups.

3. **Multi-stakeholder dialogue and KPIs**: At least five KPIs to be developed by Davos 2005, within the framework of a Global Reporting Initiative (GRI) sector supplement and multi-stakeholder dialogue process. This expectation has been exceeded with eight KPIs already determined.

A budget for the programme of work (2004–2006) was funded by four founding sponsors – **DHL, Exel, Stena and TPG.** New members of L&TCCI were to be sought and invited to join an inclusive and inter-disciplinary working group tasked with delivering the objectives.

Objectives of L&TCCI

- **Embed** the Principles, share best practices (within and outside the L&T industry) and develop an audit programme to assess performance against the Principles and best practices.

- **Engage** other stakeholders and forge strategic partnerships to advance issues of relevance to the sector and its broader contributions in society – through consultation and the handbook.

- **Develop** key performance indicators (KPIs) for L&T issues through bilateral consultation and through a GRI-convened multi-stakeholder dialogue process.

- **Promote** the governance process and seek new L&TCCI members to optimize inclusiveness and expand influence across the sector.

L&TCCI participants

Christian Salvesen	Exel Plc.	La Poste	Swiss Post
COSCO	FedEx Corp	Poste Italiane	Transnet
Deutsche Post World Net / DHL	Ferrovie Dello Stato (FS)	Royal Mail	TPG
	Fiege Group	Stena AB	UPS

Deliverables and organization of the report

This report describes work in progress in respect to these commitments and work programmes. The report is organized around the deliverables that in summary include:

1. **Principles and governance**: Ongoing reviews are regularly undertaken to ensure the continued relevance and appropriateness of the Principles and a governance framework put in place to oversee progress. New members have joined the working group or have participated in activities. New signatories of the Principles have been actively sought.

2. **Tools for implementation**: Several tools to support the implementation of the Principles were developed, the highlight being a state-of-the-art best practice electronic audit programme currently being piloted by DHL, Exel and Stena. The audit programme links the Principles with externally credible standards and codes such as FTSE4Good, Dow Jones Sustainability Index (DJSI), SA8000 (a labour standard), ISO14001 (an environmental management systems standard) and the Global Reporting Initiative (in order to ensure synergies with ongoing work on indicator development – as below).

3. **"Our sector in society" – paper and outline plans for a handbook**: A paper was produced called **"Our sector in society"** building on resources in the public domain; this was made available to stakeholders participating in the multi-stakeholder dialogue process. An outline proposal was developed, a consultant selected, a qualitative volume "expression of interest" request released and author selection was made; a quantitative volume outlined and the proposed method was piloted for the L&T sector in India, the United States and the United Kingdom. However, the handbook is currently on hold, pending budget. In addition, twelve questions were added to the World Economic Forum's *Global Competitiveness Report* specifically addressing the logistics and transportation industry and infrastructure, the results of which are also reported here. The L&TCCI continues to produce a fortnightly digest of corporate citizenship news/events – 53 issues were produced and circulated internally through 31 December 2004.

4. **Stakeholder and customer consultation**: A bilateral stakeholder consultation survey was undertaken (report produced) that sounded out eight key civil society groups and a customer consultation survey was undertaken (report produced) on non-financial supply chain requirements. The results of the aforementioned *Global Competitiveness Report* form a key part of the consultation process and our emerging knowledge in this area.

5. **KPIs, multi-stakeholder dialogue and industry benchmarking**: A multi-stakeholder dialogue process is underway comprising DHL, Exel, FedEx, La Poste, Stena and TPG as well as a selection of civil society stakeholders. This was convened by the GRI from a range of groups including: investment banks, rating agencies, NGOs, trade unions, trade associations and academia. Two multi-stakeholder dialogue meetings were held with success in September and November. A benchmarking exercise using selected KPIs is now underway. The requirement of the Governors in Davos in 2004 that at least five KPIs be developed was exceeded.

6. **Initiatives, transparency and sharing best practices**: The companies are working together in smaller groups on key issues such as advocacy, benchmarking, disaster relief and sharing best practices. The working group is committed to being as transparent as possible so generic reports have been produced to provide feedback to stakeholders and customers that participated in the consultation work; some companies chose to put these reports on their websites. In addition, the working group members shared best practices and presented different projects throughout the year to illustrate their progress in implementing the Principles. In the spirit of transparency, each working group member provided a case study in this report.

Finally, in collaboration with the World Economic Forum, a non-branded advert was created – "Together we can make a difference" – as reproduced on the back page of this progress report.

L&TCCI schedule of work

The working group met in March, April, June, September and November and held numerous teleconferences. In addition, the working group participated in the GRI multi-stakeholder dialogue, members of which met in August and November.

Figure 1 shows the L&TCCI's schedule for 2004-2006. Plans are to extend it to 2010.

Figure 1: Schedule of work for 2004–2006

Logistics & Transportation Corporate Citizenship Initiative

WORLD ECONOMIC FORUM

Davos 2004 — Davos 2005 — Davos 2006

Jan — Mar — May — Jul — Sep — Nov — Jan — Mar — May — Jul — Sep — Nov — Jan

Embedding of Principles through company-specific programmes of work to be reported through sharing best practice case studies and through developing strategic tools that all need, the most important of which is an electronic audit tool, which is being piloted by member companies

Industry handbook in two volumes:
Part 1 Quantitative: by country and transport mode
Part 2 Expert analysis, viewpoints, competitiveness report, RFI/RFQ development and commission

Interim report for Davos 2005

Handbook continued development

Handbook published for Davos 2006

Results published in Davos Report 2006

Consultative process to develop candidate KPIs within the working group

Initiate bilateral consult-ation with customers and other stakeholders

Multi-stakeholder dialogue to develop an L&T 'sector supplement' of indicators convened by GRI to include four meetings and a public consultation process, through 2004–2005

5 KPIs for Davos 2005

Continuation of multi-stakeholder dialogue within GRI framework

KPIs published for public consultation by GRI

Final KPIs agreed for Davos 2006

Testing and selection of candidate KPIs

The L&TCCI 'working group' (WG) met, as scheduled below, in 2004; and it plans to meet, as projected below, in 2005

March 04 Meeting — Apr 04 Meeting — Jun 04 Meeting — Aug 04 Meeting — Report — Sept 04 Meeting — Report — Nov 04 Meeting — Report — Feb 05 Meeting — Apr 05 Meeting — Jun 05 Meeting — Aug 05 Meeting — Oct 05 Meeting — Dec 05 Meeting — Report

IV. Deliverables

The following sections present L&TCCI deliverables during the period January–December 2004.

1. Principles and governance

The Governors (CEOs) of the Logistics and Transportation Sector met in Davos on 22 January 2004. There they agreed that for the industry to flourish, negative environmental and social impacts must be either prevented or managed responsibly. They therefore launched a set of Principles that cover every aspect of our work and sphere of influence. The Principles address the challenges all of us face in working as global corporate citizens in the logistics and transportation industry. They are reproduced below.

A governance framework

An important first step in implementing the Principles was to put in place a **governance framework** to oversee the commitments made in the Principles. This includes (Figure 2):

- Executive committee – Makes decisions about work produced and future directions of the L&TCCI based on input from the Governors as well as the advisory and working group.

- Advisory group – Prepares reports for the Governors, undertakes and manages research and other work on behalf of the Governors and working group, advises as required on the Annual Meeting agenda, programmes of work, third-party outputs, special guests, etc.

- Working group – Develops the programmes of work, undertakes the work, or sub-contracts work, on behalf of the L&TCCI, acts as reviewer for progress reports from each sub-working group and makes interim decisions on behalf of the executive committee.

- Sub-working group on the L&TCCI Principles – Has responsibility for the programme of work relating to the Principles and tools and operational responsibility for governance.

- Sub-working group on the industry handbook – Has responsibility for the programme of work relating to the handbook. This was DHL and a new Chair is to be sought.

- Sub-working group on KPIs – Has responsibility for the programme of work relating to the multi-stakeholder dialogue, stakeholder consultation exercises, KPIs and benchmarking.

Detailed information on the governance process is presented in Annex 1.

Figure 2: L&TCCI governance framework
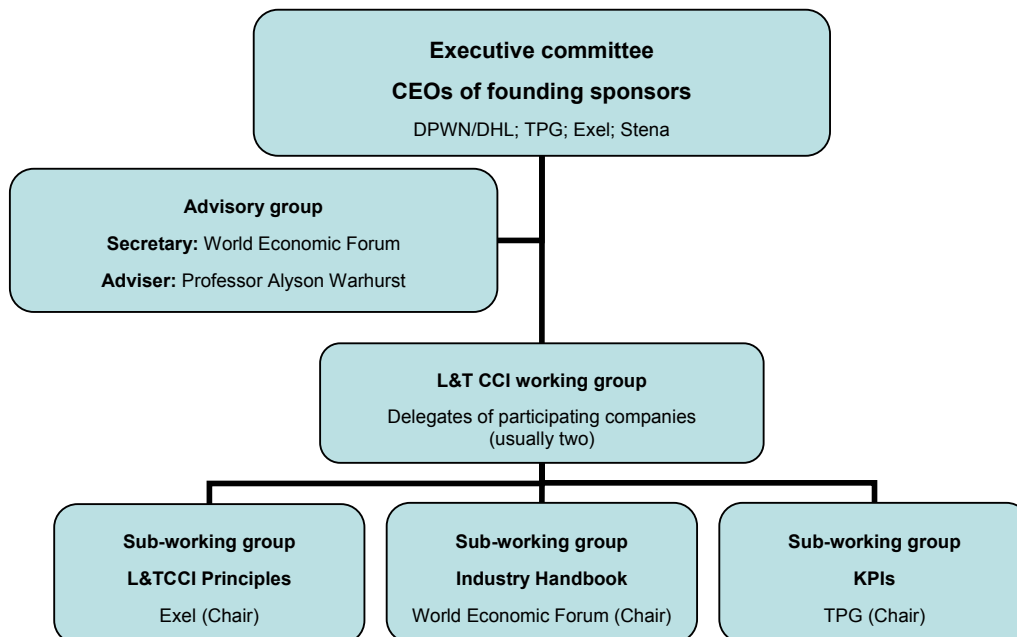
Corporate Citizenship Principles

It was agreed that the Principles would be accompanied by two sets of important commitments.

- The first comprises programmes of work that cover the embedding of the Principles within each company, the development of informed knowledge about the industry's role in society and the initiation of consultation processes and a multi-stakeholder dialogue to develop KPIs and elements of a common reporting process.

- The second is a commitment to "…working in partnership to enact these Principles, supporting each others' efforts and sharing solutions to mutual challenges…"

The preamble below sets out the commitments to which CEOs are invited to become signatories. By the end of 2004, the following companies had signed the Principles: DHL, Christian Salvesen, Exel, Ferrovie Dello Stato, Stena, Swiss Post, TPG and Transnet. The eight Principles follow the preamble. Most importantly, TPG translated the Principles for L&TCCI into Dutch, French, German, Italian, Portuguese, Swedish, Spanish and Chinese to ensure their wide dissemination.

Our partnership towards sustainable development

Ethics are a set of principles by which behaviour can be judged to be right or wrong. These Principles describe the ethical standards we intend to pursue through our economic goals and business opportunities. They guide our proactive commitment to the sustainable development goals of society.

These all-encompassing Principles cover every aspect of our work and sphere of influence. They address the challenges all of us face in working as global corporate citizens in the logistics and transportation industry. They build on international law relating to corporate citizenship established by the Universal Declaration of Human Rights (UN, 1948); the labour standards embodied in the Fundamental Conventions of the International Labour Organization (ILO, 1930-1999); and the Environmental Conventions agreed following the Rio Declaration on Environment and Development (UN, 1992). These laws are binding on participating States and establish norms of responsible practice for business, as embodied in the guidance of the UN Global Compact (2000), the OECD Guidelines for Multinational Enterprises (1976, revised 2000) and the UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights (2003), for example.

We share a belief that working in partnership to enact these Principles, supporting each others' efforts and sharing solutions to mutual challenges are all integral parts of our commitment to corporate citizenship. These Principles are a living document and we may adapt them as our work progresses to reflect our experience in implementing them. They are aspirational as well as about compliance with law, as we recognize that we each move forward at a different pace and thrive on the economic competition that shapes individual strategy. In the event that our Principles are compromised, we will work with that company to address any problem. However, we will tolerate neither consistent and deliberate failures to adhere to them nor a lack of planned improvement, as verified by a qualified third party.

We are aware that the true force of our Corporate Citizenship Principles lies in their implementation by us, as signatory companies. That is why each of us is developing policies, programmes and tools to support the embedding of our Principles and their dissemination throughout our own companies and our partner organizations. We will also work together to develop relevant key performance indicators (KPIs) in order to monitor our performance systematically and report publicly on our progress.

These Principles are a work in progress. We are committed to their continuous implementation, striving to achieve their goals and to improving the way that we report our performance. In this way, we seek to promote continuous improvement, demonstrate the conviction that we share a broad accountability to all our stakeholders and show that the logistics and transportation sector is a positive force in society.

Principle 1: Governance

– compliance through integrity

We work with integrity and fairness and we manage our risk ethically and transparently. We seek the same from those with whom we do business, both directly and indirectly. Above all, we believe in respecting and complying with statutory law and regulation: no employee may directly or indirectly solicit a bribe; we seek to reject personal gifts, political donations or other dealings that might reasonably be believed to influence commercial activity and the decision-making process, or that might bring the sector into disrepute. We believe in free enterprise and we will ensure the absence of conflicts of interest at all levels in the way we work.

Principle 2: Financial responsibility

– optimizing shareholder value over time

Guided by our Principles of Corporate Citizenship, we strive to achieve the highest standards of business practice. This enables us to contribute to long-term sustained value creation for the benefit of shareholders, employees, host countries, business partners and local communities. All business transactions must be reflected accurately in our accounts in accordance with established procedures and auditing standards. Accounting records will reflect and describe the nature of the underlying transactions.

Principle 3: Stakeholder engagement

– transparency and accountability

We recognize that we have a responsibility towards a diverse group of stakeholders that view the logistics and transportation industry from different perspectives. These stakeholders include the many communities in the different areas of our operations, as well as shareholders, customers, employees, governments and business partners. We are committed to engage in dialogue and build partnerships with our key stakeholders. All communications with our stakeholders, both internal and external, including our suppliers, will be guided by the principle of transparency and the "right to know".

Principle 4: Employees

– social justice in the workplace

We are committed to providing healthy, safe and decent working conditions for all of our employees and expect our suppliers to do the same. We actively encourage diversity and opportunity. We also respect the rights of employees to join lawful trade unions or to form workers' associations. We respect the right to collective bargaining. As a minimum, we will fully comply with all relevant national laws and regulation with regard to working hours and conditions, rates of pay and terms of employment. We provide training to our employees on how to manage challenges arising from implementing these Principles.

Principle 5: Human rights

– global corporate citizenship

For those of us who work internationally, our tradition of support in times of crisis, as well as our active and increasing involvement in humanitarian projects applying our core competencies, presents us with special ethical responsibilities when we work in difficult circumstances. When we operate in countries where there is conflict or where there are allegations of human rights violations, we will ensure that our employees do not act in any way that could be considered complicit. This commitment is in line with the norms established by the UN with respect to the human rights responsibilities of transnational corporations and the UN Global Compact. This means that we ensure that, when undertaking our work in those countries, we do not employ child labour, in accordance with ILO Conventions 138 and 182, nor bonded or forced labour, as set out in ILO Conventions 29 and 105.

Principle 6: Community investment

– responsive in times of need

We are committed to playing a positive role in society as a corporate citizen, optimizing the positive aspects of our operations wherever we work. Wherever possible, and where there is no conflict with centrally managed purchasing strategy, we will recruit locally and we will establish business relationships with local suppliers, respecting regional development initiatives. We believe in community investment activities and charitable work that supports capacity building and that strategically aligns with our core business purpose. We will therefore harness our logistics and transportation skills and networks to support those in need, particularly where humanitarian assistance is required.

Principle 7: Customers, suppliers and subcontractors

– responsibility in our business relationships

By building long-term relationships with our customers, suppliers and subcontractors, we are committed to delivering high-quality and best-value services. We will meet the highest standards of security through our value chain and strive to ensure that trust is the basis of all our relationships in society. We are committed to meeting the expectations of our customers in respect to responsible business practice. Progressively, we will share with our business partners these Principles of Corporate Citizenship and we may withdraw from a business relationship if we consider that the standards we uphold are not being met by a business partner.

Principle 8: Environment and precautionary approach

– towards environmental sustainability

We will contribute to the development of sustainable transport systems and infrastructure and providing solutions by applying our core logistics competence in society. We are committed to understanding, reducing and managing our environmental impacts. We will work actively to promote the responsible delivery of services. We are aware of the need to demonstrate continuous improvement and a precautionary approach in relation to those environmental aspects that are important to us and to our stakeholders. These aspects include, but are not restricted to, global warming, resource conservation, smog, noise, accident prevention, risk management and emergency preparedness. We will also seek innovative solutions to traffic congestion and utilize alternative transportation modes. Wherever relevant and practicable, we seek certification of our environmental performance.

2. Tools for implementation

A number of tools have been developed to assist in the implementation of the Principles.

An inventory of tools

The first phase of L&TCCI work included the development of five key tool-sets that have been used in subsequent efforts overseen by the working group (as noted throughout this report):

- Tool-set 1: Management system – informed audit process and content.

- Tool-set 2: Stakeholder engagement – informed stakeholder and customer consultation methodology and data analysis.

- Tool-set 3: Assessment – informed development of audit worksheets and preliminary impact assessment work currently being tested by DHL.

- Tool-set 4: Key performance indicators – ongoing in the GRI multi-stakeholder work.

- Tool-set 5: Accountability – informed development of audit worksheets and associated tools.

The L&TCCI audit programme

During 2004, the Principles sub-working group, chaired by Exel, developed an audit programme to measure internal work in progress in respect to the Principles. This is part of the ongoing commitment by L&TCCI member companies to: (1) measure work in progress in implementing the Principles; and (2) prove that they are being implemented. The rationale for the audit programme is further underlined by the findings of the customer consultation process – in particular the growing extent to which customers use, and plan to rely on, an audit process to check/assess the degree to which their suppliers are meeting customer-set business ethics, social and environmental supply chain requirements.

The L&TCCI audit programme comprises a portfolio of three documents:

- **Worksheets** and Standards for each Principle – with numbered questions cross-referenced against externally credible standards and codes including FTSE4Good, DJSI, SA8000 (a labour standard), ISO14001 (an environmental management systems standard) and the Global Reporting Initiative (GRI) core and additional indicators.

- **A user guide** to explain to auditors, both within and external to the L&TCCI member companies, how the audit process works and provide examples of how/what types of evidence auditors should seek to identify. The approach is designed by certified auditors using social audit methodology which includes: inspection, observation and enquiry (interview). The aim is to promote a self-audit capability moving forwards.

- **Information requirements** to explain to auditable entities in advance of the audit what documents they will need to have ready and what procedures they might expect, thus seeking to foster a climate of transparency and mutual learning.

The audit tools are state-of-the-art and built on best practices from different sectors that are more advanced in audit than L&TCCI members. They were piloted by DHL in 2004 and revised based on the pilot results. Key features of the L&TCCI audit programme include:

- Each Principle is linked to a Standard and divided into three/four sets of issues, which helps to categorize questions into logical areas as well as to aggregate performance.

- Questions relating to policy, procedure and practice (in logical order) are outlined for each issue, and respondents and auditors are given the option of evaluating performance by providing evidence of "yes", "no" or "work in progress" responses to audit questions. This is followed by inspection, observation and enquiry by the auditors to verify findings/status.

- The audit is electronic. Responses take the auditor automatically to a "field" requiring the input of either "additional evidence" or a "corrective action request" (CAR) with timelines for a "work in progress" or negative finding. All CARs are completed collaboratively with the audit entity to promote operational capacity building and practical target setting.

Figure 3: The L&TCCI audit worksheets

L&TCCI Audit Worksheets for each Standard, linked to the eight Principles of Corporate Citizenship (snapshots).

Standard 1: Governance

1.1 Integrity and fairness — compliance through integrity

Issues
Integrity and fairness
Compliance with statutory law and regulation
Bribery and corruption
Free enterprise

No.	Questions	Yes	Work in progress	No	N/A
1.1.1	Is there an applicable policy or policy element on corporate governance?				☐
1.1.2	Has this policy or policy governance been adopted entity? ✓				
1.1.3	Are there established including major commit responsible for setting organisation? ✪ [3.1]				

Standard 2: Financial responsibility

2.2 Sustained value creation — optimising shareholder value over time

No.	Questions	Yes	Work in progress	No	N/A
2.2.1	Does the entity record and/or report the total number of full-time employees (FTEs)? ✓ ✪ [LA1]				
2.2.2	Does the entity record and/or report the total number of trainees and apprentices on its payroll? ✓ ✪ [LA1]				
2.2.3	Does the entity record and/or report the total number of subcontractors/temporary employees? ✓ ✪ [LA1]				

Standard 3: Stakeholder engagement — transparency and accountability

Issues
Highest standards of business practice
Sustained value creation
Accounting standards and accuracy

3.3 Communications guided by transparency

No.	Questions	Yes	Work in progress	No	N/A
3.3.1	Does the entity produce or contribute available annual reports and communi business performance? [e.g. an annual accounts?] ✪✪ [2.10–2.22]				
3.3.2	Does the entity produce or contribute available sustainability, corporate resp community and/or environmental repo ✪✪ [2.12; 2.13]				
3.3.3	Is this report subject to third party assi verification? ✪✪ [2.20; 2.21]				

Standard 4: Employees — social justice in the workplace

Issues
Responsibility towards stakeholders
Engagement and partnerships
Communications guided by transparency

Issues
Health and safety
Diversity, opportunity and compensation
Trade unions, worker associations and collective bargaining
Training

4.2 Diversity, opportunity and compensation

No.	Questions	Yes	Work in progress	No	N/A
4.2.1	Is there an applicable policy or policy element preventing all forms of discrimination? ✓ ✪✓ ✪ [HR4]	☐	☐	☐	☐
4.2.2	Has this policy or policy element preventing all forms of discrimination been adopted and communicated by the entity? ✓ ✪✓ ✪ [HR4]	☐	☐	☐	☐
4.2.3	Are there applicable procedures or guidance materials preventing all forms of discrimination? ✓ ✪✓ ✪ [HR4]	☐	☐	☐	☐

Standard 5: Human rights

Issues
Being non-compliant with human rights abuses
Child labour
Forced and bonded labour

5.2 Child labour

No.	Questions	Yes	Work in progress	No	N/A
5.2.1	Is there an applicable policy or policy element excluding child labour as defined by ILO Convention 138? ✓ ✪ [HR6]				
5.2.2	Has this policy or policy element excluding child labour been adopted and communicated by the entity? ✓ ✪ [HR6]				

Standard 6: Community investment — responsive in times of need

No.	Questions	Yes	Work in progress	No	N/A
6.2.18	Does the entity record and/or report on its financial and in-kind investment in projects and partnerships? ✪ ✪ [2.9; 3.9–3.11]		☐	☐	☐
6.2.19	Does the entity reco grievances? ✓ ✪				

Standard 7: Customers, suppliers and subcontractors — responsibility in our business relationships

Issues
Local recruitment and purchasing
Investment and charitable work
Alignment with core competence
Humanitarian assistance

Issues
High quality and best value
Highest standards of security
Relationships based on trust
Sharing the Principles with business partners

7.3 Relationships based on trust

No.	Questions	Yes	Work in progress	No	N/A
7.3.1	Is there an applicable policy or policy ele consumer privacy? ✪✪ [PR3]				
7.3.2	Has this policy or policy element on con been adopted and communicated by the [PR3]				
7.3.3	Are there applicable procedures or guid on consumer privacy? ✪✪ [PR3]				

Standard 8: Environment and precautionary approach — towards environmental sustainability

Issues
Sustainable transport systems and infrastructures
Continuous improvement & precautionary approach
Environmental aspects important to stakeholders
Certification of environmental performance

8.2 Continuous improvement and precautionary approach

No.	Questions	Yes	Work in progress	No	N/A
8.2.1	Has the entity identified the significant environmental impacts of its principal services? ✓ ✪✓ ✪	☐	☐	☐	☐
8.2.2	Has the entity identified environmental objectives and/or targets? ✪ ✪ ✪	☐	☐	☐	☐
8.2.3	Does the entity record and/or report on the significant environmental impacts of its principal services? ✪ ✪ ✪ [EN14]	☐	☐	☐	☐

KEY to questions:
✪ : Global Reporting Initiative (GRI)
✓ : SA8000 Social Accountability standard
♣ : The ISO14001 Environmental Management System (EMS) standard
✧ : FTSE4Good Index Series inclusion criteria
✪ : Dow Jones Sustainability Index criteria (DJSI World)

3. The logistics and transportation sector in society

A background paper was drafted for the purpose of introducing stakeholders to our sector and its wider role in society. In particular, the remit was to reference public domain documentation to check its validity and relevance as a pre-cursor to commissioning a handbook. The executive summary of the paper follows in edited form below[1].

Our sector in society – Executive summary of the paper

The objective of this paper is to introduce the logistics and transportation sector and provide an initial discussion of its role in society, to ensure civil society stakeholders participating in the GRI multi-stakeholder dialogue are as informed as possible about our sector. To achieve this the paper provides the following:

- An understanding of the sector and its scope;

- A review of the main operators and key trends within the sector;

- An outline of the key economic contributions of the logistics and transportation sector;

- An overview of some of the key issues faced by the sector in both the developed and developing country context;

- An introduction to the rationale, mission, objectives and achievements to date of the L&TCCI. This includes an introduction to the Principles of Corporate Citizenship, to which L&TCCI member companies are signatories;

- An overview of stakeholder concerns and issues – with reference to the roles and responsibilities of the sector in society;

- Summaries of case studies from L&TCCI member companies.

Highlights

This document is divided into the following sections.

Background

- This document provides an understanding of the terms "logistics", "transport" and "supply chain". It also provides a preliminary insight into the structure and defining features of the sector and its business relationships – with particular reference to the trend in modern business to outsource logistics requirements to specialists.

- The market coverage of the logistics and transportation sector is defined as including logistics and transport companies in six industry areas: courier, express and parcel services; express freight and freight forwarding; contract logistics; ports; airports and integrators.

Main companies

- *The All Mode World Logistics Top 100* provides a ranking of companies based on their worldwide revenue from a wide range of transport and logistics solutions. This section of the document also identifies the top eleven companies in the world as currently defined by Transport Intelligence: USPS, DPWN/DHL, UPS, Maersk, FedEx, La Poste, Cosco, Japan Post, Nippon Express, Royal Mail and TPG/TNT.

- Building on a pilot study undertaken for the L&TCCI by the proposed third party contractor for the handbook, Euromonitor, the document also presents case studies of two established markets – namely the United Kingdom and the United States[2]. An analysis of

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[1] The full report is available from Stefano Ammirati, either at the Davos 2005 Governors Meeting or through stefano.ammirati@weforum.org. See also listing in Section VI of this report.

[2] *Ibid.*

the UK contract logistics sector based on revenues in 2003 identifies Exel, Wincanton, Tibbett & Britten[3], Christian Salvesen, TNT Logistics and Bibby Distribution as being at the top. An analysis of US third-party logistics provides identifies UPS Supply Chain Solutions, DHL Danzas Air & Ocean, Ryder, Exel, Schneider, and Caterpillar as being at the top.

- The most significant events in the European logistics industry in 2003 show that a number of difficulties affected performance and plans for growth, but suggest that there is recovery in the market in 2004.

Economic contributions

- The logistics and transportation sector is acknowledged as a generator of economic growth, mainly through its role as a facilitator of international trade, as a key driver of an efficient global economy and as a creator of employment.

- The share of the logistics and transportation sector in the economy is illustrated through two examples: the US as a developed economy and China as an emerging economy.

Role of the sector in society

- The role of the sector in society is further discussed with reference to both developed and developing countries.

- In the developed countries we note a change in perception about the role of transport in society. Traditionally, the emphasis was on delivering an adequate system capacity in a cost-effective way. Increasingly, it is now considered that a sustainable transport system is needed, one that satisfies the requirements of the present generation without compromising the ability of future generations to meet their own needs.

- The document looks in particular at the issue of environmental impacts such as global warming and different approaches to achieving efficiency and sustainability from the point of view of reducing unnecessary freight. One of the examples given is that of the MARCO POLO programme – an EU initiative to encourage the use of rail and water transport as an alternative to road modes of freight.

- The role of the logistics and transportation sector in developing countries is different. The African case study shows that the development of infrastructure is essential to improving the competitiveness of the African logistics and transportation system, and in turn to enhance the broader processes of social and economic development on the continent.

- The document references Transaid and FIATA as organizations that run vocational training programmes in Africa (the so-called "Train the Trainer" initiatives), in collaboration with companies and other organizations, to help local people develop core skills in transport management, raise their awareness of sustainability, improve their access to health services and improve safety in transport through driver training.

Logistics and Transportation Corporate Citizenship Initiative

- The paper introduces the L&TCCI, convened by the World Economic Forum to bring CEOs and senior managers together to address the sector's broader role in society and to develop tools and activities to meet those responsibilities. This includes our Principles, a summary of our stakeholder consultation exercise, plus case studies of corporate citizenship to illustrate the sector's wider contributions in environmental protection, community investment and humanitarian relief.

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[3] At the time of writing, Exel and Tibbett & Britten were separate entities. Exel acquired Tibbett & Britten, on 4 August 2004; reference: http://www.exel.com/exel/home.

Plans for a handbook

Work undertaken to date

The following activities have been completed with respect to the proposed handbook volumes.

Volume 1 – Quantitative

- A data collection agency will be conducting extensive research, delivering:
    - Statistics covering seven L&T sectors and comparative data across 40 globally representative countries including those of core interest to the L&TCCI;
    - Basic measures of L&T – for example: turnover by industry sector and of L&T companies; domestic and international traffic; and L&T industry profitability;
    - National economic indicators – for example: GDP, L&T turnover, exports, imports, and government investments;
    - Profiles of leading global, regional and national L&T companies (40-50), including information on: operational overview, group structure, company hierarchy, marketing and SWOT[4] analyses.
- Current status – data collection agency briefed, budget on hold.

Volume 2 – Qualitative

- A structure has been developed covering ten key L&T topics:
    - Economics;
    - Competitiveness;
    - Employment;
    - Role of government;
    - Supply chain management;
    - Customs;
    - Environmental sustainability;
    - CSR and sustainable development;
    - Regulations;
    - Challenges and future scenarios.
- A request for information (RFI) has been sent to a range of experts to identify authors.
- A range of useful contacts and suggestions has been received.
- Authors have been selected and the development of terms of reference is in progress, which will lead to a refinement of Volume 2 structure.
- Positive responses have been received covering all ten topics. Respondents include: the World Customs Organization (WCO), World Bank and UNCTAD, an international trade union, industry, academics and NGOs.
- Current status – budget currently on hold pending discussion with the Governors at the Annual Meeting in Davos in 2005 and further funding.

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[4] SWOT refers to Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis.

The Global Competitiveness Report

Executive overview

In 2004 the L&TCCI commissioned the team responsible for the annual Executive Opinion Survey (which forms the basis of the Forum's *Global Competitiveness Report*) with the task of gathering the responses to 19 questions (12 newly added paid for by L&TCCI) relating to our sector's performance around the world[5]. (The full set of questions is listed in Annex 2).

Our aim was to provide some core data for our intended "industry handbook", in particular the sections that would promote debate with government and policy-makers as to the importance of our sector and its impact on the relative performance of countries. Unfortunately work on the handbook has been postponed and, without the informed commentary and analysis of third-party experts to our initiative, the data loses some of its impact. Nevertheless, we believe that these findings support our goal of raising the profile and understanding of our sector and stimulating debate in positive terms.

Building on the survey, we were able to gather enough data to understand the relative performance of different freight transport modes in the top 40 countries. Here we summarize the conclusions of the Forum's experts who undertook the *Global Competitiveness Report*.[6]

Key findings

Good performers are those regions and countries where competition and infrastructure support an efficient international and domestic transportation market:

- Small states such as Singapore, Hong Kong, the United Arab Emirates and Switzerland are highly regarded by local business leaders for the quality of their freight transportation, along with the Nordic countries and the USA and Canada.

- While the smaller countries benefit from a high degree of quality and flexibility, it is competitive pricing in North America and the Netherlands which drives the relative satisfaction identified in the survey.

- North America (US and Canada) is the most competitive region in terms of the quality of freight transportation – performing well in all categories and in particular the competitiveness of shipping costs (Figure 4). Transportation derived pollution is an issue of particular concern to North American business leaders. South American countries perform poorly in all categories, except in relative price competitiveness.

- Europe performs second best in all areas except "traffic congestion" where Asia-Pacific countries have a slight advantage.

- Asia-Pacific countries perform relatively better with respect to infrastructure quality – beating Europe to second place behind North American (Figure 5). Relatively strong performance of railroad systems and ports, together with more favourable tax conditions indicate that business leaders believe Asia-Pacific has a relatively good infrastructure. Clearly, improvements in the competitiveness of Asia-Pacific's freight could be made by improving access, and therefore competition, within the markets.

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[5] The Executive Opinion Survey has been a major component of the World Economic Forum's *Global Competitiveness Report* since its launch in 1979. This year the Survey contains information on over 100 variables and covers 104 economies. The Survey captures the expert opinions of business leaders and entrepreneurs in each of the countries where it is conducted. Given their current perceptions of the business environment in which they operate, the contributions made by these leaders make the Survey a unique source of qualitative data and concepts that are not available from official statistics. The Executive Opinion Survey is conducted in the first half of every year in each of the economies covered. Input is contributed exclusively by leading business executives and entrepreneurs, whose perceptions are captured in their responses to a comprehensive and scientifically constructed questionnaire.

[6] The full report is available from Stefano Ammirati, either at the Davos 2005 Governors Meeting or through stefano.ammirati@weforum.org. See also listing in Section VI of this report.

- Progress in the competitiveness of the freight industry of South America may largely depend on improvements in infrastructure.

Large-scale public or private investment will be required for some countries to improve ranking.

- The Russian Federation holds bottom place out of the 40 countries covered in this report, performing poorly on all variables relating to the quality of freight transport. However, while it is true that Russia is at a disadvantage due to its large size, it performs much worse than other large countries such as Brazil and China. (See Annex 3 for graph of results.)

Figure 4: Quality of freight transport by region[7]

■ North America (5.5) ■ South America (4.0) □ Europe (4.9) □ Asia-Pacific (4.7)
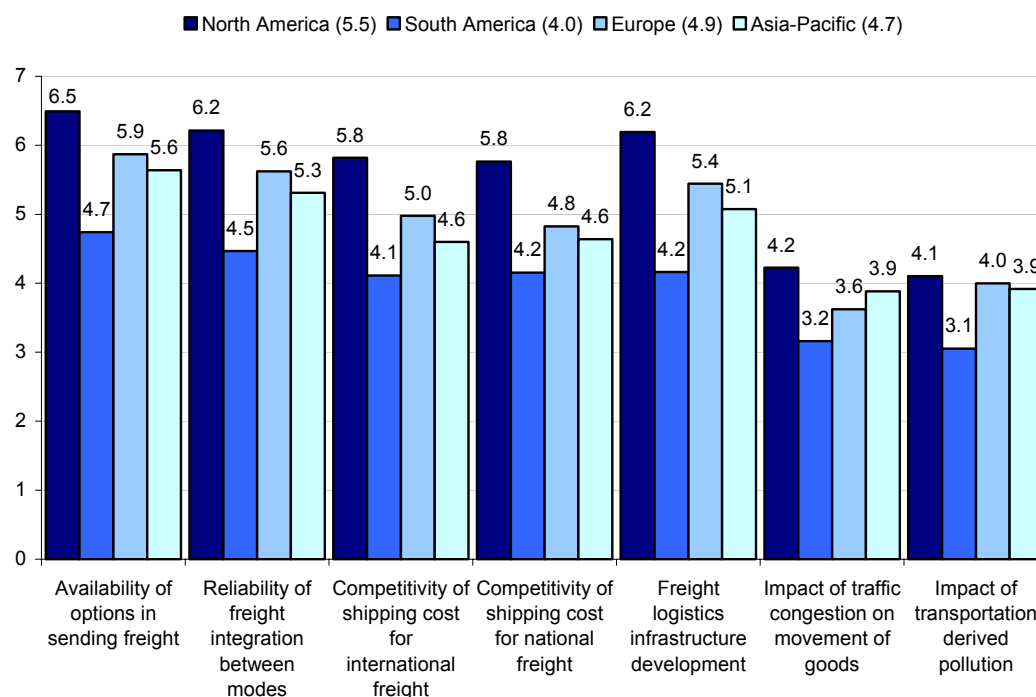
In other countries, opening their markets to more competition would likely improve performance.

- Italy fares only marginally better than the Russian Federation in terms of satisfaction with freight transportation, falling below EU accession countries, even though it is judged to have a relatively better infrastructure). The survey results therefore suggest that improvements could be made through facilitating greater competition in the market.

- The survey points to a perceived dissatisfaction with Japan which ranks only 21 on the quality of freight transport, although it is ranked highly in terms of infrastructure quality. It would appear that a lot more can be done to improve freight services, particularly in terms of shipping cost competitiveness as well as traffic congestion.

Local governments were found to be responsible for over-burdening some markets.

- Germany and Denmark (which also rank highly in infrastructure quality) are penalized by administrative issues, such as the complexity of their tax systems.

Moreover, some smaller countries have lessons to offer their bigger counterparts.

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[7] Numbers in legend represent average regional scores for freight transport quality.

- In addition to the countries already cited, Malaysia demonstrates good performance on the quality of freight transport despite a relatively low score on infrastructure. The country benefits from competitive pricing and relatively low congestion.

Figure 5: Quality of infrastructure by region[8]

■ North America (5.3) ■ South America (3.7) □ Europe (5.0) □ Asia-Pacific (5.1)
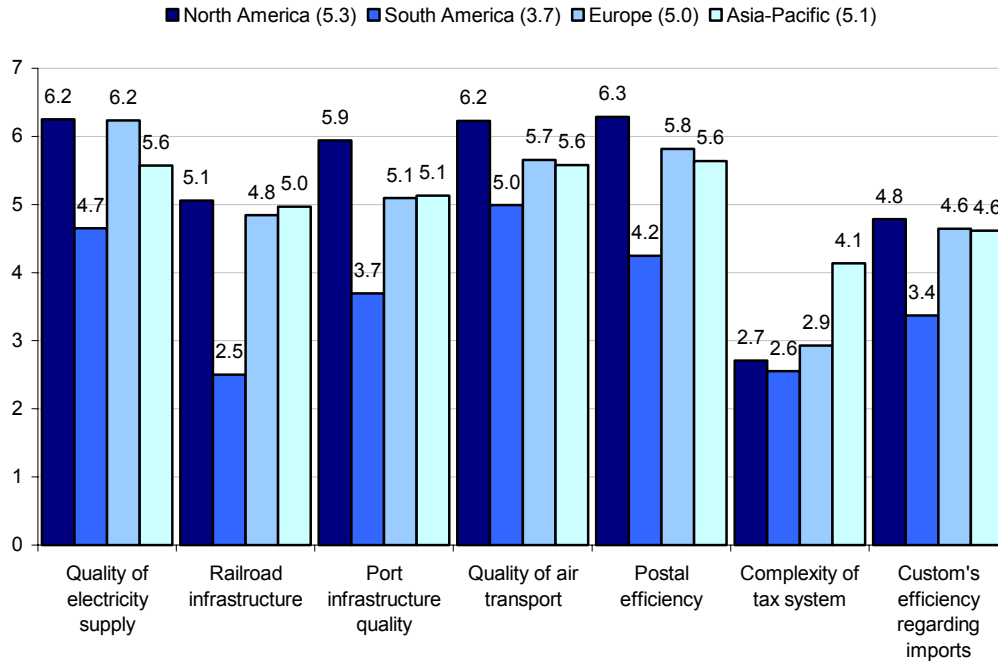
Specific opportunities for improvement exist on a mode-by-mode basis

Analysis identified areas for improvement in quality.

- **Air freight** under-performs the expectations of business leaders in Brazil, Canada, China, Indonesia, Korea, Malaysia, Mexico, the Russian Federation and South Africa. Moreover it appears that large countries generally value air transport, but are apparently below expectations on air freight performance.

- On average air freight was considered the joint-second most important mode of transport – with North America and Asia-Pacific valuing it most highly, and Europe valuing it the least. On average European countries valued rail, road and sea freight more highly than air transport. See Figure 6.

Opportunities were identified for working together.

- Road transport was considered the most important mode of transport for all regions. Nonetheless, the survey identified frustration about road congestion in respect to the more densely populated European countries (Austria, Belgium, France, Germany, Ireland, Italy, Netherlands, United Kingdom) as well as Brazil, India, Japan and Turkey, which adversely affects **road freight**, their most important transportation mode. This suggests their might be some merit in working together to tackle road congestion.

The findings also underline the need for increasing investment in infrastructure.

- Russia and China are unique in placing **railroads** as the most important freight mode. The business leaders of these countries, however, are dissatisfied with the quality of rail infrastructure.

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[8] Numbers in legend represent the average regional scores for infrastructure quality.

- North America values rail transport the highest of the four regions examined – followed by Asia-Pacific and Europe respectively.

- Countries that have historically had a high degree of dependency on **sea** trade (Brazil, China, Greece, the Russian Federation, South Africa, and Thailand) show a higher degree of dissatisfaction with current port facilities.

Figure 6: Importance of different modes of transport by region
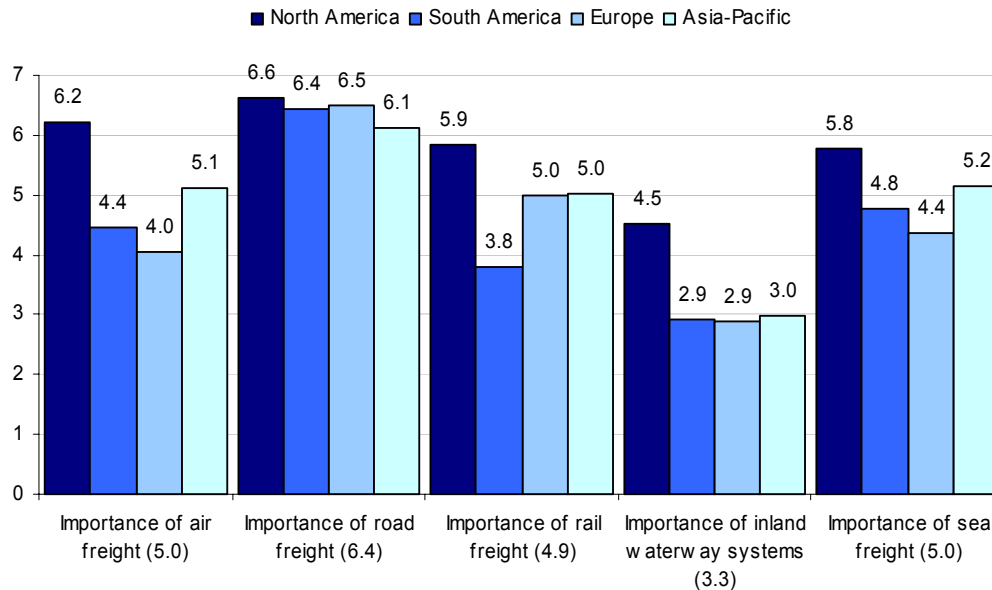
Recommendations

Last year's paper, presented in Davos, "The Logistics and Transportation Sector in Society: Public Knowledge About our Sector and a Proposal for a Handbook", outlined many of the reasons why policy-makers should be concerned about the competitiveness of their freight transport sector. We noted the important contribution of our sector in driving world trade and reducing the costs of doing so.

In particular, we cited key studies which indicate the importance to developing countries (and some of them poor performers in this years survey) of a competitive L&T sector. For instance, the World Bank's Transport chapter in the *Poverty Reduction Strategy Sourcebook* (2001) states that: "A country's ability to unleash its economic potential is closely linked to the efficiency of its transport system."

We return to our proposal – postponed in 2004 due to financial constraints – to create a reference work on the value of our sector and the key issues, in the eyes of external observers, that our industry can help to address. It is our intention to commission chapter-based analyses by recognized experts, which would complement and explain some of the findings in this and other surveys. We would also like to collate the various publicly available data sources on our sector into one manual, and provide comment on our global footprint.

We commend the results of this survey, and voice our intention to actively direct the agenda for public policy debate on the issues it raises.

L&TCCI Digest

The L&TCCI Digest is a fortnightly publication of short articles, news of events and publications of relevance to corporate citizenship, with a particular focus on the logistics and transportation sector. The Digest also provides an in-depth review of a recently published company sustainability report and is designed to reflect the interests and activities of signatories to the L&TCCI: those who share a commitment to improving corporate citizenship.

53 issues of the L&TCCI Digest were produced through 31 December 2004.

4. Stakeholder and customer consultation

The L&TCCI completed two stakeholder engagement exercises in 2004: (1) a multi-stakeholder consultation – completed May–July; and (2) a customer consultation – completed June–November. A third engagement (the *Global Competitiveness Report*) was completed by the World Economic Forum on behalf of the L&TCCI which commissioned an additional 12 questions for the L&T sector in this year's survey (presented in sub-section 3 above).

In addition to forming part of our work to review and implement the L&TCCI Principles of Corporate Citizenship, the results of these engagements are also being used to assist in the identification of a series of candidate Key Performance Indicators (KPIs), which will feed into the development of a relevant and meaningful sector supplement to the Global Reporting Initiative. The knowledge gained from this work also highlights the benefit for L&TCCI members of undertaking such engagement together under the auspices of the Forum – to generate proactive solutions that promote the sector as responsible in terms of corporate citizenship and to cost-effectively generate strategic insight as well as relationship building.

Stakeholder consultation

The purpose of this work was to gain a preliminary understanding of the L&T sector corporate citizenship issues considered most significant to a broad range of stakeholders.

The consultation involved a telephone and e-mail survey of 182 organizations which we identified through a prior-stakeholder mapping exercise. They included: academic and research institutes (13.9%); financial and investment services organizations (9.3%); government agencies (5.6%); industry associations (14.8%); international organizations (11.1%); non-governmental organizations (39.8%); and trade unions (5.6%). Direct responses were received from 108 organizations – representing a 59.4% response rate. This response rate compares favourably with response rates cited in academic literature.

Findings

The results of the survey were grouped in accordance with our eight Principles of Corporate Citizenship, and the component issues into which they are divided.

Concerns

The consultation process identified approximately 111 different stakeholder concerns – with different stakeholder groups prioritizing different issues. The majority of concerns were cited with respect to environment (35), employees (20), and community investment (14).

The ten most important concerns overall and the percentage of times they were mentioned are: emissions – CO_2, SO_x, NO_x (6.3%); employee health and safety – including HIV/AIDS (6%); pollution – including particulates (6 %); community health and safety – including HIV/AIDS (4%); partnerships (3.9%); impacts of infrastructure on environment (3.7%); investment in community infrastructure (3.5%); alternative fuels (3.4%); engagement over issues (2.7%); professional development (2.4%).[9]

Principles

When grouped in accordance with the Principles, most stakeholder concerns related to:

- Principle 8: Environment and precautionary approach (40.7%) – CO_2, other greenhouse gas emissions, and other waste products associated with L&T.

- Principle 6: Community investment (16.1%) – the need to increase local access to transport infrastructure, mitigate negative health and safety impacts, as well as address HIV/AIDS and road accident protection.

- Principle 4: Employees (15%) – health and safety and professional development.

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[9] Percentages appear low due to the large number of concerns mentioned and the fact that stakeholders were asked to identify only the five concerns they considered most important.

- Principle 3: Stakeholder engagement (12%) – public–private sector partnerships for transport infrastructure planning and maintenance.

Less cited by the stakeholders surveyed were concerns pertaining to: Principle 7 – Customers, suppliers and sub-contractors (6.9%); Principle 1 – Governance (4.1%); Principle 2 – Financial responsibility (4.3%); and Principle 5 – Human rights (1%).

The survey also revealed a number of points of potential significance to the content and language of the current Principles. The most notable related to a lack of consensus about the term "charitable work" as used in Principle 6 on community investment. Stakeholders preferred language such as "employee volunteerism", "philanthropy" or "in-kind donations".

Figure 7: Stakeholder issues grouped by Principle
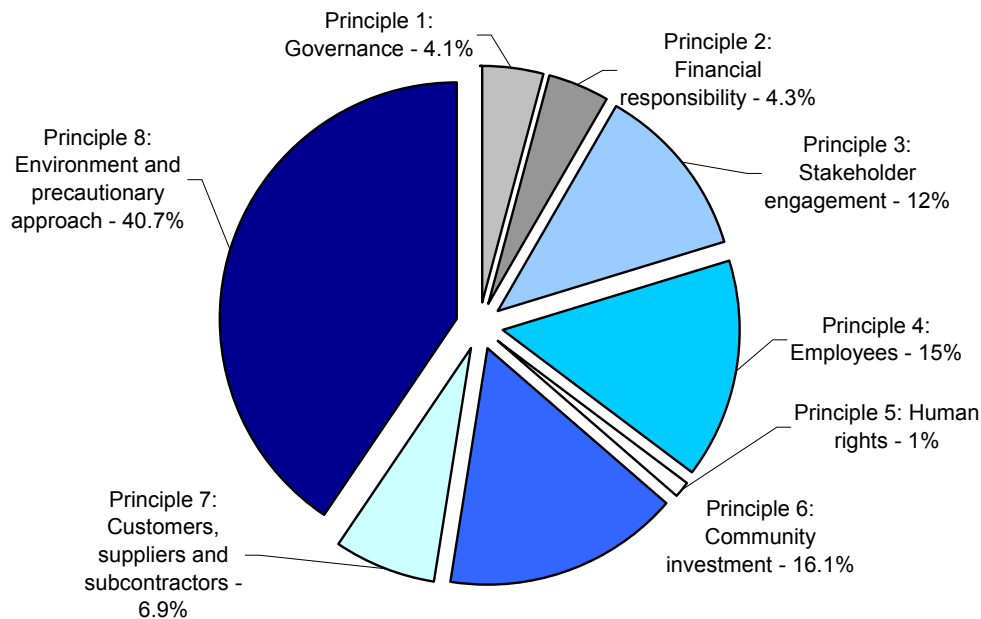
Figure 8: Top ten stakeholder issues[10]

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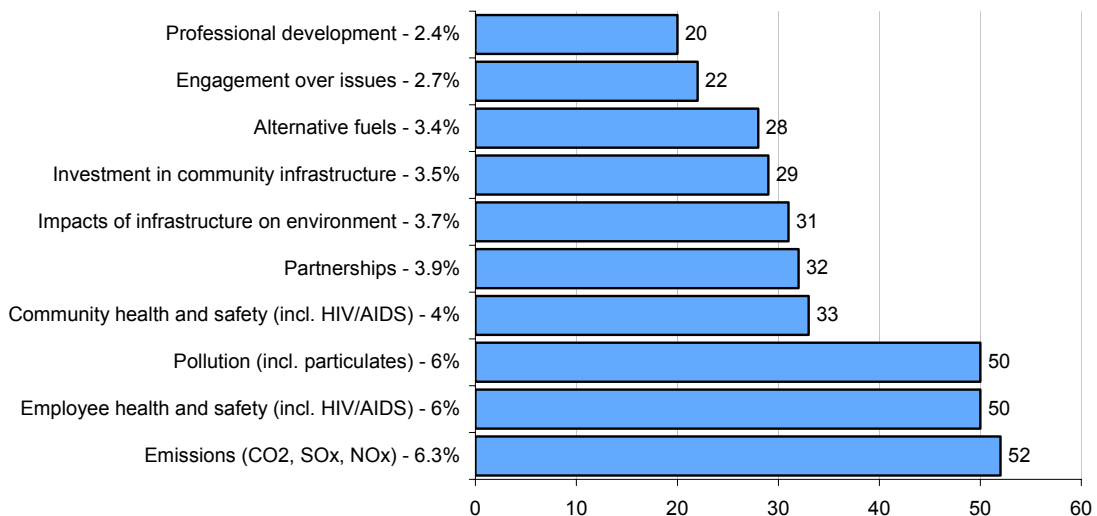
[10] Presents the number of times these issues were mentioned by stakeholders – out of the 108 stakeholders consulted. Percentages represent the relative number of times these issues were cited out of the total number of issues and concerns cited, e.g. 6.3% of all issues related to emissions.

Customer consultation

The purpose of the customer consultation was to analyse:

- The business ethics, social and environmental requirements set for logistics and transportation suppliers by 75 of their major customers;

- The way in which these customers implement their requirements and check that their logistics and transportation suppliers are meeting them.

The analysis addressed what customers require today, for example in RFQs (requests for quotation) or supplier due diligence reviews, and what they will require in the future.

The customer companies included in this exercise were chosen because of their inclusion in the Fortune 500 list (2004) across most sectors and for their ability to demonstrate best practice. They were considered to be either existing L&TCCI member companies' customers or on their wish list. The consultation process utilized multiple methods of investigation: Internet research, e-mail correspondence and telephone interviews. This use of multiple methods ensured that 100% of the 75 companies were investigated. Direct responses (e-mail or telephone) were received from 78.7% (59) of the 75 customers contacted.

Findings – Virtually all customers now set non-financial requirements

Of the 75 customers consulted, 92% (69) were found to be addressing at least some non-financial issues in their supply chains. In addition, 33.3% of these 75 customers were addressing non-financial issues pertaining to logistics and transportation per se, for example emissions reporting and modal shift or collective logistics, either within their own company or in their supply chains. A further 12% stated they were likely to do so in the future. Although few companies identified the L&T sector as currently being "high risk" within their supply chains, those that did were either: (1) particularly concerned about environmental issues and/or; (2) applied a blanket approach to all suppliers, especially those working in Asia, to protect their supply chain from infringements of human rights and particularly child labour.

Requirements – Top three: Legal compliance, environmental management, child labour

Customers identified an extensive range of business ethics, social and environmental requirements for suppliers as being important to the way they work (see Figure 9). Approximately 47 different requirements and emerging concerns were identified during the research: 8 pertaining to business ethics; 14 pertaining to social and human rights issues; and 25 pertaining to the environment.

Customers were found to emphasize different types of non-financial requirements and engage with suppliers at five levels of rigour: most rigorous supplier requirements (18.7%); developing strong supplier requirements (30.7%); developing supplier requirements (28%); supplier issues are on the radar (20%); and those where supplier issues were not yet important (2.7%). The great number of customers developing requirements is notable.

A number of regional variations in requirements were also identified (Figure 10).

- Asia-Pacific was identified as the most rigorous region – largely because companies with environmental management and green procurement requirements are located there.

- Europe was identified as the second most rigorous region – Scandinavian companies in particular address ethical, social and environmental requirements in a balanced way.

- The Americas was identified as the least rigorous region – with customers being more likely to have a supplier diversity programme requirement or to be encouraging diversity protection lower down their supply chain.

Self-assessment and audit

The research also shows that although the implementation and checking of supplier performance is commonly completed through the use of supplier questionnaires or self-audit (first party), customers are increasingly requiring verification through second-party audit – and in some cases even third-party audit and/or certification (e.g. SA8000 or ISO14001).

- 34.7% (26) of customers either required or were likely to require suppliers to complete a social (human rights) questionnaire or self-audit.

- 45.3% (34) of customers either required or were likely to require suppliers to be subject to a second-party social (human rights) audit.

- 20% (15) mentioned the importance of SA8000 or encouraged its implementation.

- 46.7% (35) of customers either required or were likely to require suppliers to complete an environmental questionnaire or self-audit.

- 48% (36) of customers either required or were likely to require suppliers to be subject to a second-party environmental audit.

- 34.7% (26) also required or encouraged ISO14001 certification.

Conclusions

- The research indicates that customers are increasingly extending their non-financial requirements more broadly across the business ethics, social and environmental domains.

- This research found that the requirements companies place on their supply chain partners vary depending on the perceived risk posed by the particular supplier/sector to the customer. It found also that L&T suppliers are likely to face an increasingly stringent set of non-financial requirements in the future – due to the perceived increase in risk of related environmental impacts.

- Customers were also increasingly seeking to inspect and validate the extent to which suppliers delivered against their set requirements, through the growing use of both questionnaires or self-audits and even second-party or third party audit programmes.

- This research did not find a clear move towards the reliance on any specific certification scheme, i.e. SA8000 and ISO14001. It did find that customers considered that the achievement of recognized standards was a bonus for awarding supplier contracts, whether these standards were based on sector initiatives (L&TCCI) or company codes.

Recommendations

- Ensure compliance with the highest standards set by customers to lessen reputational risk exposure of customers and through doing so contribute to winning future business.

- Couple with bespoke ongoing intelligence-gathering that explores: (1) the extent to which customers ask about non-financial issues; (2) the perceived risk and likely expectations associated with the L&T sector; (3) feedback that suggests corporate citizenship performance has been instrumental in winning (or losing) bids or strategic partnerships.

- Target specific customers in different ways, taking into account their distinct approaches to ethical supply chain management in terms of scope of requirements, focus and rigour.

- Obtain further insight into regional/cultural trends identified in the research, as there may be merit in focusing on different customer requirements based on regional location.

- Consider linking this research to an international/national law review that evaluates links between the geographic location of customers' activities and current/impending regulation, as customers state demonstrable legal compliance by suppliers is a minimum requirement.

- Develop and implement consistent questionnaire responses and audit standards that meet the full range of customer requirements. This study found the L&TCCI broad enough to cover all identified customer requirements in this research. As such, it is appropriate that L&TCCI signatory companies also consider utilizing the L&TCCI audit worksheets (and e-tool), or equivalent audit tools, as a basis for internal and external performance measurement and continuous improvement, and to best facilitate capacity building.

- Consider further consultation taking in customers from the public sector and perhaps international organizations or non-governmental organizations (NGOs).

Figure 9: Top five non-financial customer requirements by domain

Note: The ◉ symbol indicates those issues of specific relevance to the logistics and transportation sector
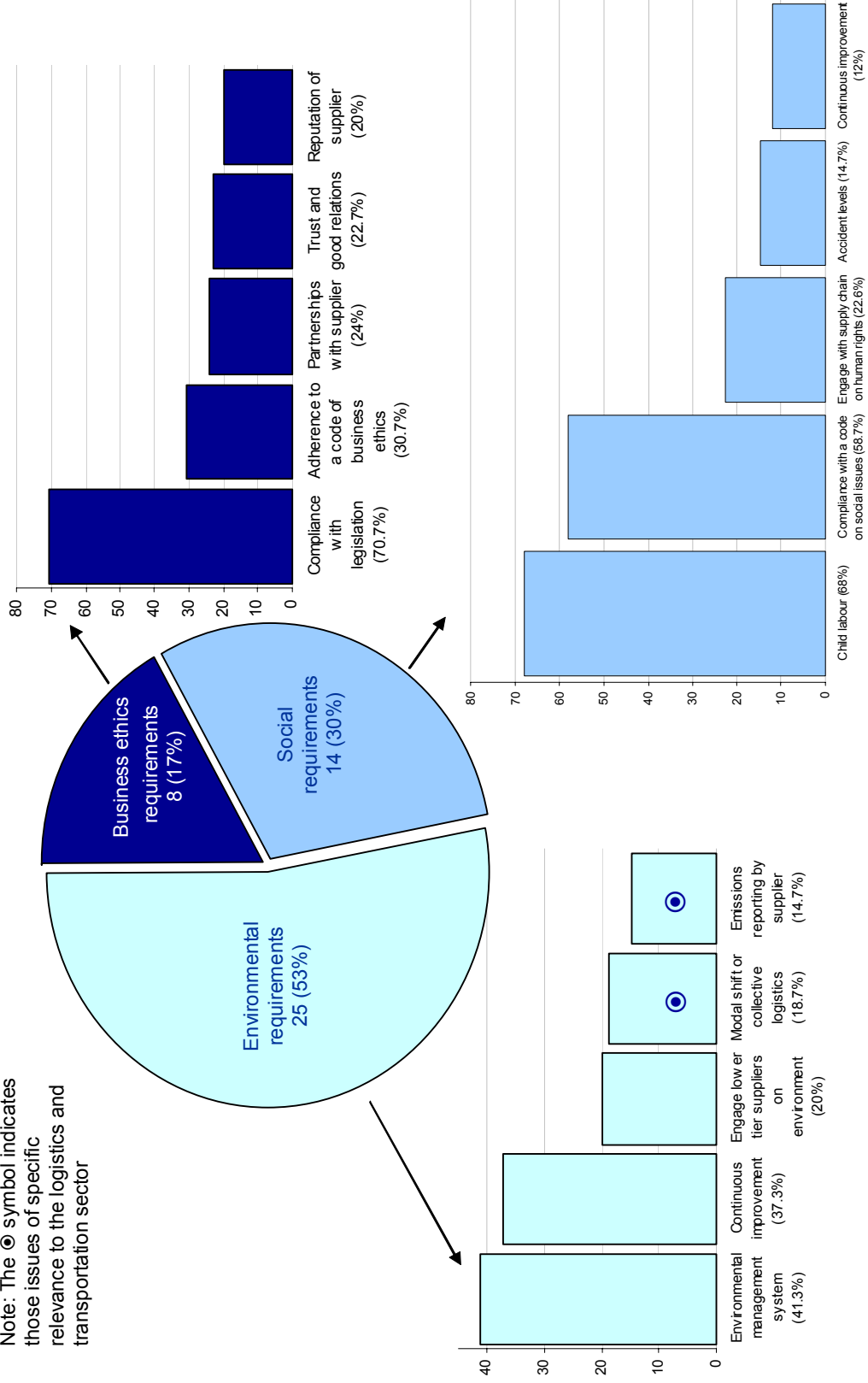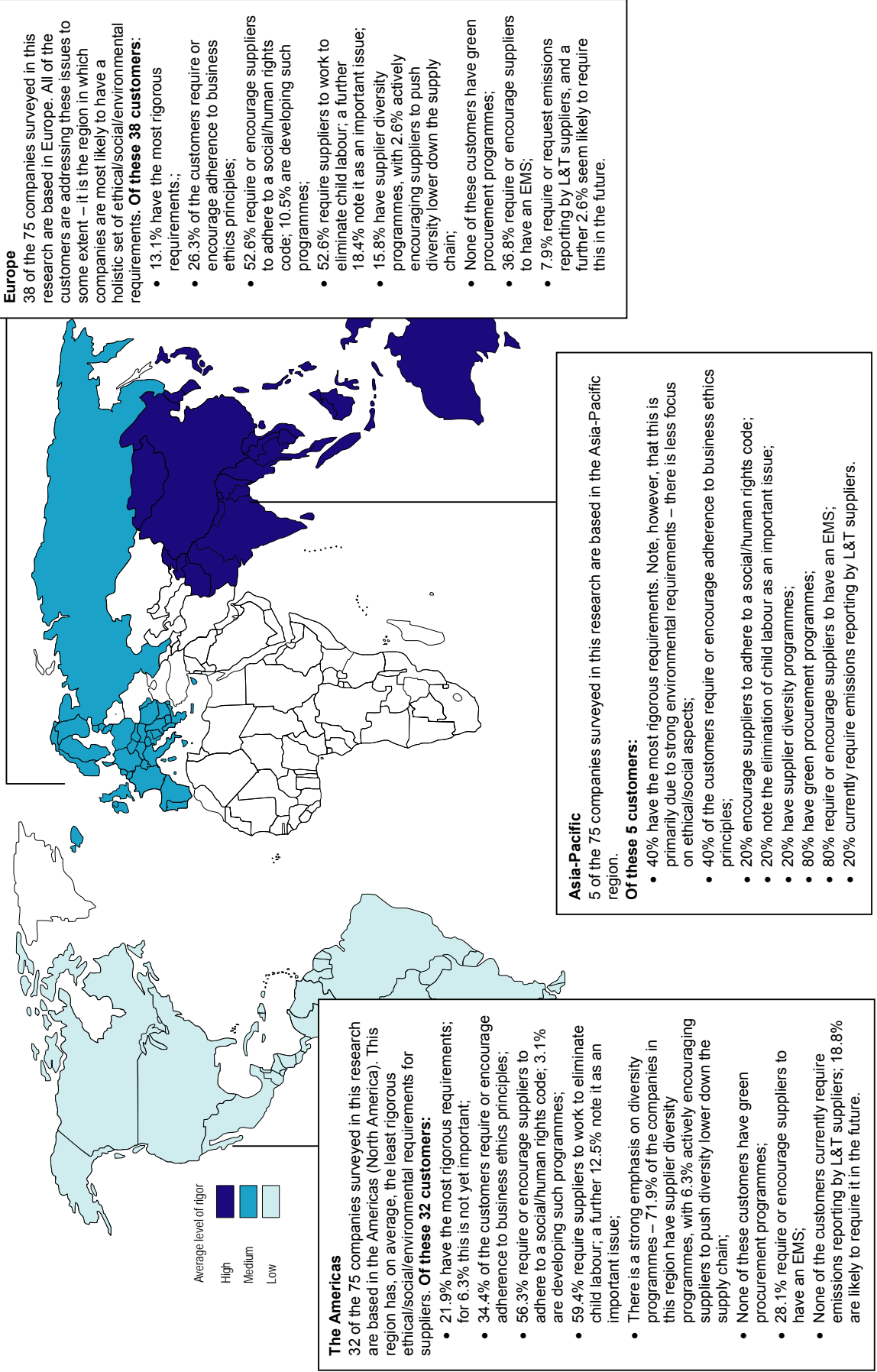
Business ethics requirements 8 (17%)

Social requirements 14 (30%)

Environmental requirements 25 (53%)

Compliance with legislation (70.7%)
Adherence to a code of business ethics (30.7%)
Partnerships with supplier (24%)
Trust and good relations (22.7%)
Reputation of supplier (20%)

Child labour (68%)
Compliance with a code on social issues (58.7%)
Engage with supply chain on human rights (22.6%)
Accident levels (14.7%)
Continuous improvement (12%)

Environmental management system (41.3%)
Continuous improvement (37.3%)
Engage lower tier suppliers on environment (20%)
Modal shift or collective logistics (18.7%)
Emissions reporting by supplier (14.7%)

Figure 10: Regional variations in customer requirements

Average level of rigor

- High
- Medium
- Low

The Americas

32 of the 75 companies surveyed in this research are based in the Americas (North America). This region has, on average, the least rigorous ethical/social/environmental requirements for suppliers. **Of these 32 customers:**

- 21.9% have the most rigorous requirements; for 6.3% this is not yet important;
- 34.4% of the customers require or encourage adherence to business ethics principles;
- 56.3% require or encourage suppliers to adhere to a social/human rights code; 3.1% are developing such programmes;
- 59.4% require suppliers to work to eliminate child labour; a further 12.5% note it as an important issue;
- There is a strong emphasis on diversity programmes – 71.9% of the companies in this region have supplier diversity programmes, with 6.3% actively encouraging suppliers to push diversity lower down the supply chain;
- None of these customers have green procurement programmes;
- 28.1% require or encourage suppliers to have an EMS;
- None of the customers currently require emissions reporting by L&T suppliers; 18.8% are likely to require it in the future.

Asia-Pacific

5 of the 75 companies surveyed in this research are based in the Asia-Pacific region.

Of these 5 customers:

- 40% have the most rigorous requirements. Note, however, that this is primarily due to strong environmental requirements – there is less focus on ethical/social aspects;
- 40% of the customers require or encourage adherence to business ethics principles;
- 20% encourage suppliers to adhere to a social/human rights code;
- 20% note the elimination of child labour as an important issue;
- 20% have supplier diversity programmes;
- 80% have green procurement programmes;
- 80% require or encourage suppliers to have an EMS;
- 20% currently require emissions reporting by L&T suppliers.

Europe

38 of the 75 companies surveyed in this research are based in Europe. All of the customers are addressing these issues to some extent – it is the region in which companies are most likely to have a holistic set of ethical/social/environmental requirements. **Of these 38 customers:**

- 13.1% have the most rigorous requirements.;
- 26.3% of the customers require or encourage adherence to business ethics principles;
- 52.6% require or encourage suppliers to adhere to a social/human rights code; 10.5% are developing such programmes;
- 52.6% require suppliers to work to eliminate child labour; a further 18.4% note it as an important issue;
- 15.8% have supplier diversity programmes, with 2.6% actively encouraging suppliers to push diversity lower down the supply chain;
- None of these customers have green procurement programmes;
- 36.8% require or encourage suppliers to have an EMS;
- 7.9% require or request emissions reporting by L&T suppliers, and a further 2.6% seem likely to require this in the future.

5. KPIs, multi-stakeholder dialogue and industry benchmarking

GRI multi-stakeholder dialogue

Overview

Following the Governors' recommendation at Davos 2004, the World Economic Forum, on behalf of the L&TCCI, began collaborating with the Global Reporting Initiative (GRI) in May 2004. The aim was to launch a multi-stakeholder process to develop a GRI "sector supplement" containing performance indicators specific to logistics and transportation. The achievements so far exceed the expectations of the initial brief which was to develop five Key Performance Indicators (KPIs). The working group has made good progress and is on schedule to complete its work by the end of 2005.

The collaboration brings together the experience and knowledge of the L&TCCI with the GRI's expertise in developing the global framework for sustainability reporting using its unique multi-stakeholder process. The GRI already produces a set of core and additional indicators that are considered relevant to all business. The idea of a sector supplement is to develop, through informed multi-stakeholder dialogue, a set of indicators that address areas of the logistics and transportation industry's activities that are not captured by these generic indicators. The process and resulting output will provide leadership for the sector on identifying reporting priorities and suitable performance indicators.

As with all GRI indicators, the process of reporting against them is entirely voluntary and is designed to guide and promote good practice rooted in the principles of business ethics, human rights, labour standards, social investment and environmental protection.

Achievements to date

The working group met twice in 2004 (August and November).[11] Achievements include:

- Identified aspects (i.e. issues) that are of particular importance to the sector for sustainability reporting;

- Prioritized and selected a set of key aspects to develop performance indicators;

- Initiated drafting of indicators for this set of key aspects;

- Began building a network of external experts to provide feedback as indicators develop.

The following sub-sections are a summary of discussions and examples of the aspects which the working group will further develop into draft indicators.[12]

Economic aspects

The working group spent a significant amount of time discussing economic issues surrounding the sector, and the topic was of particular interest to the financial sector representatives at the second meeting. However, while they agreed on a number of broader economic themes that were relevant for narrative reporting, they found it difficult to identify commonly accepted aspects specific to logistics and transportation that should be included as KPIs within an L&T sector supplement. In many cases where the issue was relevant for the sector, the group was not amenable to creating a quantitative measurement that was relevant to understanding performance at the level of individual companies.

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[11] Structure of the working group is noted overleaf.

[12] Please note that the lists of economic, environmental, and social aspects are indicative of the topics under discussion by the group. They do not represent an exhaustive list. They will likely undergo further refinement and revision prior to reaching a full consensus on the pilot version.

Examples of aspects for discussion at future meetings include:

- Measuring the contribution of the sector towards key services that underpin other economic activity in different parts of the world;

- The role of the sector (individual company) in facilitating movement of goods – trade;

- The sector (individual company) as a procurer of infrastructure and transportation.

Environmental aspects

The working group discussed both direct and indirect environmental impacts of the sector's activities that should be addressed in sustainability reporting.

Energy use and emissions were identified as major environmental concerns due to the heavy use of fossil fuels by the sector. The working group will continue to develop indicators to address performance in respect to efforts to mitigate environmental impacts, such as energy efficiency strategies, R&D in alternative technologies, and shifts to alternative modes of transportation.

In addition to energy use and emissions, other aspects identified include:

- Noise/vibration;

- Fleet decommissioning;

- Ballast water disposal and other ship waste-related pollution;

- Packaging;

- Transportation, handling and storage of hazardous goods.

Social aspects

Issues raised in relation to social aspects vary in their degree of importance depending on the different parts of the sector, but all play a key role in defining perceptions and expectations. For example, labour and employment conditions are particularly a key concern with respect to trucking and shipping activities. The group has identified these as key issues to monitor for companies active in these areas.

Together the aspects capture different facets of specific logistics and transportation companies' relationships with respect to internal (i.e. employees) and external (i.e. community) stakeholders, as well as links to broader social concerns that are related to or can be addressed by the sector's activities (i.e. security).

Among the aspects considered:

- Documentation and labeling of goods;

- Humanitarian relief;

- Health and safety (e.g. substance abuse, transportation of hazardous goods, road safety training/number of accidents);

- Development of transportation infrastructure;

- Access of remote communities to mail and other logistics and freight transportation services.

Working group

The multi-stakeholder working group, comprised of 18 individuals (equally divided between industry and non-industry participants) from different constituencies and geographic regions, was jointly convened by the L&TCCI of the World Economic Forum and the GRI. Efforts were made to ensure that the group is global and diverse in nature, and that it includes the key expertise necessary for the project. Industry representation is provided by L&TCCI members, as well as a few non-members. Those on the non-industry stakeholder side have been primarily recruited through the GRI's global network and the stakeholder consultation study performed by Professor Alyson Warhurst, which identified interested actors.

Key selection criteria for the working group members:

- Knowledge of and expertise in the logistics and transportation sector;

- Ability to represent key stakeholder categories identified in Professor Warhurst's study and through the GRI's networks;

- Understanding of/willingness to work in a consensus-based multi-stakeholder group;

- Ability to commit to attend all four working group meetings in person.

Participants from industry included representatives from the following companies:

DHL, Exel, FedEx, La Poste, Schenker, Stena, TPG, Urgent Couriers and UPS.

Non-industry stakeholders (stakeholder group):

- The Energy and Resources Institute (environmental research institution);

- CoreRatings (financial rating agency);

- International Transport Workers' Federation (labour);

- People's Council for Sustainable Development/The Chartered Institute of Logistics and Transport in Hong Kong (social NGO);

- European Federation for Transportation and Environment (environmental NGO);

- UNDP/Inter-Agency Procurement Services Office (economic/social international organization);

- Morgan Stanley Investment Bank (financial investment bank);

- Warwick Business School (academia);

- United Nations Human Settlements Programme (environmental international organization).

Expected activities/next steps January – December 2005

- April 2005: 3rd working group meeting.

- May 2005: Completion of the working draft of the sector supplement.

- May–July 2005: Public comment period (90 days).

- September 2005: 4th working group meeting and preparation of final draft of the Sector Supplement.

- November 2005: Submission of the final draft to the GRI Technical Advisory Council.

- December 2005: Release of the Sector Supplement Pilot Version 1.0.

The working group will complete initial drafting of the KPIs at the third meeting scheduled for April 2005. The draft sector supplement will be made public for 90 days in May 2005 to receive feedback from a wide range of stakeholders. Companies may choose to test the draft indicators during this period.

The working group will review public comments at the fourth and final working group meeting scheduled for September 2005 to finalize the content. The finalized sector supplement will be released as a pilot by the end of 2005, which will mark the completion of this current project. The pilot will likely undergo further testing as per all GRI supplements and reporting guidance.

The GRI logistics and transportation sector supplement will be presented to the Governors at their January 2006 meeting in Davos.

L&TCCI industry benchmarking KPIs programme

In line with the request by the Governors at their 2004 meeting in Davos that at least five KPIs be developed, and the progress made by the GRI multi-stakeholder dialogue, the L&TCCI sub-working group on KPIs has agreed to start benchmarking sustainability performance across some preliminary common indicators. The purpose of this is threefold:

- To enable participating companies to compare their performance and to guide strategy;

- To evaluate progress against our Principles and to be transparent about it;

- To share best practice in measurement and monitoring techniques.

The benchmarking effort is complimentary to the GRI process in that these indicators are either modifications to core GRI indicators to better suit our sector's requirements or suggested indicators that will form part of the GRI sector supplement being developed through the multi-stakeholder dialogue encompassing most L&TCCI member companies.

Seven sets of benchmarks have been agreed. The participating companies will start to report in 2005 and plan to increase the scope of their reporting through 2006/7. In order to demonstrate progress, some information will be provided by some companies for the period 2004. Background information will also be provided to explain the accuracy, limitations and coverage of the data. At this first stage participating companies are not expected to provide data across the full scope of their operations. However, data accuracy and scope will gradually improve as companies manage sustainability issues more rigorously over time.

Proposed indicators for relevant Principles are noted in Table 1 below. Several companies are still to confirm their participation in this project as they are checking data availability across their operations and the reliability of current monitoring mechanisms. This is therefore not a definitive list of participants.

Table 1: Proposed GRI sector supplement indicators

Principle 2: Financial responsibility

L&TCCI companies already meet key financial responsibility criteria in current reporting.

Principle 6: Community investment

Benchmark	Frequency	Communication	Participants
1. Economic footprint			
1a) Public sector payments: Taxes and other duties paid	1x p.a.	External with names	DPWN/DHL, Ferrovie, TPG
1b) Return on equity: Net income divided by shareholder equity	1x p.a.	External with names	DPWN/DHL, TPG
1c) Payroll (including benefits): Total payroll as % of total revenue	1x p.a.	External with names	DPWN/DHL, Ferrovie, TPG
1d) Purchasing: Global expenditure with suppliers as % of total revenue	1x p.a.	External with names	Ferrovie, TPG
2. Humanitarian relief			
2a) Humanitarian relief expenditure: As absolute monetary amount and % of net income	1x p.a.	External with names	TPG
2b) Humanitarian relief in-kind support: Value-added as absolute monetary amount and % of net income	1x p.a.	External with names	TPG
2c) Humanitarian relief in-kind support: Number of FTE (or part thereof) provided	1x p.a.	External with names	TPG
2d) Description of humanitarian relief within last year, with reference to the Millennium Development Goals	1x p.a.	External with names	DPWN/DHL, TPG, Exel

Principle 4: Employees

Benchmark	Frequency	Communication	Participants
3. Safety and health			
3a) Workplace fatalities	1x p.a.	External with names	Exel, Ferrovie, TPG
3b) Road fatalities	4x p.a.	External with names	Exel, TPG
3c) Automotive accident frequency	4x p.a.	External with names	Exel, TPG
3d) Lost time injury frequency rate (LTFR)	4x p.a.	External with names	Exel, TPG
	1x p.a.	External with names	DPWN/DHL, Ferrovie
4. Development of employees and equal opportunities			
4a) I. Females vs males in total workforce II. Females vs males in management	1x p.a.	External with names	DPWN/DHL, Exel, Ferrovie, TPG

Principle 8: Environment and precautionary approach

5. Energy and fuel efficiency			
5a) Energy consumption	4x p.a.	External with names	Exel, Ferrovie, TPG
5b) Fuel consumption	4x p.a.	External with names	Exel, TPG
6. Transport innovation			
6a) Number of alternative/sustainable vehicles	1x p.a.	Internal no names	DPWN/DHL, TPG
6b) Number of aircraft meeting 2006 noise requirements	1x p.a.	Internal no names	DPWN/DHL, TPG

Principle 7: Customers, suppliers and subcontractors

7. Security of products and services			
7a) Total sum of security related investment	1x p.a.	External with names	Exel, TPG
7b) Number of sites with externally verified/certified security standards	1x p.a.	External with names	Exel, TPG

Note: For the purpose of these tables DPWN is an abbreviation for Deutsche Post World Net and Ferrovie for Ferrovie Dello Stato.

6. Transparency: Sharing best practices in corporate citizenship

Case studies

Transparency is one of the most common of demands on business from stakeholder groups as diverse as customers, institutional investors and environmental special-interest campaigns. This was one of the findings from our stakeholder consultation research. Appraising and reporting environmental, ethical and social performance, even if only internally in the first instance, is also becoming an essential part of the risk review process and part of best practice.

The L&TCCI addresses this challenge in its work to develop a common framework for assessing and reporting performance to interested stakeholders, although member companies rightly insist on maintaining their individual approaches, KPIs and reporting styles. The work programme so far has involved sharing best practices and the development of a set of case studies that demonstrate the diversity of different members' approaches to corporate citizenship.

In this section, we present some best practice case studies of the companies that participated in the L&TCCI throughout 2004 to illustrate some of our industry's wider contributions to society. Such initiatives range from the implementation of key tools to embed corporate citizenship within the company to innovative community investment projects that improve the quality of life in the wider community.

It is important to emphasize that these case studies are presented by the companies in their own words. The author of this report has only applied minor editing to the text to keep case studies within the overall style of the report.

Best practice case studies of the following companies are presented:

- DHL
- Exel
- FedEx
- Ferrovie dello Stato
- La Poste
- Stena
- TPG
- Transnet
- UPS

DHL

With annual revenues of nearly €22 billion in 2003, DHL is the global market leader of the international express and logistics industry, specializing in providing innovative and customized solutions from a single source.

DHL offers expertise in express, air and ocean freight, overland transport and logistics solutions, combined with worldwide coverage and an in-depth understanding of local markets. DHL's international network links more than 220 countries and territories worldwide. Over 160,000 employees are dedicated to providing fast and reliable services that exceed customers' expectations.

DHL is 100% owned by Deutsche Post World Net.

Our approach to corporate citizenship

"Sustainable development involves balancing economic, social and environmental concerns and considering future generations in today's decision-making. DHL is committed to addressing sustainable development as part of our core business practice and it is integral to our corporate citizenship work." Peter Kruse, Chief Executive Officer, DHL Express Europe

"We recognize that, today, being a good corporate citizen is an important part of running a successful global business, particularly since DHL operates in almost every country in the world. Being efficient in our use of resources – whether these are financial or operational – makes a major contribution to sustainability as well as helping us to manage our business effectively." John Mullen, Chief Executive Officer, DHL Express Americas, Asia, Emerging Markets

"DHL will work in partnership with customers and suppliers to deliver sophisticated services and integrated logistics solutions ethically and sustainably. And as a global logistics provider, we believe it is our responsibility to share these skills with those in need in times of emergency." Frank Appel, Chief Executive Officer, DHL Logistics

For us at DHL, corporate citizenship is about the responsibility we have to our people, the communities in which we work and the environment.

Case studies from the countries in which we work

The challenge

Our aim is to be a positive force in society, harnessing our core competencies in logistics and transportation to achieve social as well as commercial goals, where relevant.

Our response

In addition to the globally coordinated work that we undertake as part of a number of the World Economic Forum's initiatives, and our formal partnership agreement with the International Federation of Red Cross and Red Crescent Societies (IFRC), our operations in all the countries in which we have a presence take responsibility for helping the communities in which they live and work.

Impacts

The impacts of these activities are that:

- Employees become more motivated;

- We support capacity building in developing countries;

- We get closer to our strategic aim of supporting the Millennium Development Goals with our community investment activities;

- They help to fulfill our values, vision and mission;

- We can demonstrate support for "ability not disability";

- They positively reinforce DHL's reputation.

Learning

- We have been contributing to the Millennium Development Goals for a number of years. This may be because we operate in so many countries – our communities and partners have been naturally linked into the global agenda for some time.

- Frameworks, guidelines and regular communication are vital tools for making things happen in the right way.

- Company policies often need to be updated as the company ventures into new areas of partnership and humanitarian projects.

- Our customers and employees are a great source of inspiration, encouragement and support.

- Selecting the right internal reporting and auditing tools is critical and time and patience are needed to get it right.

- Partnerships do make amazing things happen and require all parties to share a passion for the success of the activity and an understanding of each other's role in achieving this.

- People and their attitudes are the key to everything.

- There is no substitute for good planning, good communication and good follow through.

Corporate citizenship in action

Our Singapore office arranges regular delivery of fresh food to the elderly in Singapore – known as the "Veggie Express"

Supplies donated by the US being delivered to an orphanage in Iraq by our country office staff

We delivered textbooks that had been gathered and donated by St John's School in Brussels to two schools in South Africa

DHL staff in Kenya arranged a fun day for patients at a local mental hospital in Mathare. They provided gifts and arranged singing and dancing

Some of our sales training material is printed by a charity organization called Jurta in the Czech Republic. This is the first job held by Jirka, the master printer shown, in 24 years

To acknowledge World AIDS Day, DHL South Africa provided a wealth of information on the subject of HIV/AIDS to staff and arranged for free confidential testing

DHL sponsors lifesaving in a number of countries in Asia-Pacific. Statistics show that one-quarter of drownings in the world happen in South-East Asia

DHL used a total of five flights to deliver approximately 60 tonnes of relief goods from Bangkok to Phuket on 28 and 30 December respectively. Following the tsunami in Asia, we set up the DRN's Airport Emergency Team in Colombo, Sri Lanka to help deal with the influx of relief supplies. Local staff also provided support in several affected countries

Website information

More information on DHL's approach to corporate citizenship can be found at
www.dhl.com/corporatecitizenship

Exel

Exel is a global leader in supply chain management, providing solutions to a wide range of manufacturing, retail and consumer industries. Our business spans the full supply chain from design and consulting through freight forwarding, warehousing and distribution services, and integrated information management and e-commerce support. We are supported by highly skilled people and leading-edge technology, and currently employ around 109,000 people in over 120 countries worldwide. Exel is a UK–listed, FTSE 100 company, with a turnover of £6.7 billion. Our customers include over 75% of the world's largest, quoted, non-financial companies.

Our approach to corporate citizenship

Our approach as a company is to deliver long-term growth for investors in a way that respects employees, ethical values, and the environment and communities in which we work. In early 2003 we published our first Environment Report and Code of Ethics. Since then we have focused on continuing our work on ethical and environmental performance and community involvement, and communicating our policies clearly to external stakeholders and employees throughout the business. We liaise with industry peers and cooperate with organizations with specialist expertise in this field to develop our work programme.

Over the past year, Exel has continued to work with the World Economic Forum's Logistics & Transportation Corporate Citizenship Initiative (L&TCCI). We also work with the Global Reporting Initiative (GRI) to create a logistics and transportation sector supplement to the GRI Sustainability Reporting Guidelines. We work with industry peers and organizations with specialist expertise to identify social, environmental and economic issues relevant to our industry, and indicators to mark our progress against these issues.

We have a dedicated Corporate Responsibility team of internal staff and partner organizations to develop our programmes. They work with the full support of the Exel Board and senior management to review and guide the programme and meet objectives across the business.

Exel as a business

Corporate citizenship starts with the management of our own business, including our care for employees, their health and safety as well as that of the public, and our principles for ethical practice in everyday business. Our Code of Ethics aims to reflect our core values of integrity, honesty and respect for people. We review the Code on a regular basis to reflect new challenges to our business, and use tools such as customer and employee magazines, the website and induction programmes to communicate the Code across the organization.

Exel's policies and procedures are designed to ensure that employees at all levels are motivated and supported, and to respect their rights in accordance with the Universal Declaration of Human Rights. We emphasize learning and development, making training opportunities available and encouraging employee involvement in the planning and direction of their work. We have developed various leadership programmes, including Global Business Excellence for senior managers. The Chartered Institute of Logistics and Transport Award for People Development recognized Exel for its approach in November 2004.

Exel in the community

Exel's global presence provides an extensive interface with the many communities in which we operate. This constitutes a responsibility and an opportunity to be a positive force and is formalized in our Code of Ethics.

Exel's community affairs team runs the Exel Foundation, a charity that supports projects through its regional committees in the UK and Ireland, the Americas, Europe, the Middle East and Africa and Asia-Pacific. The Foundation spends approximately £1 million annually to support its projects and the additional fundraising work of Exel employees through the matched-giving programme. Projects include the Charity Challenge, through which employees across the group aim to raise target amounts of funding for the selected charity. In 2004 proceeds went to the National Children's Home. Similarly the Community Partnership programme provides an opportunity for employees to apply for grants to support their own

chosen charity, school or community project. Other initiatives include the Exel Partnering Education programme, which involves employees at any of our head office or operational sites in local school projects. Exel is also involved in schools through the Trucks and Child Safety (TACS) programme, which trains Exel drivers as TACS demonstrators. Drivers take lorries to local schools to explain to children aged 7–11 how to best protect themselves from the inherent dangers of large vehicles. Around 15,000 children receive demonstrations each year.

A major aim of our community programme is to use our core competencies to tackle issues on which Exel can make a difference. To this end Exel is a founding member of the Digital Partnership, an initiative of the Prince of Wales International Business Leaders Forum, which aims to promote affordable access to computers and the Internet in disadvantaged schools and community centres around the world. Exel acts as the worldwide logistics partner for the Partnership, providing logistics and storage support to move computers from companies across the world for refurbishment and installation wherever they are required.

Following the recent Tsunami in Asia, Exel is providing relief services as well as donations through our Foundation and employee fundraising activities. Our Thailand management team responded immediately with relief services to government and aid agencies, and continues to deliver emergency supplies free of charge. We made an initial contribution of £10,000 to the Red Cross, and are encouraging the commitment of our employees across the organization to fundraising activities.

Exel and the environment

We also recognize that our business sectors have environmental impacts both in terms of our direct services and those provided through the activities of our suppliers and contractors. We believe the key impacts to address in this area are energy use and associated emissions. Our Environment Report outlines our current work to minimize impacts and our progress year-on-year. Achievements include rolling-out environmental management systems to operating businesses representing 40% of total turnover. We have established targets for emissions and energy across the organizations. To achieve change we employ efficiency tools, promote reverse logistics and partner with technology companies such as Eneco to develop alternative vehicles for use in our operations. We partner closely with our waste business, Cory Environmental, to improve waste and recycling programmes for our client base. At sites across the UK, Exel has used the existing transport fleet to return recyclables such as cardboard, plastics and glass for recycling at distribution centres. In addition we implement programmes to reduce water consumption. At our Penang facility in Malaysia, for example, we reduced consumption by 9.9 million litres in 2003, which proved the potential for change in this area.

Exel – Reverse logistics

The challenge

Exel recognizes that transport emissions represent one of the greatest impacts of the logistics and transportation industry. We are constantly working to improve our work in this area and to support the L&TCCI Principles, in particular Principle 8 concerning the Environment and Precautionary Approach, and Principle 7 which asks us to work with customers, suppliers and sub-contractors to achieve stated goals.

Our response

Across the business, we have recognized the potential in reverse logistics to contribute to our environmental programme and our core service offering. Reverse logistics involves planning, implementing and controlling the flow of materials back through the supply chain to recapture value. It enables us to make use of the existing transport network, returning products as part of their scheduled route. This saves valuable resources in many respects: it saves both natural and financial resources that would be used to power an additional fleet, and creates a powerful incentive for recycling programmes.

Reverse logistics has come further into focus for Exel with new European legislation such as the Waste Electronic and Electrical Equipment (WEEE) and End of Life Vehicles (ELV) Directives, which put the onus on customers to dispose safely of returned goods and to

account for the entire product lifecycle. Already these are impacting supply chain requirements, and will be followed by stringent regulations concerning batteries, tyres and other hazardous wastes. Additionally the UK government is escalating the landfill tax to £35/tonne, creating an incentive to divert waste from disposal towards recycling and reuse.

Exel's new work in this area is developed closely with Vfw, our dedicated reverse logistics business based in Germany. Vfw is a market-leading reverse logistics business with over 1,500 customers. It has developed a broad range of reverse logistics services, for example collecting and recycling sales packaging from around 400 retail customers, including clothing and shoe retailers, department stores and packaging suppliers. Additionally Vfw returns and recycles used batteries from 72 battery manufactures across 5,500 collection points.

Our partnership with our waste management company, Cory Environmental, enables us to focus on recycling schemes for major retail customers. We work with customers to segregate recyclable materials – typically cardboard, shrink wrap and customer-specific waste streams including plastics, glass bottles, cans or waste cooking oil, which are returned to distribution centres for onward recycling. Exel and Cory secure reprocessors for recycled materials that offer the best value for customers and emphasize new end-markets. Waste cooking oil, for example, is recycled into biodiesel, an environmentally-friendly alternative to conventional fossil fuels, and glass bottles are recycled into fiberglass insulation. In this way, thousands of tons of waste have been diverted from landfill and have generated revenue from recycling.

In the Americas, Exel has developed a reverse logistics service with Wal-Mart, the world's largest retailer. Wal-Mart has a high percentage of goods returned from unsold stock or from its no-quibble consumer returns policy. It has developed six reverse logistics centres nationwide to process these returns flows, three of which Exel manages. According to Exel's director of operations for Wal-Mart, Jim Schlieman, "Exel is focused on cutting unnecessary costs at this point in the supply chain. The objective is to provide an added-value, cost-effective solution."

Impacts

Exel continues to expand its reverse logistics service. Our future work aspires to support customers as they operate in an increasingly dynamic legislative climate, in particular as they respond to the WEEE Directive. As environmental legislation proliferates and customers become increasingly sophisticated in their purchasing decisions, the demand for well-managed reverse logistics solutions will increase.

Corporate citizenship in action

Bales of cardboard at an Exel distribution centre ready for recycling

Website information

For further information visit www.exel.com

FedEx

FedEx Corp. (NYSE: FDX) provides customers and businesses worldwide with a broad portfolio of transportation, e-commerce and business services. With annual revenues of US$ 26 billion, the company offers integrated business applications through operating companies competing collectively and managed collaboratively, under the respected FedEx brand. Consistently ranked among the world's most admired and trusted employers, FedEx inspires its more than 240,000 employees and contractors to remain "absolutely, positively" focused on safety, the highest ethical and professional standards and the needs of their customers and communities.

Our approach to corporate citizenship

We at FedEx care about the communities in which we live and work. We are dedicated to effective corporate citizenship, leading the way in charitable giving, corporate governance and a commitment to the environment. We are proud that our commitment to CSR has received the highest accolades from organizations in Asia, the Americas and Europe.

The same "absolutely, positively" spirit FedEx employees are world-renowned for applies to more than just customer service – we also deliver the same peace of mind you expect from FedEx in our communities. Each year, thousands of FedEx employees volunteer money, talent, resources and time – about 100,000 hours worth – to charitable organizations across the globe. We also leverage our core business competencies to support national and international NGOs – including the Red Cross and Red Crescent, ORBIS International, Safe Kids Worldwide, and others.

We also recognize that effective environmental management is one of our most important corporate priorities. We are committed to protecting and respecting the environment through outstanding environmental performance and efficiency in our operations. In concert with respected environmental organizations, we continue to test and launch highly effective environmental initiatives ranging from hybrid delivery vehicles to solar powered facilities.

We know that how we conduct our business is important to society: in the workplace, the boardroom and the market place. Our reputation is an important asset, and the FedEx name is synonymous with integrity and reliability. From India to Switzerland our employees consistently place us in the top ten "Best Places to Work". Our code of business conduct and ethics sets forth policies with which every FedEx director, officer and employee is expected to comply. We ensure transparency in our financial transactions and our Board of Directors' activities demonstrate how rights and responsibilities are shared among the various corporate participants, including FedEx management and shareowners.

FedEx and the environment - Delivering cleaner air

The challenge

With more than 600 million cars and trucks currently on the world's roads, the need for vehicles that conserve fuel and reduce emissions has become critical. Manufacturers have created some eco-friendly cars and buses; however, little had been done for commercial vehicles – that is, until FedEx Express got involved in 2000.

FedEx Express and Environmental Defense began working together in autumn 2000 to create a delivery truck that would dramatically decrease emissions and fuel use.

Our response

Through a competitive process, Cleveland, Ohio-based Eaton Corporation was selected from more than 20 manufacturers who expressed interest in creating a cleaner vehicle using a variety of technologies.

The project partners, Environmental Defense, FedEx and Eaton, worked closely with a number of suppliers to find innovative, cost-effective solutions to help make the vehicle a reality.

Freightliner Custom Chassis was instrumental in supplying the chassis and assembly of the vehicles. Utilimaster, Hitachi and Detroit Diesel each provided key components.

Impacts

The result was the FedEx OptiFleet E700 hybrid-electric truck, which decreases particulate emissions by 96% and travels 57% farther on a gallon of fuel, reducing fuel costs by more than one-third.

FedEx placed its first two hybrid-electric trucks in Sacramento, CA in March 2004. The company now operates ten hybrids in New York City, four in Tampa, FL and will place two hybrids in an additional US city by the end of 2004.

Hybrid vehicles are just one example from FedEx's comprehensive environmental stewardship portfolio that includes a history of sound environmental practices across all FedEx operating companies, including FedEx Ground, FedEx Kinko's and FedEx Freight.

Corporate citizenship in action

FedEx Express placed into service its first two hybrid-electric low-emission, fuel efficient delivery vehicles in Sacramento, CA on 30 March 2004. Present for the announcement were, from left: David Bronczek, President and CEO, FedEx Express; California Governor Arnold Schwarzenegger; Jim Sweetnam, Senior Vice-President and Group Executive, Eaton Corporation Truck Group; Fred Krupp, President, Environmental Defense; Terry Tamminen, Secretary, California Environmental Protection Agency; and Mike Chrisman, Secretary, California Resources Agency.

Website information

For more information visit www.fedex.com

Ferrovie dello Stato SpA

The Ferrovie dello Stato Group is involved in the entire railway production and supply chain: design and construction of infrastructures, transport services, management of stations, and related services.

The Group is structured as follows:

- A corporate entity acting as a holding company, aimed at generating value and increasing competitiveness (Ferrovie dello Stato SpA);

- Several operating companies covering the different businesses within the production and supply chain (amongst others: Rete Ferroviaria Italiana, Trenitalia, Italferr, TAV, Grandi Stazioni, Centostazioni, Ferrovie Real Estate);

- A business unit that provides support services for the whole group (Ferservizi).

The Group is one of Italy's largest employers, with a total workforce of 100,784. It is also one of the largest Italian purchasers (€7.51 million), with more than 32,000 suppliers of goods and services.

In 2003, for the third consecutive year, the Group recorded a net consolidated operating profit and a positive net profit.

Our approach to corporate citizenship

In addition to its main function of providing transport services, Ferrovie dello Stato is involved in several community programmes. The Group believes it is important to:

- Support the local community;

- Facilitate the diffusion of culture to foster scientific research;

- Promote environmentally friendly tourism;

- Mitigate social inequality.

On the basis of these objectives, the Group has a twofold strategy whereby it makes its assets available to support initiatives promoted by others and it also develops its own projects with the support of other organizations.

Its investments, managed according to environmental and social responsibility criteria, are aimed at increasing the accessibility of passenger and freight transport services through the creation of an integrated sustainable transport system. The Group's operating companies are integrating social and environmental principles and values into their business operations by implementing polices regarding:

- Corporate governance and business management;

- Quality and innovation;

- Human resources;

- Community engagement;

- Health and safety;

- Environmental and land management.

Ferrovie dello Stato SpA – Sustainability Report 2004

The challenge

The Ferrovie dello Stato Sustainability Report is the Group's means of communication to inform stakeholders of its contribution to sustainable development in Italy and Europe, in particular its commitment to sustainable mobility. It also shows how the company is attempting to integrate corporate social responsibility principles and values into its business operations.

Our response

For the first time in the railway sector, the three strands of sustainability – economic, social, and environmental – are being treated in an integrated way (the so-called "triple bottom line"). Moreover, the principles of sustainability are of concern to the entire Group and the issue is being approached according to the definition of sustainable mobility – the capacity to satisfy society's need to move, communicate, engage in commerce and freely interact without compromising other current and future social and ecological assets.

The data and information included in the Report mainly refer to the year 2003. The Report includes a full overview of all the Group's main companies, with a particular focus on those involved in the rail business.

The Report's framework, topics and indicators are aligned with those suggested by the main global standards and in particular with the Global Reporting Initiative.

The Report is structured in five main sections covering economic, social and environmental issues. The first section examines the vision, the mission and the goals the Group aims to reach; the second section is about the governance structure and the organizational profile. Finally, the last three sections consider how the Group is operating on the three strands of sustainability through economic, social and environmental performance indicators. Long-run business strategies are defined in policy objectives for different sectors and activities. For each of these, performance indicators are constructed to follow and measure performance periodically.

Impacts

The Report outlines the way Ferrovie dello Stato has integrated sustainable transport issues into both its strategic framework and its business operations. Cultural change within the organization and the adoption of corporate social responsibility values represent the first essential component of this change. The Group will openly involve stakeholders through a structured engagement process aimed at better understanding and fulfilling their expectations. This will help management to adjust both sustainability objectives and key performance indicators.

Corporate citizenship in action

Website information

For further information visit
http://www.ferroviedellostato.it/fs/view/index/0,3220,2698_1_1,00.html

La Poste Group

With an annual turnover of €223 billion in 2003, La Poste Group is one of the largest postal operators in the world. With 300,000 employees, 200 subsidiaries worldwide, 17,000 post offices, more than 25 billion mail and parcel items delivered each year, and more than 45 million bank accounts, the company plays a major role in the French economy.

Our approach to corporate citizenship

La Poste Group's commitments to sustainable development

Governance

- La Poste Group conducts its entire business transparently, based on a strict code of professional conduct and clear and recognized ethical principles for its employees.

- It is actively involved in combating money laundering and terrorist funding. La Poste draws its employees' attention to the importance of sustainable development and the issues at stake and encourages them to take concrete measures in their place of work on a daily basis.

- Postal employees are also asked to set an example as environmentally conscious citizens vis-à-vis the public (customers, general public and companies, economic players and local associations, local representatives, schools and universities, etc.).

Environment

- La Poste implements specific measures, such as the adaptation of its transport fleet, driver training or logistics organization in order to reduce its CO_2 emissions from transport by 5% by the end of 2007.

- It has a process to reduce pollution at its source and recover waste on all its sites, and develops an eco-design policy for its products.

- The Group implements an environmental management policy on its sites, providing for:

    o The application of sustainable development objectives and environmental quality requirements for new constructions and renovations;

    o A 5% annual reduction in energy consumption and the control of water consumption on current sites by the end of 2007.

Human resources/social relations

- For the Group's employees, La Poste has set up, as part of improved labour-management relations, a human resources policy based on the recognition and respect of individuals, quality and improvement of the working environment, skills upgrading, accountability, and the development of initiatives.

- It develops an ambitious policy to recruit and integrate disabled persons and facilitate access for its disabled customers to its sites, products and services.

- La Poste Group implements exemplary measures for promoting equal gender opportunities in the workplace and providing access to managerial positions for women.

- La Poste applies sustainable development criteria to the products and services that it purchases and/or sells and requests its suppliers and sub-contractors to meet the same requirements.

- It strengthens the dialogue with its customers and all stakeholders (representatives, social partners, local residents, etc.) in order to identify their expectations, analyse their needs and proposals, and to incorporate them, wherever possible, prior to the decision-making process.

- The Group regularly informs its stakeholders of the results of measures taken and the state of progress for each of its commitments.

La Poste Group - Sustainable product development

The challenge

Within the framework of its sustainability strategy, La Poste Group has initiated a sustainable product development approach. This may sound out of the ordinary for a service provider, since its core business is not the design, production and sale of industrial products. However, through its network of post offices and its B2C business, the company sells and distributes a vast number of products which are visible to a large section of the public. Designing and producing these in a sustainable way and explaining the approach to the customer has thus been judged a remarkable marketing strategy.

Our response

In 2004, the sustainable development department conducted the first study on the environmental impacts of La Poste's products and has developed guidelines on sustainable product design. These guidelines, as well as a reference book on sustainable purchasing, will be distributed internally in early 2005 among marketers, purchasers and communicators, and a training session will be held on the same occasion. Quite a few environmentally friendly products and services are already sold or used by the company: account statement envelopes made of recycled paper, its Maileva service that dematerializes professional mail, and package boxes made of 20% recycled cardboard. In addition, several products have been launched that aim to inform customers about the goals of sustainable development, such as a new chequebook illustrated by Yann Arthus-Betrand or the new Marianne stamp.

Impacts

The Group's sustainable product development strategy aims to reduce the overall environmental impacts that stem from the products La Poste uses and sells. All the following will be considerably reduced: depletion of natural resources, air emissions, water pollution, energy use and waste. As part of the overall business strategy, La Poste Group also contributes to its customers' awareness of sustainable development.

Corporate citizenship in action

Website information

For further information visit www.laposte.fr

Stena AB

Stena AB is internationally active in shipping, ferry lines, drilling rigs, real estate, recycling and finance. It is a Swedish holding company, operating through a number of different companies. For Stena, the following are important:

- Customer satisfaction;

- Quality;

- Committed people;

- Innovation;

- Results/business acumen;

- Client relations.

Our approach to corporate citizenship

Principles, policies and programmes in corporate citizenship

Stena is very active in both the Swedish World Wildlife Foundation and the Alliance for Global Sustainability, which brings together four international universities working on research projects in the field of sustainable development.

Stena, above all, is proud of its Swedish heritage and its high corporate citizenship standards, and sees embedding these values and an innovative approach as key elements of its corporate citizenship programmes. Stakeholder engagement takes the form of regular employee surveys – the "Stena Voice" – as well as surveys of clients and suppliers.

The Stena MAX concept:

Double hull, optimal corrosion control, two engine rooms with full fire and water integrity, and redundant and separate systems for propulsion are vital safeguards for proactive safety. Add maneuverability and an integrated bridge layout to facilitate safe navigation in narrow waters. Sum up with a dedicated and well-trained crew and you probably have the safest tanker ever.

Principles,
convictions and
basic values for
Stena AB

Dan Sten Olsson

The Stena culture is based on values that are easily understood and remembered. They are, in short, as follows:

1. Our business aim is to use our skills to contribute to the development of our clients and of society-at-large.

2. Everyone can expect fair treatment – suppliers, clients, employees and the environment. Fair treatment is based on the Golden Rule "Treat others in the same way you would like them to treat you." When in doubt, ask the question:

   ***Would the world function properly
   if everyone behaved in the same way?***

3. We reinvest.

4. Managers can sponsor, if it is according to these values and good for our business long term. Donations are only made with the consent of the shareholders, who also act through a non-profit foundation with means of its own.

5. We work proactively on safety and the environment, and we measure our impact.

6. We adhere to rules and regulations expressed in local and Swedish law and applicable international codes of conduct acknowledged and promoted by Sweden.

Stena Northern Marine – Behavior Based Safety

The challenge

We are committed to providing healthy, safe and decent working conditions for all of our employees. Working on a ship or an oil rig can be dangerous and it calls for extra precautionary measures to be implemented.

Our response

Therefore Stena Northern Marine implemented a Behavior Based Safety (BBS) process onboard all managed vessels, reducing any potential for injury. The process, adapted for their own unique environment by Northern Marine in partnership with ChevronTexaco, is implemented onboard by trained fleet safety specialists.

Crew at work on a Stena tanker

Although we work within a "no blame" culture, this does not remove the responsibility of the individual to take all steps necessary to ensure his or her own safety, and that of others or the vessel as a whole. BBS is a process that focuses on people's behaviour related to how they work. It encourages all personnel to be safe and to work safely at all times by involving people in the process of identifying what behaviour is safe or at risk through the process of observation.

Observation requires the input of both the observer and the person being observed. This enables the identification of barriers to working safely and gives an opportunity for providing feedback in order to find safety improvements. BBS is made up of the following key ingredients:

- Identifying why people behave in a certain way and what causes this behaviour;

- Proper observation techniques;

- Quality observation to find barriers to working safely;

- Effective supervision;

- Providing positive feedback;

- Removing barriers identified through observation.

BBS has not replaced any other part of Northern Marine's safety programme. It is designed to supplement all of the existing procedures, programmes, and processes we have in place to assure that our work environment is safe and our people have the skills and equipment they need to perform their job safely.

Impacts

The BBS process helped in achieving a 48% reduction in lost time injuries in its first full year after being implemented and this trend has continued with a further 25% reduction in its second year through continuous improvement.
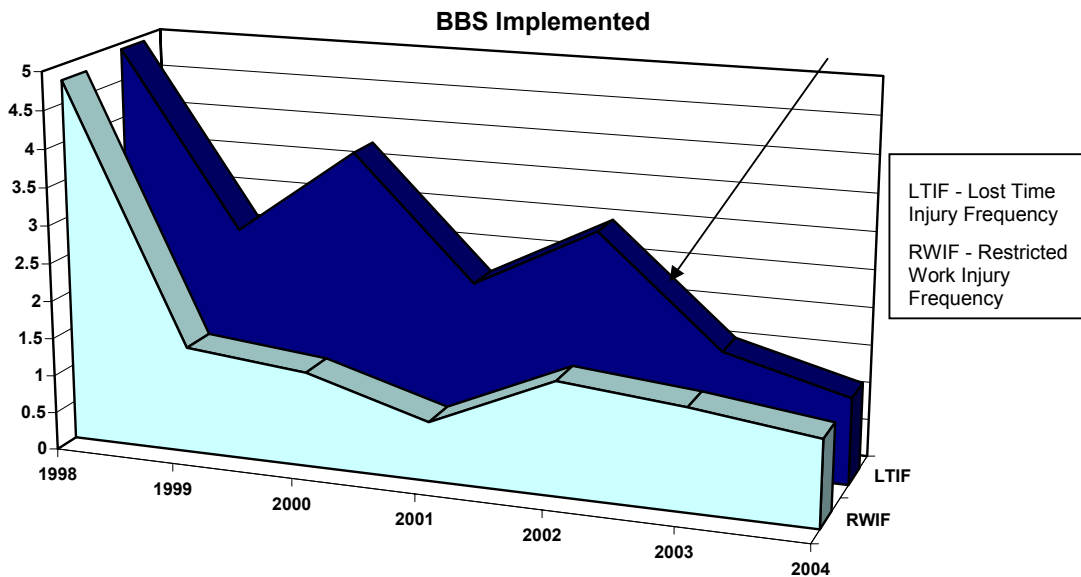
Website information

For further information visit www.stena.com

TPG

TPG NV, with its two brands TNT and Royal TPG Post, is a global provider of mail, express and logistics services. The group employs over 160,000 people in 64 countries and serves over 200 countries. For 2003 the company reported sales of €11.9 billion. TPG NV is publicly listed on the stock exchanges of Amsterdam, New York, London and Frankfurt.

Mission

Our mission is to exceed customers' expectations in the transfer of their goods and documents around the world. We deliver value to our customers by providing the most reliable and efficient solutions in distribution and logistics.

We lead the industry by:

1. Instilling pride in our people;
2. Creating value for our shareholders;
3. Sharing responsibility for our world.

Our approach to corporate citizenship

TPG's approach to corporate sustainability

At TPG, we aim for leadership. We want to attract the best people, use the best processes and deliver the best services. Our leadership in mail, express and logistics means delivering superior service to customers and outstanding value to shareholders. But we believe real leadership goes beyond our own business. In today's world, true industry leadership must include social leadership. An important element of our effort to attain a position of social leadership is the approach we're taking towards corporate sustainability. We strive to manage our business with respect for the environment and the communities in which we operate.

In recent years we took some important steps to support our social leadership ambitions. We adopted a Corporate Sustainability Policy. We signed the United Nations Global Compact, which deals with human rights, labour rights and environmental protection. We launched our partnership with United Nations World Food Programme. We inaugurated an annual competition to recognize outstanding contributions to sustainability within the company. In 2005, TPG will report on sustainability over the year 2004 on the basis of the Global Reporting Initiative (GRI) guidelines, as far as relevant to our company and industry.

Our aspirations

TPG aspires to help people realize their potential and meet the needs of the current generation without producing a poorer world for our children by compromising the ability of future generations to meet their own needs.

The quality of our footprint on local, regional, national and global societies is a key factor when communities decide whether to extend their consent to our operations in the long-term. TPG is developing and maintaining policies and practices that promote a positive and sustainable environmental and social contribution to every community in which we operate. The TPG Code of Business Principles underpins this commitment to legal compliance, continuous improvement and sustainability.

In the words of our CEO – Peter Bakker

"We're trying to do all we can to preserve and improve the world for future generations."

"For us the essence is our active search for opportunities to make our world a better place by actively doing good things."

"By delivering outstanding service to our customers, providing sound returns for our investors, treating our employees and our world with respect, and conducting our business in an honest and open manner, TPG is demonstrating its corporate social responsibility."

TPG & WFP - A partnership to tackle world hunger

The challenge

TPG and the United Nations World Food Programme (WFP) launched a groundbreaking partnership in December 2002 aimed at a single common goal: fighting world hunger. The WFP is the world's largest humanitarian aid agency and the logistics arm of the UN. TPG is committed to sharing its resources and know-how with them in order to make a lifesaving difference. Its partnership with the WFP has become the cornerstone of the TPG's commitment to corporate sustainability on a global scale. The proven dedication and enthusiasm of its 160,000 employees is enabling TPG to take on the greatest logistical challenge of all: helping to feed the world.

One example of our response

Assessing transport options in Sudan
Part of the Joint Logistics Supply Chain initiative

In Sudan, "road" is a big word. On a good stretch, it can take 2.5 days to travel 200 kilometres. This changes into weeks in the rainy season. With almost 70% of WFP relief to Sudan currently being delivered by air, a TPG specialist spent several weeks in Kenya assessing the transport capacity of road infrastructure. The result was an up-to-date overview of the transport capacity of the region's road network. This will allow the WFP to prepare for the possible migration of millions of people within the region, including refugees returning from across the border as well as those displaced internally.

"The projects we are working on for the WFP are an interesting challenge for our logistics skills since there are many more variables than we normally have to take into account, from basic infrastructure even up to politics and security conditions."

**Nicolas Romero,
TPG Project Manager**

WFP need addressed
An overview of the transport capacity of relief corridors to and in southern Sudan

Objective
Identify potential logistics bottlenecks so that WFP and other agencies can make preparations for the repatriation of some 500,000 refugees and the potential relocation of millions of internally displaced people

Why involve TPG
Capacity, logistics expertise and analytical capabilities

Duration
Several weeks

Key people involved
WFP - Matthew Dee
TPG - Nicolas Romero

Benefits realized
Good overview of transport capacity and issues concerning the road network in southern Sudan

Website information

You can find more examples of the support TPG gave the WFP on www.tpg.com/wfp.

Transnet

Transnet Limited is a public company with the South African government as its sole shareholder. As the holding company behind some of South Africa's largest national transport businesses, Transnet is responsible for making sure that the country's transport industries operate to world-class standards and that they also form an integral part of the overall economy.

Transnet is not only key to South Africa's development, but it also combines forces with other businesses to expand transport operations across Africa and into the rest of the world. In this way, Transnet helps to create valuable business opportunities that extend beyond the country's shorelines and borders. The group is recognized today as the dominant player in the southern African transport and logistics arena, operating and controlling, as it does, South Africa's major transport infrastructure.

Transnet is an organization focused on rail freight and port operations. As such, Transnet's strategy is to provide an integrated seamless transport and logistics solution to customers. Transnet's renewed strategy will concentrate on: Spoornet, the rail utility; National Ports Authority (NPA) and South African Port Operations (SAPO), the port businesses; and Petronet, the pipeline business utility. South African Airways (SAA) focuses on aviation.

Our approach to corporate citizenship

The Transnet Foundation is the vehicle for Transnet's corporate social investment programme. It has been mandated to contribute towards the country's socio-economic development as part of the company's strategic focus on responsible corporate citizenship. The Foundation believes that the best and most effective way of adequately addressing these enormous challenges is through the establishment of strong and strategic partnerships with relevant stakeholders. Such partnerships have the potential to maximize the impact of the contributions the company makes and ensure their sustainability.

The Transnet Foundation supports projects under the following portfolio areas: education, health, arts and culture, sports and entrepreneurship. All these areas have established very strong and effective partnerships with government departments and non-governmental and community-based organizations in a collective quest to address inequalities and infrastructural backlogs in previously disadvantaged communities. In some instances, the Foundation has formed strategic partnerships with other businesses to ensure that community development projects, particularly in rural areas, are tackled with a decisive, effective and integrated approach to achieve maximum impact.

The Phelophepa healthcare train

The challenge

A nation without health is a nation without hope. Inspired by this philosophy and the belief that healthcare should be accessible to all, a team of committed individuals set out on a journey of healing. And so a special project was born when Transnet's corporate social investment department and the optometry department of the Rand Afrikaans University in Johannesburg joined hands to provide rural South Africa with primary eye care.

Thereafter, Transnet decided to take up total ownership of mobile healthcare on rail, and this subsequently gave birth to one of the most ambitious projects ever to be undertaken by corporate South Africa – the launch of a fully fledged primary healthcare train, entailing the cementing of new partnerships, as well as role players exchanging knowledge, human resources and services.

Our response

The Transnet Foundation's healthcare train, the Phelophepa – a combination of Tswana and Sotho words meaning "Good clean health" – started on 10 January 1994 and provides rural people in South Africa with essential healthcare services and health education.

The design and building of the Phelophepa train represents an innovative South African engineering achievement – a project requiring technical experts and professionals in the health delivery field to plan together and build a primary health clinic on wheels. This 16-coach train now boasts a modern communications network, an industrial kitchen serving more than 40,000 meals during its annual 36-week period of travel, a unique power car generating enough power to supply a small town for two weeks and comfortable clinic offices and consulting rooms.

The Phelophepa has become a well-known and trusted beacon of hope and better health in rural South Africa, delivering eye, health, counseling, and dental care and health education to thousands of men, women and children. Since the Phelophepa started her journey in 1994, the face of health needs and delivery in South Africa has also changed. The management of this 600-tonne train decided that the Phelophepa should also listen to these needs, adapt, expand and reach out to other role players in health and related fields.

The 15 professional staff members living on the train 36 weeks of the year are supported by final year and post-graduate students from tertiary institutions in South Africa. The disciplines involved are optometry, nursing, dentistry, psychology, pharmaceutical and tourism and hospitality studies. Students working on the train represent a microcosm of the "Rainbow South Africa" coming from all groups – religious and ethnic – in South Africa. The Phelophepa presents the mostly urban students with the stark reality of rural health and basic needs. For most this becomes a life changing experience, and many return voluntarily to assist when needed.

Phelophepa offers the following healthcare services to the many millions its workers reach out to in the rural outlying areas of South Africa:

- Primary healthcare, including basic health and HIV/AIDS education;

- Dental care;

- Medicine and pharmaceutical services;

- Eye care;

- Counseling.

Supporting the services rendered at the train, the Phelophepa management has so far facilitated the following outcomes:

- A specially designed basic healthcare educational programme;

- A home-based nursing training course for Edu-Clinic volunteers;

- A specially designed mother and baby care manual;

- Special counseling workshops in communities on stress management, HIV/AIDS, child discipline, drug and alcohol dependency;

- Local capacity building and empowerment – at each stop the Phelophepa employs local people as interpreters, cleaners and cashiers, teaching patient protocol and encouraging them to seek job opportunities after the train has left;

- A specially designed educational and informative Phelophepa video channel;

- A pilot HIV/AIDS educational campaign in the Eastern Cape.

Impacts

- Since its inception in 1994, the Phelophepa has visited each province in South Africa (except Gauteng, which is regarded as urban) more than five times already.

- Close to a million patients have now been treated in the various clinics on board the train. This includes health education and counseling workshop outreach programmes as well as screening and education of school children.

- Close to 2,000 AIDS action coordinators have been trained.

- The train successfully utilizes and supports existing primary healthcare services through referral to the nearest local clinic, hospital, social worker or doctor. This ensures sound continuity and aftercare for the patients.

- Thousands of local volunteers have completed the five-day Basic Health Education Programme;

- More than 8,000 students have done voluntary work on the train, which significantly contributed to practical work training in their various disciplines.

- Annually more than 40,000 patients in the most remote and rural areas in the country register at the train for treatment.

- In addition, Phelophepa has won numerous awards and accolades in recognition of its innovative corporate social responsibility response. The train continues to positively touch the lives of many deserving South African citizens.

Phelophepa is a shining example of working business and government partnerships to deliver sustainable corporate social investment to communities.

Corporate citizenship in action

Website information

For further information visit www.transnet.co.za

UPS

UPS is the world's largest package delivery company and a global leader in supply chain services, offering an extensive range of options for synchronizing the flow of goods, information and funds. Headquartered in Atlanta, Georgia, USA, UPS serves more than 200 countries and territories worldwide. UPS's stock trades on the New York Stock Exchange (UPS).

Our business – which serves eight million customers daily in over 200 countries through 360,000 employees – is built on a single, highly integrated network structure. We believe this model is the most efficient, cost effective, environmentally responsible and profitable in the industry. All goods – air and ground, domestic and international, commercial and residential – are processed through the same network. This results in a very efficient use of assets and lower costs.

The single network model delivers significant benefits – reducing environmental impact, offering opportunities to employees and providing positive financial performance.

Our approach to corporate citizenship

We at UPS believe our business success depends upon balancing economic, social and environmental objectives.

We provide optimal service and value to our customers by striving for the highest operational efficiencies and minimizing impact to the environment. This business model has endured for nearly a century, and it has generated significant benefits for our stakeholders – employees, customers, communities and shareholders. Indeed, it is the foundation of a culture rooted in an ownership philosophy that values long-term strategy along with diligent execution.

This balanced approach to business is also an important element of synchronizing global commerce, which we believe will be one of the most powerful and pervasive economic, social and environmental forces of the 21st Century.

We believe the social and economic impact of synchronization – bringing greater balance and sustained order to economic development – benefits us at UPS, our employees, customers, shareowners and the communities in which we operate.

Throughout our history, we have found that we grow by investing not only in our business, but also in the communities we serve. This belief drove us to establish The UPS Foundation in 1951 to develop and champion innovative solutions to social problems.

UPS – Operating in Unison

In November 2003, UPS released its first Corporate Sustainability Report titled Operating in Unison. The report outlines the company's commitment to balancing economic, social and environmental goals.

The challenge

In a speech to Business for Social Responsibility's 2003 annual conference, UPS Chairman and CEO Mike Eskew said:

"I believe the world is looking for global business leadership that can help create greater economic, environmental and social order. That is the crux of sustainability – bringing order to a world that has grown too chaotic in recent years."

We spend a lot of time examining and re-examining the economic, environmental and social implications of running our business the way we do. This examination, combined with our desire to provide full transparency to consumers, governments and NGOs, led us to publish our first Corporate Sustainability Report.

Our response

UPS was the first in the package delivery industry to publish a corporate sustainability report. The report broke ground by introducing new measurements such as gallons per package –

the amount of fuel used to deliver each package – and aircraft emissions per payload capacity – the level of emissions produced by an airplane to carry its load of packages.
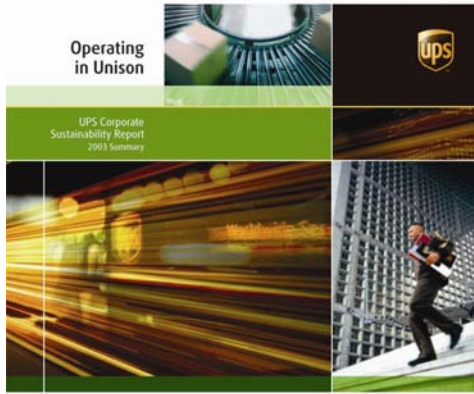
Managing and measuring greenhouse gas emissions are important business opportunities for UPS – ones that can improve the bottom line and reduce not only UPS's, but also its customers' impact on the environment. Based on these measurements, UPS has outlined specific goals in the Report to help minimize the company's dependence on fossil fuels.

Impacts

At UPS we use the Global Reporting Initiative to identify key performance indicators (KPIs) particularly relevant to our industry. Below are the specific KPIs we have established to measure the impact of our operations. The results for each measure can be found at www.sustainability.ups.com.

Economic	Social	Environmental
Return on equity	Full-time retention rate	Fines as a percentage of environmental agency inspections
	Employer of Choice Index	Water consumption
	Percent participation in employee opinion survey	Energy footprint
	Automotive accident frequency	Ground network fuel efficiency (gallons per package)
	Lost-time injury frequency	Global aircraft emissions
	Philanthropy as a percentage of profit and total UPS charitable contributions	Percentage of fleet that meets stage VI noise requirements
		Greenhouse gas emissions footprint
		Number of reportable spills
		Hazardous waste (recycled/incinerated/land-filled) (tonnes)

Corporate citizenship in action

	The UPS Corporate Sustainability Report can be found at www.sustainability.ups.com
	Stephen Flowers, President of UPS Americas Region, reads to children while volunteering with the United Way

Website information

For further information visit:

- UPS Corporate Sustainability Report: www.sustainability.ups.com

- UPS news and information: www.pressroom.ups.com

- UPS community involvement: www.community.ups.com

V. Resources and acknowledgements

World Economic Forum website: www.weforum.org

Global Reporting Initiative website: www.globalreporting.org

Websites of companies whose case studies are noted in this report:

www.dhl.com	www.ferroviedellostato.it	www.tpg.com
www.exel.com	www.laposte.fr	www.transnet.co.za
www.fedex.com	www.stena.com	www.ups.com

The following participants of the L&TCCI working group are kindly acknowledged for their work and contributions through 2004:

Winfried HASER	Senior Professional, Environmental Reporting and Policy	DEUTSCHE POST WORLD NET	Germany
Richard CORRIETTE	Vice-President, Corporate Citizenship Unit	DHL	Belgium
Laura BOLTON	Corporate Responsibility Manager	EXEL	United Kingdom
Doug EVANS	Secretary and Corporate Legal Director	EXEL	United Kingdom
Martin LIPTROT	Global Communications Director	FEDEX	United States of America
Monica GIARDA	Manager, Environmental Policy	FERROVIE DELLO STATO	Italy
Francesco MAURO	Director, Environmental Policy	FERROVIE DELLO STATO	Italy
Margrethe SAGEVIK	Project Manager, Sustainable Mobility, Economics, Finance and Environment Division	INTERNATIONAL UNION OF RAILWAYS (UIC)	France
Julia HAAKE	Project Manager, Environment, Department of Sustainable Development	LA POSTE	France
Riccardo SCIOLTI	Director, Logistics	POSTE ITALIANE	Italy
Johan ROOS	Maritime Safety and Environmental Affairs	STENA	Sweden
Peter VAN MINDERHOUT	Director, Corporate Communications and Sustainability	TPG	Netherlands
Vincent DE VALK	Adviser	TPG	Netherlands
Ward SCHALEKAMP	Deputy Corporate Secretary	TPG	Netherlands
Mangwashi V. PHIYEGA	Group Executive, Corporate Affairs	TRANSNET	South Africa
Anton VAN DER LANDE	Vice-President, Public Affairs	UPS	Belgium

DHL, Exel, Stena AB and TPG, founding sponsors of the Initiative, are particularly acknowledged for providing seed sponsorship to initiate the L&TCCI and its 2004 activities. Special thanks are due to Uwe Doerken and Richard Corriette of DHL for their roles in launching the L&TCCI and providing start-up funding. Also, Stefano Ammirati of the World Economic Forum is also greatly acknowledged for his very active role as Senior Community Manager, Mobility Industries. Thanks also are due to Susannah Anastasi, Ed Cole and Dr Kevin Franklin of Maplecroft for their assistance in the preparation of this report; James Howe of DHL, Vincent de Valk on behalf of TPG and Naoko Kubo of the Global Reporting Initiative (GRI) for their kind contributions to sections about, respectively, the *Global Competitiveness Report*, the industry benchmarking KPIs programme and the GRI-convened multi-stakeholder dialogue.

Professor Alyson Warhurst prepared this report on behalf of the L&TCCI working group.

This report was edited by Danielle Carpenter Sprungli

VI.   More detailed inquiries and comments

Note: L&TCCI reports or briefing documents are noted below and are available from:

Logistics &Transportation Corporate Citizenship Initiative (L&TCCI) of the World Economic Forum. E-mail: stefano.ammirati@weforum.org. Tel.: +41 (0)22 869 1482

Reports and briefing documents

Listed as per the categorization of deliverables presented throughout this report.

Principles and governance

- Corporate Citizenship Principles

- Guidance to the Corporate Citizenship Principles

- L&TCCI Governance framework

- Minutes of quarterly review meetings

- Report to the Governors – Davos 2004

- Report to the Governors – Davos 2005

Tools for embedding the Principles

- Basic corporate citizenship tools

    o Tool-set 1: Management System

    o Tool-set 2: Stakeholder engagement

    o Tool-set 3: Assessment

    o Tool-set 4: Key Performance Indicators

    o Tool-set 5: Accountability

- L&TCCI corporate citizenship audit

    o Tool 1: Corporate citizenship audit worksheets

    o Tool 2: User guide to the corporate citizenship audit worksheets

    o Tool 3: Information requirements document for the corporate citizenship audit worksheets

The logistics and transportation sector in society

- "Our sector in society", Sept. 2004

- Handbook brief

- Handbook terms of reference (Vol. 1)

- Handbook RFI for authors (Vol. 2)

- *Global Competitiveness Report* – L&TCCI supplement, Dec. 2004

- L&TCCI Digest – 53 issues produced up until 31 Dec. 2004

Stakeholder and customer consultation

- *Multi-stakeholder Consultation: A Report on Findings* (abridged)

- *Multi-stakeholder Consultation: A Report on Findings* (extended)

- *Customer Consultation: Volume I – Executive Summary, Cross-sector Research Findings and Recommendations*

- *Customer Consultation: Volume II – Company Information*

KPIs, multi-stakeholder dialogue and industry benchmarking

- GRI proposal

- GRI terms of reference

- L&TCCI industry benchmarking proposal

Transparency: Sharing best practice in corporate citizenship

- Why environment and climate change should be included in the Governors' Davos agenda

- Humanitarian relief in Asia: L&T sector response and the Governors' Davos agenda

VII. Annexes

Annex 1: Governance elements

1. We will review the Principles at every L&TCCI working group meeting in accordance with a systematic template and encourage inputs and refinements. If necessary a revised set of Principles will be presented to the Governors at Davos each year, with a summary of the audit trail detailing any changes.

2. The L&TCCI working group is open to any company that is part of the sector. There will be at least one delegate per company (who can be rotated), but members are encouraged to invite a guest from their own company/group, particularly to address specific areas of subject expertise. There is no limit to numbers, for remote working or meetings.

3. We will work on the basis of inclusivity. Joining the working group and attendance at meetings requires neither being a signatory to the Principles, although that is encouraged, nor being a paying member of L&TCCI.

4. We will work on the basis of a commitment to regular attendance at working group meetings and active participation in the three work programmes. All actions and agreements will have reasonable time frames attached to them and we will work on the basis that *"silence is consent within a reasonable agreed time frame"*, given the deadlines set by our Governors and the need to make good progress.

5. We will establish three sub-working groups to cover the three work programmes; and the working group for the Principles will have operational responsibility for this governance framework.

6. Each working group will have a Chair, who will be nominated from an L&TCCI sponsor company.

7. Only in the rare eventuality of programme working group numbers stretching beyond 10 will that group seek to nominate or rotate members, or share out tasks, to ensure manageability.

8. The working groups for each work programme will be open to all and all inputs to decision-making are welcome; but final decision-making will be the prerogative of paying members, taking due regard for non-paying members' viewpoints, on account of both fairness and accountability to sponsors' deadlines.

9. All inputs are welcome to working group deliberations and all proposals and agreements are to be referred back to the L&TCCI working group where relevant.

10. An Advisory Group services the Governors and the working group. Its role is to prepare reports for the Governors, to undertake research and work on behalf of the Governors and the working group and to advise as required by both the Governors and the working group on the Annual Meeting agenda, programmes of work, special guests, meeting agenda and minutes, recruitment of new L&TCCI members and liaison with third parties, for example GRI, Euromonitor, etc.

11. We will work on the basis of consensus and, where disagreement exists, we will reach decisions on the basis of two working principles: (1) Can you live with it? and (2) No substantive opposition by any significant portion of the working group.

12. We will each share best practices and collaborate in the spirit of our Governors' commitments.

13. We will respect confidences that are shared and agree non-attribution in the spirit of working together.

14. The group should work as transparently as possible and therefore seek to provide feedback to stakeholders on consultation processes and develop documents for external distribution and for websites for that purpose. With the exception of those documents approved for external distribution, all other L&TCCI working documents and research findings are confidential and should not be distributed externally or to third parties (for example, consultants or stakeholders) without permission from the World Economic Forum or the author(s) of the report. If permissions are granted, then member companies must put in place relevant confidentiality agreements to ensure that third parties use this work only for the purpose of activities undertaken with that member company.

15. We will ask each signatory to contribute to a brief L&TCCI Davos progress report to the Governors and will help to identify any company in difficulty. This will not be onerous and will be similar to the reporting required of members in 2003 (for example, a case study or other inputs to work in progress reports).

16. We will work with those companies that are in difficulty in respect to the Principles and that request our help. Overseeing this commitment will be the responsibility of the Principles working group.

17. If the Principles working group considers that there is a consistent failure to address the Principles on the part of any member company and there is no response within a reasonable time frame to an offer of help, then the Principles working group has the right and responsibility to appoint an accredited independent third-party verification company (based on an RFQ and systematic independent selection process) to verify the problems identified and the failure of the company to address them. It will also detail any reputational issues at stake for L&TCCI members in respect to the problems identified and then will make a recommendation to the Principles working group in respect to whether that company's signature would be included in future years.

Annex 2: Questions from the Global Competitiveness Report

The questions specific to logistics and transportation were grouped into three sets: the first relates to the quality of freight transport, the second concerns the quality of infrastructure and the third the importance of different modes of transport in each country.

Quality of freight transport

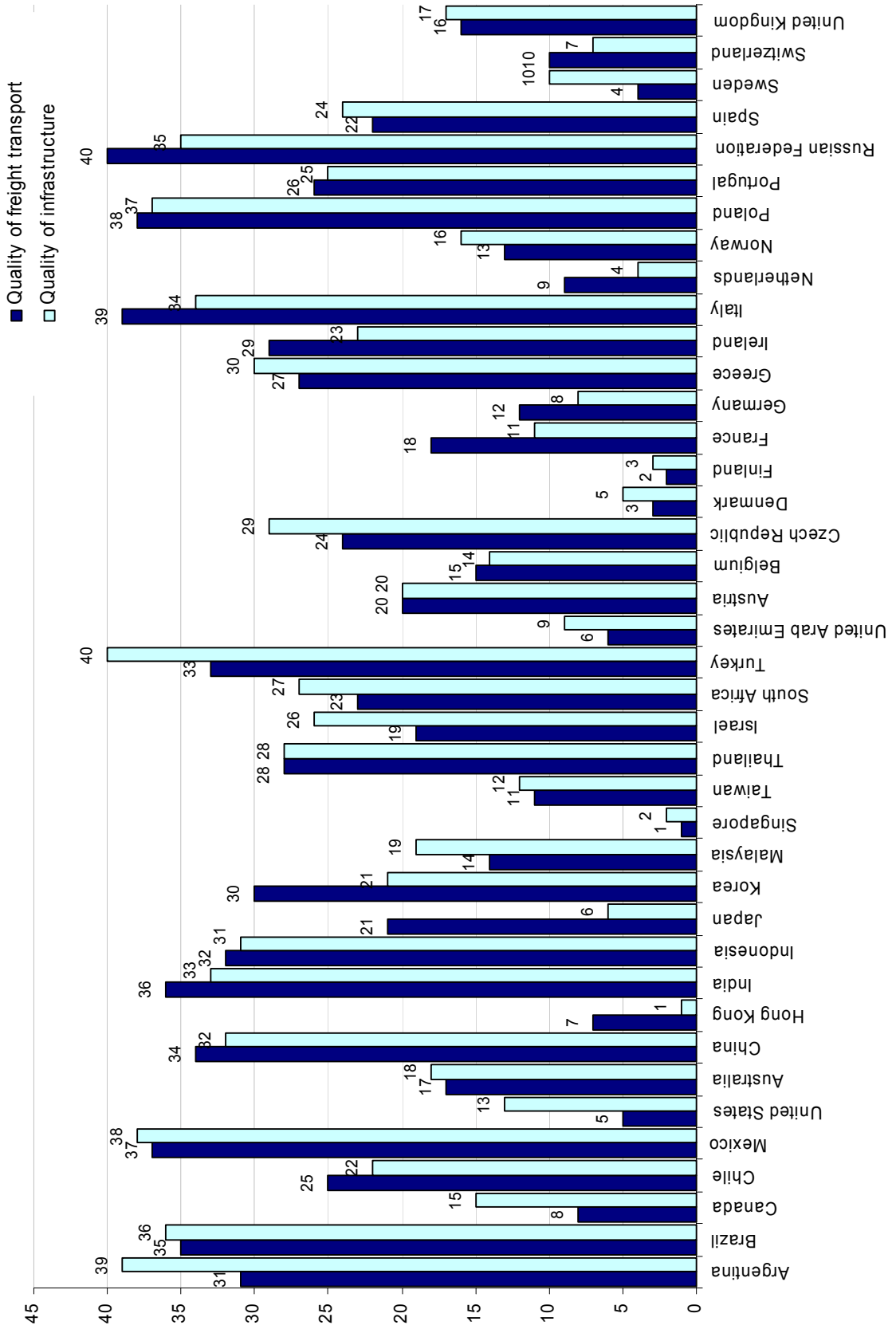| |
|---|
| The degree of choice in how you are able to send freight (air/sea/rail/land) is (1 = Among the most restricted in the world, 7 = As wide as anywhere in the world) |
| Integration of freight between the different modes (air/sea/land) is (1 = Very difficult or unreliable, 7 = Presents no real problems) |
| Shipping costs for freight into and out of your country are (1 = Among the least competitive in the world, 7 = Among most competitive in the world) |
| Shipping costs for freight within your country are (1 = Among the least competitive in the world, 7 = Among the most competitive in the world) |
| Development of freight logistics infrastructure within your country is (1 = Underdeveloped, 7 = Comparable to the most advanced countries) |
| Traffic congestion in your country (1 = Seriously reduces the efficient movement of goods and people, 7 = Does not significantly impact the efficient movement of goods and people) |
| Transportation-derived pollution (1 = Is significant and results in restrictions on the usage of certain transport modes, 7 = Is not significant) |

Quality of infrastructure

The quality of electricity supply in your country (lack of interruptions and lack of voltage fluctuations) is (1 = Worse than in most other countries, 7 = Meets the highest standards in the world)
Railroads in your country are (1 = Underdeveloped, 7 = As extensive and efficient as the world's best)
Port facilities and inland waterways in your country are (1 = Underdeveloped, 7 = As developed as the world's best)
Air transport in your country is (1 = Infrequent and inefficient, 7 = As extensive and efficient as the world's best)
Do you trust your country's postal system sufficiently to have a friend mail a small package worth US$ 100 to you? (1 = Not at all, 7 = Yes, trust the system entirely)
Your country's tax system is (1 = Highly complex, 7 = Simple and transparent)
For imports, inbound customs activities in your country are (1 = Slow and inefficient, 7 = Among the world's most efficient)

Importance of different modes of transport

How important is air freight transport within your country? (1 = Not important or not used, 7= Highly important)
How important is road freight transport within your country? (1 = Not important or not used, 7= Highly important)
How important is rail freight transport within your country? (1 = Not important or not used, 7= Highly important)
How important are inland waterway systems within your country? (1 = Not important or not used, 7= Highly important)
How important is sea freight transport within your country? (1 = Not important or not used, 7= Highly important)

Annex 3: Overall freight transport and infrastructure competitiveness – Country ranking

Legend: ■ Quality of freight transport ☐ Quality of infrastructure

Country	Quality of freight transport	Quality of infrastructure
Argentina	31	39
Brazil	35	36
Canada	8	15
Chile	22	25
Mexico	37	38
United States	5	13
Australia	17	18
China	34	32
Hong Kong	7	1
India	36	33
Indonesia	32	31
Japan	21	6
Korea	30	21
Malaysia	14	19
Singapore	1	2
Taiwan	11	12
Thailand	28	28
Israel	19	26
South Africa	23	27
Turkey	33	40
United Arab Emirates	6	9
Austria	20	20
Belgium	14	15
Czech Republic	24	29
Denmark	3	5
Finland	2	3
France	11	18
Germany	12	8
Greece	27	30
Ireland	23	29
Italy	34	39
Netherlands	4	9
Norway	13	16
Poland	37	38
Portugal	25	26
Russian Federation	35	40
Spain	22	24
Sweden	4	10 10
Switzerland	7	
United Kingdom	16	17

WORLD ECONOMIC FORUM

COMMITTED TO
IMPROVING THE STATE
OF THE WORLD

Together, we can make a difference

In January 2003, the CEOs of the world's leading logistics and transportation companies came together and created the "Logistics and Transportation Corporate Citizenship Initiative". In 2004 at the Annual Meeting in Davos, they committed their organizations to a set of principles and an ambitious programme of work to realize the mission of the initiative – to contribute proactively towards sustainable development. The principles address stakeholder engagement, labour standards, human rights and the environment.

Over the next two years, as the group works hard on implementing these principles, members will also share best practice and learn from each other, develop performance indicators and actively listen to the views of different stakeholders. The group believes that its combined expertise in logistics and transportation should not only contribute to society's economic wealth but also society's well-being. Its priority steps to achieving this aim include: working to reduce fuel emissions, increasing materials recycling and transporting humanitarian relief to those in dire need.

For logistics and transportation companies, working together means an opportunity to make a positive impact.