

CHAPTER 3 CORPORATE RESPONSIBILITY PERFORMANCE

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I. CORPORATE RESPONSIBILITY FRAMEWORK

STRATEGY

Corporate responsibility (CR) is an integral part of TNT's business strategy and is embedded in its business and operational activities.

As part of its strategic agenda, TNT aims to create value for customers by:

- ensuring a healthy and safe working environment for employees, subcontractors and business partners, to guarantee the delivery of improved quality of service;
- minimising environmental impact on the supply chain of the customer and of TNT's activities in the world; and
- continuous development and engagement of employees to ensure that customers are dealing with knowledgeable and dedicated employees.

GOVERNANCE

The Executive Board is the owner of the CR agenda. A central CR Steering Committee advises and assists the Executive Board in developing, executing and monitoring the performance of TNT's CR strategy and its associated policies and procedures. The committee is chaired by the CEO and comprises relevant functional directors. The corporate CR department supports the committee and coordinates global CR activities and performance. Annually, the Supervisory Board evaluates the company's CR approach and performance.

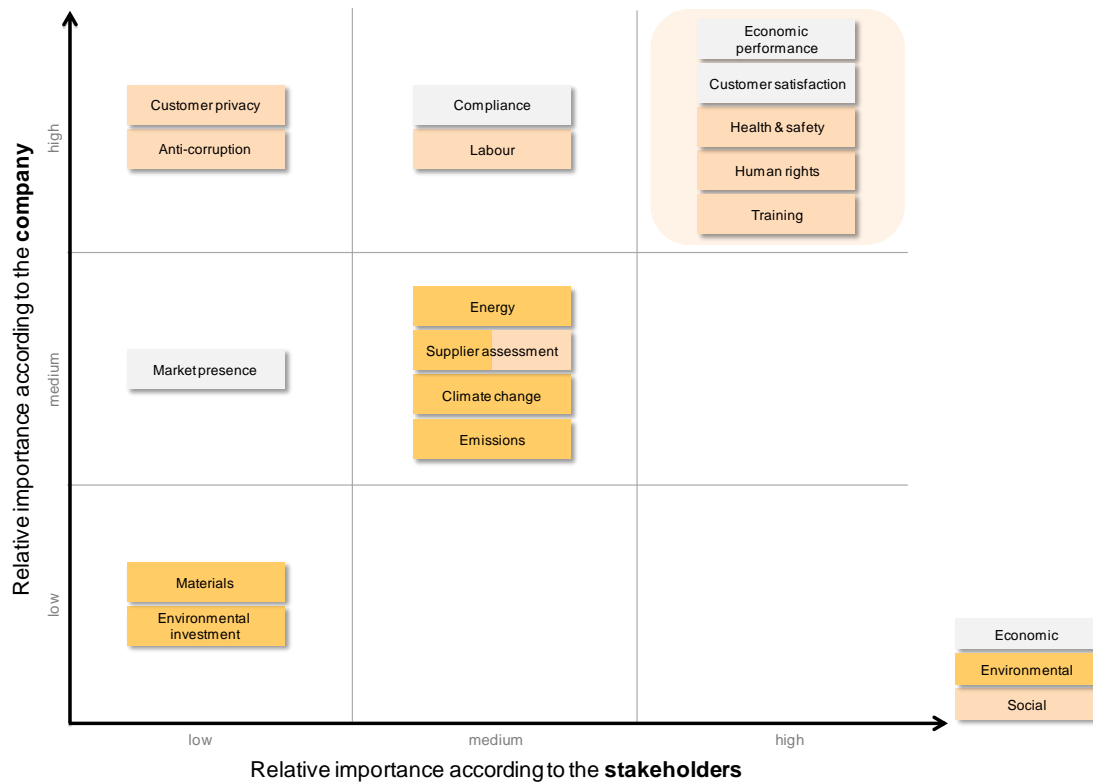
MATERIALITY ASSESSMENT

TNT reports on CR data and information in accordance with the Global Reporting Initiative (GRI) G4 reporting criteria and guidelines. TNT has prepared the 2014 annual report in accordance with G4's core option. Core reports include the majority of the General Standard Disclosures, generic Disclosures on Management Approach (DMA) for only material aspects and at least one indicator related to each identified material aspect. In compliance with G4, TNT explains how it manages each material aspect and reports relevant indicators over time.

To identify the CR-related aspects that are most relevant for TNT, an annual online survey is conducted with the six main stakeholder groups as defined by TNT: customers, employees, subcontractors, suppliers, investors and civil society organisations. Civil society organisations are selected based on apparent interest in TNT, while all other stakeholder groups are selected to ensure diverse geographical coverage. In addition, TNT systematically engages with (individual) stakeholders to obtain their perspectives, input and feedback on its business and operational activities. The survey outcome and stakeholder feedback provide guidance for developing and improving TNT's CR strategy and activities.

The 2014 survey was sent to approximately 4,000 stakeholders globally, with a response rate of 10%. The survey polled stakeholders on the CR-related aspects included in the G4 guidelines, which are relevant for TNT. The stakeholders identified and prioritised the aspects they deemed most important for TNT. The sixteen highest ranking CR-related aspects are reflected in the following matrix. The horizontal axis reflects the *“relative importance according to the stakeholders”*. The CR Steering Committee subsequently also assessed and prioritised these aspects. This prioritisation is reflected in the vertical axis *“relative importance according to the company”*. The aspects shown in the top-right hand area are important and material to both stakeholders and the company, and are covered in this annual report.

TNT's 2014 CR Materiality Matrix



CORPORATE RESPONSIBILITY RISK MANAGEMENT AND MONITORING

TNT applies continuous, formal and structured CR risk management, and a CR reporting system. It identifies CR-related risks, linked to business and operational activities, and works to reduce these through the implementation of risk management controls. Where possible, global best practices are implemented to monitor, reduce and mitigate these risks. The main CR-related risks are linked to: safety incidents and accidents; CO₂ emission rights; regulations related to environment and climate change; and restrictions on the use of vehicles. Refer to section V of chapter 4 for more information.

The principal monitoring and control processes for CR are:

- a global reporting and consolidation system that tracks CR data, supported by a dedicated CR reporting function under the responsibility of the CFO;
- a non-financial letter of representation with CR-related questions, with sign-off by senior management to confirm the reliability of provided data and the compliance with policies;
- a review of control processes based on the Internal Control for CR (ICCR) framework; and
- an independent examination performed by the external auditors (including reliance on an objective assurance review performed by the internal auditors).

On a monthly basis, TNT uses a monitoring and reporting system to measure progress on relevant key performance indicators (KPI). CR targets and KPIs are integral to TNT's performance management framework.

II. HEALTH AND SAFETY

MANAGEMENT AND PERFORMANCE

TNT manages health and safety via a systems-based approach. The health and safety policies and management framework are based on the international OHSAS 18001 standard. All operating units are required to achieve and maintain external certification to this standard as a minimum, in addition to national and local regulatory standards.

Health and safety risks associated with operational activities are identified and assessed, and subsequently managed and controlled to acceptable levels by implementing effective risk controls within operational processes. Each operating unit has a documented risk assessment process in place to control this particular risk at a local level.

TNT monitors its performance through a set of performance metrics. The main KPI for safety is the lost-time accident (LTA) ratio. The LTA ratio is defined as the number of employees that are absent from work as a result of a work-related workplace or road traffic accident, for at least one working day in the reporting period, excluding the day the accident occurred, per 100 FTE. Annual targets are set to drive performance improvements. TNT's health and safety performance is included in the performance management framework and is subject to quarterly reviews.

TNT acknowledges the safety record of its entire operation, a significant part of which is executed by subcontractors. Where possible, subcontractors are involved in improvement initiatives and training programmes.

Preventive measures

TNT uses the 'safe vehicle, safe driver, safe journey' approach to identify and implement effective risk mitigation measures for road safety. TNT pursues continuous improvement in each of these areas, in addition to subcontractor management. The main challenge in reducing road accidents is to ensure consistent application of this approach, particularly in less-developed countries, and to ensure that subcontractors adopt corresponding standards in practice. Where applicable, TNT promotes the improvement of the quality of public infrastructure, which is another relevant factor in enhancing road safety.

Health and safety performance KPIs

Year ended at 31 December	2014	variance %	2013
OHSAS 18001 (% of total FTE)	81%	(3.6)	84%
Workplace fatal accidents	0		0
Road traffic fatal accidents (own blameworthy and non-blameworthy)	5	150.0	2
Subcontractor road traffic fatal accidents	18	38.5	13
Lost-time accidents per 100 FTE	2.69	(0.7)	2.71
Blameworthy road traffic incidents/collisions per 100,000 kilometres	0.73	(6.4)	0.78
Absenteeism (% of total standard working hours)	3.6	5.9	3.4

Figures with a ♦ fall within the reasonable assurance scope

TNT regrets to report that the overall number of fatal accidents (including subcontractors) increased in 2014. TNT regrets any accident, including one for which it has no blame. In 2014, only one own blameworthy fatal accident occurred in Brazil (2013: one in Chile). TNT reviews the performance of its subcontractors. Since blameworthiness in accidents involving subcontractors cannot currently be officially established by TNT, all fatal accidents, irrespective of blameworthiness are reported.

The improvement of the LTA ratio in 2014 is supported by continued focus on safety enhancement.

KEY INITIATIVES

Health and safety initiatives

These initiatives include health assessments, injury rehabilitation, screening for medical conditions, safety training (drivers and workplace), driver recognition programmes, road safety charters and safe driving competitions, for employees and subcontractors. Example initiatives are:

- Back-track device: The back-track device is a wearable device introduced in the United Kingdom in 2014. The objective of the device is to reduce the risk of injury (back, knee, ankle, sprain or strain). The device detects poor manual handling technique and encourages correct manual handling

- behaviour. People wearing the device are three times less likely to have back, knee, ankle, sprain or strain injuries compared to people not wearing the device.
- Vehicle camera system: In the United Kingdom, all new pick-up and delivery (PUD) vehicles were fitted with forward facing cameras, in addition to the reversing cameras, to reduce the number of avoidable collisions with a vehicle in front. In 2015, nearside cameras will be fitted in all PUD vehicles, to enable the driver to see any cyclists moving along the nearside of the vehicle.
 - Road safety charter: France instituted a new Driver Road Safety Charter, to demonstrate continued commitment to improving road safety performance. Each driver has signed the charter and committed to the 12 golden rules for driving safely.
 - Pill a day: This initiative has been rolled out in the Middle East. Daily, during the debrief session, one health, safety or environmental topic is discussed and provided as a take-away for the PUD drivers and depot/warehouse workers.
 - Check Stop: This is a new road safety campaign implemented in Italy, which offers free service to check both the state of alertness, sleepiness and fatigue of drivers, and the primary features of their vehicles.

Safety culture initiatives

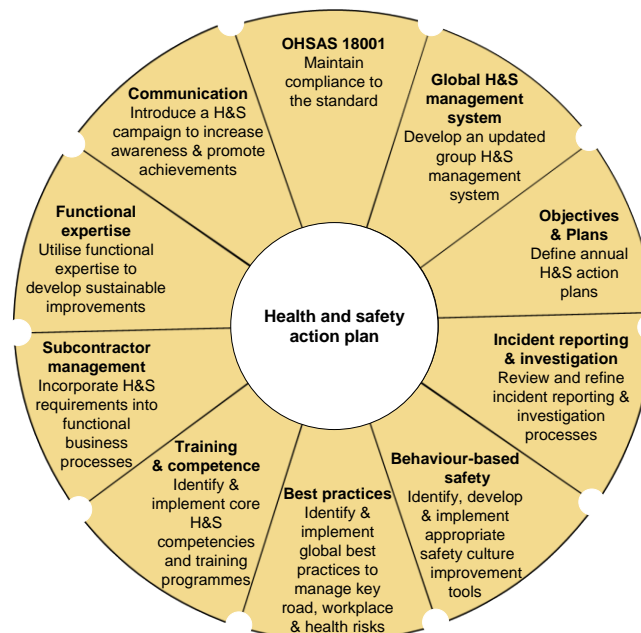
To complement safety standards, controls and tools, TNT continues to strengthen its safety culture. This is done by addressing the attitudes, beliefs, perceptions and values of employees and subcontractors with regards to safety. TNT promotes a safety culture in which management exhibits leadership and commitment to safety, and all employees assume responsibility for the health and safety of themselves and others.

The TNT hub in Liège, Belgium, rolled out a three-year programme designed to reinforce its safety culture and improve its LTA ratio by 50%. This target was achieved three months prior to the completion of the programme. Several behaviour-based safety tools and best-practice techniques are being applied, including extensive training and coaching.

OUTLOOK AND COMMITMENTS

Health and safety is an integral part of realising the Perfect Transaction, and will help to integrate health and safety behaviour in daily operations.

TNT's most relevant overall safety target is the reduction of LTAs. The objective is to realise 2.0 LTA per 100 FTE by 2015, compared to 2.69 in 2014. In support of this target, in 2014, TNT adopted a health and safety action plan based on recognised industry best practices. The action plan has ten focus areas, as shown below. The development and deployment of the action plan is led by TNT health and safety professionals from the operating units and head office. Successful deployment at subcontractors is a high priority.



III. ENVIRONMENT

MANAGEMENT AND PERFORMANCE

TNT considers energy and carbon efficiency to be a priority. Therefore, TNT is committed to mitigating its environmental impact, with a focus on three areas:

- Operations: improve CO₂e efficiency and air quality of activities, including subcontractors
- Customers: provide CO₂e information to customers and help them reduce their emissions
- People: encourage awareness and train employees and subcontractors in environmental management

TNT manages its environmental footprint via a systems-based approach. Its environmental policies and management framework are based on the international ISO 14001 standard. All operating units are required to achieve and maintain external certification to this standard as a minimum, in addition to national and local regulatory standards.

TNT's environmental management system is used to plan, implement, monitor, manage and improve the environmental impact of its activities. TNT includes environmental requirements in its capital expenditure and procurement review process. The environmental impact of TNT's fleet and infrastructure at each important juncture (planning, acquisition and operation) are managed. In addition, guidelines for subcontractors and suppliers are in place to ensure they meet TNT's environmental requirements.

TNT benchmarks its energy and carbon approach and performance against its peers via the Carbon Disclosure Project. In 2014, TNT scored 89 out of a possible 100 in the Carbon Disclosure Project (2013: 88).

In the 2013 annual report, medium-term targets were disclosed on global initiatives related to TNT's own fleet, with the objective to improve CO₂ efficiency. The following table highlights TNT's progress in attaining these targets. Where possible, subcontractors will continue to be involved in initiatives to reduce TNT's overall CO₂ footprint.

Global initiatives		2014	medium-term targets
<small>Year ended at 31 December</small>			
Own drivers trained in eco-driving (% of total own drivers)	♦	26%	100%
Own vehicles in the European Union > Euro 4 standard (% of total own vehicles)	♦	85%	90%
Own vehicles applied with telematics (% of total vehicles)	♦	12%	50%
Own linehaul vehicles/trailers equipped with aerodynamics (% of total vehicles/trailers)	♦	59%	100%
BAe 146 aircraft replaced		19%	100%

Figures with a ♦ fall within the reasonable assurance scope

Progress has been made in attaining these medium-term targets, and at the end of 2014, most of TNT's own vehicles in the European Union have at least the Euro 4 standard. The reported percentage of own drivers trained in eco-driving is only based on the number of drivers that were trained in 2014. Drivers are trained regularly, however not on an annual basis.

Environmental performance is measured through KPIs related to energy, absolute CO₂ emission and CO₂ efficiency.

In 2014, TNT adopted the European Standard, EN 16258. This standard establishes a common methodology for the calculation and declaration of energy consumption and greenhouse gas (GHG) emissions related to transport services. This is a change compared to the disclosures in the 2013 annual report. The environmental KPI's will reflect the adoption of EN 16258 by disclosing the energy and GHG emissions using the EN 16258 default emissions factors, thus, presenting CO₂ equivalent (CO₂e) emissions instead of only CO₂. In addition, CO₂e will be presented as well-to-wheel emissions instead of tank-to-wheel. Vehicle fleet will now be aligned with operations, and segmented into PUD and linehaul vehicles instead of small trucks and vans and large trucks.

The adoption of EN 16258 has not impacted the collection process of data via the operating units and the methodology for estimating the subcontractor CO₂e emissions.

Environmental performance KPIs

Year ended at 31 December	2014	variance %	2013
ISO 14001 (% of total FTE)	82%	(2.4)	84%
CO ₂ e emissions absolute of own operations (Scope 1 and 2) (ktonnes)	♦ 1,315	2.4	1,284
CO ₂ e emissions absolute of subcontracted operations (Scope 3) (ktonnes)	1,600	2.5	1,561
CO ₂ e efficiency network flights (European Air Network + domestic) (g CO ₂ e/tonnes.km)	♦ 1,828	(5.9)	1,943
CO ₂ e efficiency long haul air (g CO ₂ e/tonnes.km)	♦ 512	1.4	505
CO ₂ e efficiency PUD vehicles (g CO ₂ e/km)	♦ 549	(1.4)	557
CO ₂ e efficiency linehaul vehicles (g CO ₂ e/km)	♦ 943	(0.6)	949
CO ₂ e efficiency buildings (kgCO ₂ e/m ²)	♦ 22.8	(7.7)	24.7

Figures with a ♦ fall within the reasonable assurance scope

In 2014, the total CO₂e emissions of TNT's own and subcontractor operations (Scope 1, 2 and 3 of the GHG Protocol) increased by 2.5% to 2,915 ktonnes. The CO₂e emissions of TNT's own operations (Scope 1 and 2) increased in absolute terms by 2.4% to 1,315 ktonnes (2013: 1,284) as a result of higher air and road linehaul operation activity levels. CO₂e emissions of subcontractor operations (Scope 3) increased by 2.5% to 1,600 ktonnes. In 2014, 55% of total CO₂e emissions was related to subcontractor operations.

The CO₂e efficiency of TNT's air operations in Europe, measured in CO₂e per freight tonne kilometre, improved in 2014, due to the transition to more fuel-efficient aircraft and improved load factors. The CO₂e efficiency of PUD vehicles and linehaul vehicles, measured in CO₂e per kilometre, improved, due to the transition to newer fuel-efficient vehicles and increased focus on driver behaviour. The relatively warm winter in Europe in the beginning of 2014 led to the reported improvement of the CO₂e efficiency of TNT's buildings.

KEY INITIATIVES

Operations

Road

In all major operating units, electric and low-carbon emitting vehicles and electric-assisted tricycles continue to be tested and deployed, particularly for city deliveries. Fuel-efficient innovations such as telematics, double-deck trailers, alternative fuel vehicles, multi-modal shipments and aerodynamic vehicle equipment, were also tested by additional operating units. To ensure maximum impact and scalability, best practices are shared, and, where possible, replicated on a larger scale, including subcontractors.

TNT is constantly optimising the configuration of its network, which has an impact on its CO₂e footprint. A number of projects have been rolled out, including:

- the Road Operations Supply Chain Optimisation (ROSCO) project, which aims to re-design the network, by maintaining full capacity of its trucks, as well as implementing different loading techniques, such as loose loading; and
- the Infrastructure project, which aims to identify the optimal local configuration of depots leading to the lowest overall costs and minimal CO₂e impact of the total supply chain.

Air

TNT aims to constantly improve the fuel efficiency of its aircraft operations by applying best practices in network and flight planning, take-off, in-flight procedures and ground processes. In 2014, TNT rolled out paperless cockpits across its worldwide fleet of 54 aircraft, following approval from the Belgian Civil Aviation Authority to use iPad Air tablets as electronic flight bags.

In 2014, TNT increased its capacity utilisation on its European Air Network, resulting in a significant reduction in CO₂e/tonnes.km, through better planning, load quality and daily monitoring of load factors. This initiative will continue in 2015.

In the years leading up to 2017, a significant number of short haul aircraft will be replaced by younger, more fuel-efficient aircraft types.

Supply chain and innovation platforms

At the industry level, TNT participated in several of the European Union's 7th Framework Programme for Research (FP7) programmes (CITYLOG, STRAIGHTSOL, FREVUE), which aim to generate 'zero-

emission' solutions for deliveries to city centres. In the FREVUE programme, TNT has committed to partner with the cities of Amsterdam, Madrid and Rotterdam, in the deployment of electric freight vehicles.

TNT is also co-founder of the Green Freight Europe (GFE) sector initiative which aims, amongst others, to reduce carbon emissions of the transportation sector by supporting its members through a standard methodology for monitoring and reporting on carbon emissions. In 2014, TNT was awarded with the first Green Freight Europe 'leaf'; an award that recognises TNT's commitment to report and reduce CO₂e emissions from freight transport.

Customers

TNT's CO₂ Services enable customers to pro-actively address the environmental impact of their business. TNT's portfolio of CO₂ Services include:

- CO₂ Report: tracks and analyses CO₂ footprint
- CO₂ Neutral: mitigates the CO₂ impact of consignments
- CO₂ Quote: predicts future CO₂ emissions
- CO₂ Scenario: models and optimises CO₂ emissions in the transport supply chain

In 2014, TNT extended its portfolio of CO₂ Services, these services will be rolled out in key European countries. In January 2015, as part of its extended offering, TNT launched CO₂ Neutral domestic express delivery in Germany at no additional charge.

People

Driver behaviour has a major impact on vehicle fuel efficiency. Therefore, TNT's drivers are trained in driving behaviour, which helps to improve fuel efficiency and safety. Eco-driving is included as a standard requirement in driving courses in various locations and is also offered to subcontractors, where possible. In 2014, the 8th "Drive Me Challenge" edition was held at Millbrook Proving Ground in Bedfordshire, England. TNT's drivers and subcontractors from operating units worldwide competed in fuel efficiency, safety and customer experience.

OUTLOOK AND COMMITMENTS

In the coming years, TNT will continue to work on the evolvement of its methodology and process of recording, monitoring and reporting CO₂ efficiency information, and will strive to unify the customer, management and investor disclosure.

In 2015, TNT will further refine its reporting and continue to roll-out its extended CO₂ Services. In addition, TNT will launch programmes to educate operational management on the process of effectively managing and reducing environmental emissions.

TNT's current efficiency indicator for vehicles, CO₂e per kilometre, does not reflect all improvement efforts, such as improved network optimisation and positive changes in capacity load factors, and excludes subcontractor performance.

In 2014, TNT initiated a project in operational excellence to increase efficiency and productivity in its operations, and developed a new CO₂e efficiency KPI to:

- gain additional insight for operational management for strategic purposes and day-to-day operations;
- comply with new industry standards on reporting TNT's footprint;
- embed environmental considerations in all operational and network optimisation initiatives; and
- serve all customers, investors and management information needs, through a unified disclosure system.

As a result, in 2015, TNT will amend its efficiency indicator to the number of kilogrammes of CO₂e that is emitted to transport one metric tonne (1,000 kg) of cargo over a distance of one kilometre (kg CO₂e/tonnes.km), to incorporate load factors. The revised KPI will allow monitoring of CO₂e efficiency against previous years and has been added to the performance management framework for senior management.

The project will enable publication of the CO₂e efficiency performance for all TNT's activities, including subcontractors in the 2015 annual report.

IV. SOCIAL AND ENGAGEMENT

Social and engagement performance KPIs

Year ended at 31 December	2014	variance %	2013
Investors in People (% of total headcount)	79%	(2.5)	81%
Employee engagement	nd ¹		67%

¹A survey was not conducted in 2014, as such no data is available.

THE PEOPLE NETWORK

TNT has hard-working people in every corner of the world, who take pride in what they do; helping customers and each other succeed. This resilient, reliable network is the heart of the company, and is valued by customers. TNT employees rely on and support each other, to continuously strengthen each touch point in the TNT global network, and to realise the Perfect Transaction for its customers. As of 29 September 2014, *TNT - The People Network* became an official part of TNT's identity.

Within *The People Network* framework, TNT aims to continue to nurture the orange spirit and cultivate a strong sense of engagement with employees and customers. TNT strives to create a network where communities of practice are stimulated, knowledge is shared abundantly and people enjoy growth whilst fulfilling their personal need to be in community with others.

HUMAN RESOURCES

TNT uses the Investors in People (IIP) standard to provide a consistent and structured approach to people management. The standard requires TNT to identify and communicate clear business objectives to all employees, and to provide performance feedback, development plans and adequate training. The objective is to achieve and maintain IIP certification for all operations. In 2014, 79% of employees were working at IIP-certified sites (2013: 81%).

Training and other development actions are undertaken at all levels within the organisation. All global training-related development activities are centrally managed to ensure alignment with the company's values and strategic priorities. Implementation takes place at local level to ensure local cultures and languages are taken into account and to minimise cost of travel.

TNT places particular focus on identifying, recognising and developing employees with the potential to become leaders. Employees are encouraged to join talent pools to develop leadership capabilities and to ensure succession planning. Annual performance calibration and succession and talent reviews are conducted to discuss and assess employee performance results, and to guarantee succession planning of talents.

In 2014, with the roll-out of *Outlook* and its strategic priorities, the global engagement survey, *VOICE* was not conducted. A revised survey that is closely aligned to *The People Network* will be conducted in 2015.

CUSTOMERS

TNT has an increased focus on service improvement as part of the *Outlook* strategy and customers benefit from that. TNT measures customer satisfaction and obtains a deeper insight into the needs of customers through the Orange Experience Score survey. In 2014, the Orange Experience Score increased from 37 in 2013 to 40. Refer to chapter 5 for more details.

HUMAN RIGHTS

The TNT Business Principles provide clarity and detail on specific TNT human rights aspects related to labour and employment. The TNT Business Principles are aligned with the UN Guiding Principles for Business and Human Rights.

SOCIAL RESPONSIBILITY

TNT provides expertise and capacity to a number of charitable initiatives, often at the local level with a close link to the company's expertise, culture, employees and customers. TNT uses its supply chain management skills to support non-profit organisations in their logistical operations. For example, in Germany and Austria, TNT offered its surplus capacity on its linehaul routes to distribute donated

grocery to underprivileged people; while in the Middle East, TNT employees donated and distributed food packages.

These activities serve to engage and develop employees, while delivering safe and efficient supply chain solutions for people in need.