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# Company report review

TPG

Annual Report 2003

Maplecroft

January 2005

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## Company report review – TPG

TPG, with its two brands TNT and Royal TPG Post, is a global provider of mail, express and logistics services. TPG is the largest private employer in the Netherlands. Globally, it employs approximately 163,000 people in 64 countries and serves over 200 countries. Its presence is particularly strong in Europe, Asia and North America. TPG is the world's first publicly traded company with roots in the postal business, and is currently listed on the Amsterdam, New York, London and Frankfurt stock-exchanges. For 2003 the company reported sales of € 11.9 billion.

In 2003 TPG reported on its Corporate Social Responsibilities (CSR) in both its traditional Annual Report, entitled 'We take it personally', and in a less formal Social Report entitled 'People at Work'. This review provides a brief insight into each of these documents. Beginning in 2005, TPG will publish an annual report on sustainability using selected indicators from the Global Reporting Initiative (GRI).

### TPG's Annual Report – 'We take it personally'

Corporate social responsibility is addressed in TPG's main Annual Report. According to the statement by the Chief Executive Officer Peter Bakker, TPG aims to be 'a leader in sustainability'. While the reasons for this are not discussed in detail, Mr Bakker does highlight reputation as a material issue saying: 'Our reputation is a key asset and we are serious about the way we manage it.'

TPG's annual report includes sections on both corporate governance and corporate social responsibility, outlining the company's code of business principles, sustainability policy and its partnership with the United Nations World Food Program.

#### Corporate Governance

The report includes increased disclosure on corporate governance, risk factors and management remuneration.

TPG is subject only to the Dutch Corporate Governance Code and has applied 98% of the relevant principles and best practices. TPG's report discloses the two provisions with which it does not comply, namely:

- II.2.3 Shares granted to members without financial consideration to be retained for a period of at least five years or until at least the end of employment
- II.2.7 Maximum remuneration in the event of dismissal of members of the Board of Management

TPG has a five-member Board of Management, a Supervisory Board providing oversight, and two internal committees on disclosure and integrity (the terms of reference for these committees are available on the company website).

TPG recognizes that it is exposed to various global and local risks that may have a material adverse affect on revenues, profitability and reputation. TPG considers a large number of these risks in its report, including the following that relate to its broader social and environmental responsibilities:

- Strikes, work stoppages and work slowdowns and increases in employee costs.
- Subcontractors' employees.
- Incidents resulting from the transport of hazardous materials or a major incident involving sorting centers, air or road fleet.

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## Corporate Social Responsibility

The report includes the full text of TPG's Code of Business Principles, with some discussion of work in each area, summarized as follows:

| Business Principle              | Key Information   |
|---------------------------------|---|
| Standards of conduct            | TPG is a member of the UN Global Compact and the World Economic Forum's Logistics and Transport Corporate Citizenship Initiative (L&TCCI)         |
| Human resources                 | Almost all of TPG has been awarded with 'Investor in People' status   |
| Conflicts of interest           | Employees are given guidance on request concerning any material transaction or relationship that could give rise to conflict of interest.         |
| Safety                          | Safety representatives and improvement groups exist at every location   |
| Sustainable development         |   |
| Environmental protection        | TPG Post was awarded ISO 14001 certification in 2004, making it the first postal company in the world to have all of its business units certified |
| Public activities               | 'TPG neither supports political parties nor contributes to the funds of groups whose activities promote political interests'                      |
| Service assurance               |   |
| Competition                     | 'TPG supports the liberalization of markets and open and fair competition laws'   |
| Reliability of public reporting |   |
| Business integrity              | 'TPG neither pays nor accepts bribes to gain or render orders, services or financial benefits.'   |
| Facilitating payments           | 'TPG does not permit facilitating payments to civil servants.'  |
| Obeying the law                 |   |
| Whistle-blowing                 | 'TPG employees are encouraged to report to management promptly any breach or suspected breach of this code or other company guidelines.'          |

## TPG's Corporate Sustainability Policy

The Board of Management is responsible for TPG's corporate sustainability policy. The policy sets forth TPG's aspiration to be a global business that 'strives to improve its social and environmental impact on communities around the world.' TPG reports a number of initiatives currently underway in support of this objective. TPG is:

- Implementing a global management system to develop and enhance its activities in sustainable development and environmental management.
- Encouraging operating units to achieve international standards including Investors in People, ISO 9001:2000, ISO 14000, EMAS and OHSAS 18001.
- Training employees on the social and environmental dimensions of their roles.
- Encouraging suppliers to introduce programs that support TPG's objectives and targets. TPG states that this is because it takes responsibility for the effects of its entire supply chain, in line with its Code of Business Principles.
- Benchmarking policies, strategies and programs internally and externally to encourage continuous improvement in all areas of activity.

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## Partnership with the World Food Program

TPG states that: 'We believe the international community can play an important role in addressing [inequality] issues, by leveraging the very skills that make it successful in business.' Thus in December 2002, TPG became the largest corporate partner of the United Nations' World Food Program. The five-year partnership is aimed at the single common goal of helping in the global fight against hunger through five main work areas:

- Joint logistics supply chain – applying core logistics, strengths to increase the efficiency and effectiveness of World Food Program's logistics capacity.
- Emergency response – providing organizational expertise, logistical assistance and air operations training to support World Food Program's crisis response capabilities.
- Private sector fund-raising – identifying new corporate partners who can offer services or goods appropriate to World Food Program's needs and activities.
- Transparency and accountability – assisting the World Food Program in the areas of accounting, auditing, and human resource management.
- School feeding support – TPG employees are raising funds and volunteering to support World Food Program's school feeding campaign.

## TPG's Social Report – 'People at Work'

TPG's Social Report is essentially an employee magazine, packed with articles that are informative of the company's human resources' policies, changes in management and other internal developments. Articles include, for example, the story of two male employees who have taken parental leave. The advantages and disadvantages are candidly presented from the employees' points of view, alongside TPG's official parental leave regulations. A second covers the lives of two TPG part-time workers – a pop concert organiser and an actor – and how they manage to combine their different roles. A third relates to employees working abroad and the company's MultiTrack international training program, and a fourth to employees who have been able to remain in work despite incapacity by changing jobs.

The Social Report includes further information on TPG's Social Plan agreement with trade unions, staff association, 'Investor in People' standard, environmental performance and partnership with the UN World Food Program. Key employee figures are presented, including number of employees by gender, employment type, age group and salary scale.

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## Our comments



The current report indicates that TPG is making progress towards its ambition to be a 'leader in sustainability.' That corporate responsibility is addressed in the company's Annual Report, and indeed is highly integrated in the leading letter from the CEO suggest that it is taken seriously by senior management. TPG's active role in the World Economic Forum's Logistics and Transport Sector Corporate Citizenship Initiative (L&TCCI), as well as the UN Global Compact, and its partnership with the UN World Food Program (UNWFP) are to be commended. And it has been through TPG's partnership with the LTCCI Disaster Resource Network and UNWFP that that it has sought to provide humanitarian relief to those affected by the recent Asian earthquake and tsunami (further details are provided in the current issue (55) of the L&TCCI digest). TPG was listed third in the category 'mail, packages and freight delivery' of Fortune 500, World's Most Admired Companies for the fifth consecutive year.

TPG's Social Report is a highly effective communications' tool, providing considerable information in an accessible and interesting way. The report presents a fairly balanced view of working life at TPG, addressing difficult issues and including some candid employee views.

Beginning in 2005, TPG will publish an annual report on sustainability using selected indicators from the Global Reporting Initiative (GRI). This is an opportunity for TPG to substantiate its commitments with more detailed information on process and performance. In particular, there is a need for discussion on what TPG considers to be its main responsibilities and to whom; why these responsibilities are material to the company; what these responsibilities mean in practice and the management systems in place; what the difficulties are and how they are addressed; key performance indicators; and objectives and action plans going forward.

TPG's Annual Report is available at [http://www.tpg.com/downloads/pdf/tpg\\_2003\\_annualreport.pdf](http://www.tpg.com/downloads/pdf/tpg_2003_annualreport.pdf). The Social Report is available at [http://www.tpg.com/images/annual\\_social\\_report\\_2003\\_tcm31-58114.pdf](http://www.tpg.com/images/annual_social_report_2003_tcm31-58114.pdf).



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