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Company report review

TPG Corporate Sustainability Report 2004

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Note

This review is based on information contained in the online version of TPG's Corporate Sustainability Report 2004 – as available at: http://www.tpg.com

1 Background

TPG is Royal TPG Post, the national postal operator in the Netherlands, which is active in Europe and worldwide. TPG is also TNT, its global brand for reliable express and logistics services. TNT Express has the biggest integrated express air and road network in Europe. TNT Logistics is the second biggest logistics company in the world. In the beginning of 2004 TPG introduced a strategy for the group, setting out clear direction and ambitions. One element of this strategy is the move to one brand – TNT – for all its businesses.

This is TPG's first Corporate Sustainability Report. In producing this report TPG seeks to give a strong signal to all its stakeholders that "we work for the world." The report is presented in accordance with the Global Reporting Initiative (GRI) and verified by PricewaterhouseCoopers.

2 The report

The report opens with an introduction to TPG's commitment to sustainability. In this statement the company talks about the meaning of sustainability to its operations as the "ongoing search for opportunities to actively do good things and then report on (its) progress." As part of this aim TPG talks about how it seeks to be a well-respected and trusted entity that demonstrates accountability not only to customers and shareholders, but also to its employees and the world at large.

2.1 Approach towards sustainability

The company has a clearly defined, three-step approach towards sustainability. This includes:

- Implementing international standards in order to retain its license to operate.
- Enhancing the sector's reputation by engaging in stakeholder dialogue and by implementing sector key performance indicators.
- Measuring, benchmarking and reporting on its performance, and leading the industry by initiating unique commitments, beyond compliance.

2.1.1 Implementing standards

The introductory section of the report also presents top-level results that provide an immediate insight into how the company is delivering against these three steps. Most notable of these is the table of certified sites – which delimits the percentage of TPG's 162,000 employees currently covered by international standards such as Investors in People (71%), SA 8000 (2%), ISO 9001 (67%) and ISO 14001 (34%).

2.1.2 Working with the sector

The company also talks about everything it does relates to its mission "to exceed customers' expectations in the transfer of their goods and documents around the world." As part of its aim to achieve this mission, TPG also seeks to be a sector leader. And it is actively pursuing this aim by engaging with the rest of the sector through the World Economic Forum's Logistics and Transportation sector Corporate Citizenship Initiative (L&TCCI). As part its commitment to the L&TCCI TPG has/is:

- Agreed and adopted a set of 8 sector principles of corporate citizenship – relating to governance, financial responsibility, stakeholder engagement, employees, human rights, community investment, customers, suppliers and subcontractors and environment.
- Working with the rest of the group to define a small set of meaningful sector indicators of sustainability or corporate citizenship performance
- Engaging in ongoing multi-stakeholder dialogue – by exploring stakeholder and customer concerns related to corporate citizenship, and by working through the GRI to develop a sector supplement to the GRI Sustainability Guidelines.

TPG CEO Peter Bakker chaired this initiative in 2004. A top-level summary of the results of this process and more detail on the stakeholder engagement exercises is presented.

2.1.3 Being a leader – beyond compliance

The company also presents and talks about these steps in the context of a three-stage pyramid – with its standards at the base, industry-related initiatives in the middle and TPG's unique approach to beyond compliance and sustainability at the top. This pyramid is used to introduce these commitments in more detail and delimit more clearly the goals and intended deliverables for each of the three steps.

In its discussion of how to lead and differentiate itself from the industry TPG identify four key aims:

- To reduce carbon dioxide (CO_2) emissions and support innovation
- To promote (employee) diversity
- To the move the world
- To prevent road accidents

2.2 Accomplishments and challenges

The company presents a one-page summary of its accomplishments and challenges in 2004 and beyond. Different accomplishments and challenges are presented for TPG corporate, and for each of the company's four main stakeholders: people, shareholders, customers and the world.

Among the key accomplishments and challenges identified are:

- People – the Mail division's Distribution and Transportation business units have a successful driver training programme, which has helped the division achieve a zero road accident record for the last two years. In addition, TPG employees in the Netherlands donated holiday hours to aid victims of the tsunami in Asia – totalling a value of € 700,000.
- Investors – the Dow Jones Sustainability Index assessed TPG's corporate governance as best in class in its industry.
- Customers – customer satisfaction levels show a stable and good rating in all market segments.
- World – within TPG, waste consists mostly of office waste, such as paper waste, cardboard and some wood from pallets. In the Mail division, there is a goal to recycle 40% of waste by separating paper and cardboard waste. Where measured, TPG currently has an overall waste recycling rate of about 28%.

The company specifically identifies qualification for the Dow Jones Sustainability Index (DJSI) and the need for more robust carbon dioxide emissions accounting and reporting as key challenges/goals for 2005.

2.3 Progress

The main section of the report presents an overview of progress. This section begins by outlining the scope of the report i.e. those operations included. Only sites and business units fully owned by TPG are included. Subcontractors are excluded. The report explicitly states that all data are gathered through the use of an internal questionnaire, and that all data presented are based on measurement, unless stated otherwise.

As with the accomplishments and challenges section, the main content of the report is presented in four sections – each containing the issues relevant to TPG's four main stakeholder groups.

2.3.1 People

This section of the report deals with TPG's social performance.

TPG recognises that its people are the only sustainable competitive advantage it has, and as such aims to cultivate mutually beneficial relationships with each of them.

This section of the report talks about how TPG aims to do this with respect to the following issue areas – each of which are linked to GRI key performance indicators:

- Certification for Investors in People award
- Occupational Health and Safety Audit Scheme I8001 (OHSAS 18001) certification
- Workforce
- Employee satisfaction
- Turnover and retention
- Fatalities
- Vehicle accident rate
- Lost Time Accidents Frequency Rate (LTIAR)
- Diversity – gender profile
- Training hours
- Inclusion of minorities
- SA 8000 certification
- Corporate philanthropy

One of these areas is especially deserving of further attention – namely corporate philanthropy.

In December 2002 TPG formed a partnership with the World Food Programme (WFP) aimed at a single common goal: fighting world hunger.[1] This partnership with WFP has become a cornerstone of TPG's commitment to corporate sustainability on a global scale.

TPG's partnership with WFP focuses on three levels of activity:

- Knowledge transfer – applying its (logistics) knowledge to enhance WFP's capacity to manage their supply chain, increase capabilities in fleet management and provide air operation training to WFP officials.
- Hands-on support – providing organisational expertise and logistical assistance in order to respond to emergencies more effectively. In this respect the company supported WFP in the Sudan crisis and in the wake of the devastating tsunamis in the Indian Ocean – committing € 1.5 million in in-kind support to WFP in 2004. This support continued in 2005 and contains air-lifts, road transportation, warehousing and the deployment of staff. In 2005 it was decided to up the commitment to a total level of € 2.3 million.
- Funding & Awareness – helping WFP acquire cash, commodities and services from the private sector and raising funds and volunteering to support WFP's Global School Feeding Campaign by its 162,000 employees. In 2004 TPG employees raised almost € 1.8 million in cash donations for WFP. In addition to this result the company donated € 1.5 million in cash.

TPG's partnership with WFP is certainly best-practice. But the DJSI performance of the company with respect to philanthropy and social impact on communities does not appear to fully reflect this sentiment. Whilst scoring above average on the former criteria, the company scores below average with respect to social impact – surely not because of the limited 'value' of its work. No reasons for this are provided.

2.3.2 Investors

TPG aims to be the most value creating company in its industry. Its main measure in this regard is total shareholder return. As with previous sections of the report – this segment presents a frank and honest discussion of TPG performance in accordance with the relevant GRI indicators.

[1] WFP is the world's largest humanitarian aid agency, which in 2003 fed over 104 million people in 81 countries, including most of the world's refugees and internally displaced people. As the United Nations logistics arm for humanitarian aid, WFP coordinates with other United Nations agencies, governments and non-governmental organisations to deliver food to the right place, at the right time.

What is especially interesting about this section of the report is that TPG measures its shareholder return against a peer group of companies in the sector – and presents this as a graph. The graph shows TPG's performance to be average-to-competitive, but not exceptional. TPG also presents a comparison of its performance against the relevant DJSI benchmark criteria. This graphic reveals TPG to be above average in all areas, and exceptional in terms of corporate governance and stakeholder engagement.

2.3.3 Customers

TPG's mission is to provide excellent service to its customers. It seeks to achieve this goal partly by ensuring the certification of its entities to the ISO 9001 quality standard – which will facilitate the development and implementation of a management system and set of procedures to deliver more efficient operational performance and high quality customer care.

Customer satisfaction is critically important to TPG – and indeed most companies. In the report TPG explicitly states that it wants customers to be able to trust the company. One of the ways in which it gauges this trust is through the ongoing measurement of customer grievances/complaints. In the Express (TNT) division of its operations customer complaints are measured as the number of complaints per thousand transactions. In 2004 there were only 19.7 complaints per thousand transactions – representing an 11% improvement over the 2003 figure (21.7).

2.3.4 World

This section of the report deals with the environment. It covers information on environmental management systems, energy use (i.e. electricity and district heating), gas, waste production and the use of transport. Each of the sections is presented in accordance with the GRI and benchmarked against the Dow Jones Sustainability Assessment results for 2004.

Two issues in particular are worthy of further attention:

- Environmental management – TPG aims to control and cover all its environmental aspects by running environmental management systems as described in the international standard ISO 14001. Whilst all three divisions increased their coverage in 2004 – the company still only has 34% of employees working in ISO 14001 certified facilities. Certification is highest in the Mail business and lowest in the Logistics division – where only 6% of employees are covered. TPG does not talk in any detail about its ISO 14001 plans or strategy, nor does it set any specific objectives for 2005.
- CO_2 footprint – the company presents a provisional account of its CO_2 footprint in direct response to this issue being raised as a concern by stakeholders. Figures are presented in relation to the different aspects of the business most associated with energy use and emissions: automotive, aviation, electric and heating. Only the aviation section of the business is able to provide fully measured data – the rest are in part reliant on estimates. Nonetheless, the presence of this type of information shows definite forethought – and is a welcome addition to the report.

The Dow Jones Corporate Sustainability Assessment results for 2004 showed TPG to be below sector average in four of five environment areas. Its lowest levels of performance were identified as relating to environmental management, performance and reporting – and its best area of performance was that relating to the existence of a climate strategy.

2.4 Further information

In addition to the above the report provides further information:

- PricewaterhouseCoopers assurance report
- Glossary
- GRI cross-reference index (again by stakeholder group)
- Data clarification tables

3 Our comment

Rating: ★★★★☆

The TPG report is like a breath of fresh air amongst the staleness and almost formulaic attempts of most corporate responsibility communications. What makes this report exceptional is not the data and performance of TPG per se, but the honesty and transparency with which the company engages and presents the issues. The report is not glossy or filled with beautiful photographs. In fact the only memorable photograph is that presented on the cover page. It's not beautifully laid-out or presented in a way that distracts the reader from the content and core messages. But it is clean, sincere, heartfelt and trustworthy in its impression. At the core of this impression is TPG's outstanding vision and commitment to sustainability – which clearly transcends way beyond the confines of its operations.

The report shows TPG to be grappling with its performance in certain areas – most notably environment. But it also shows the company to be excelling in other areas – including governance and its wider contribution to society through its groundbreaking partnership with the World Food Programme. What's missing from this report however, is an immediate way for the reader to empathise with and understand the relevance of the content – as part of they way they work and live their lives. A first step towards plugging this gap might involve the integration of real-world perspectives – including quotes from employees and other stakeholders, and images of TPG in action etc. TPG should also consider including more narrative text that explains the relevance and significance of certain sections to both its own operations and stakeholders.

This is an excellent first report. Not only does it talk frankly and openly about what TPG have done, but it also shows ongoing improvements in performance and sets/implies some ambitious targets and objectives for the future. We look forward with great anticipation to hearing more of TPG's performance in 2005 and beyond.