Responsible Business at Unipart Group

2017/2018
Contents

1 - 2  Introduction - Letter from our Chairman and CEO

3  Unipart at a glance

4  Our approach at Unipart

5  Our Corporate Responsibility Priorities for 2017/2018

6  How are we doing?

7  How we are organised?

8-9  Risk and Materiality

10  Stakeholder Engagement

11  Promoting our Values to Government

12  Tax Policy, Diversity and Inclusion and Gender Pay Gap
Introduction
Letter from our Chairman and CEO

Leadership is about doing things that are unfashionable long before they become fashionable.

To the best of our knowledge, Unipart was the first British company to publish a mission statement challenging us to inspire all of our stakeholders to want to stay with us for life, moving away from a single short term focus on shareholders. On our journey, we’ve been inspired and our values reinforced by fellow members of Business in the Community, and we hope that, through Business in the Community and the RSA Tomorrow’s Company initiative, we have been able to inspire others.

Corporate Responsibility is about doing well by doing good. We understand that this is not simply altruism but commercially sensible. Strong successful communities can buy our products and services. Successful schools provide us with well-trained and motivated employees who help us to build our business by engaging more effectively with our stakeholders than our global competitors. So it is in our interest to work with our communities, public services and schools for mutual benefit.
More than twenty years ago, we led a Business in the Community initiative called Partnership Sourcing. As every year has passed, we have become more and more convinced that working in partnership with our suppliers is the best way to improve the competitiveness of the products and service that we offer our customers while simultaneously helping our suppliers to improve their quality, cost and delivery performance whilst managing their ethical credentials.

That philosophy is most evident in our employees. Within Unipart we expect all our people to resolve issues and continually improve processes. This results in sustained productivity improvements.

We recognise that, to remain competitive in a global economy, enterprises must be able to capitalise on the experiences, the creativity and the full potential of a diverse workforce. We utilise the diverse backgrounds, knowledge and linguistic and other skills of individuals, as a powerful resource for greater insight and innovation at work, better collaboration, problem-solving solutions and overall success in the workplace.

We realise that the skills and capabilities of our fellow employees, combined with our culture, is our only enduring source of competitive advantage.

That’s why, in 1993, we built Britain’s first corporate university, the Unipart U. We were convinced that it was the right thing to do to build a highly skilled, flexible employee community where all are free to reach their potential. People would welcome and relish change because they would be well equipped to deal with it.

Nonetheless, we approached it with some trepidation. How would the outside world react? How would the academic community react, and above all, how would our own people respond to this very significant investment by the company? Looking back, it’s clear we needn’t have been so concerned. The idea was warmly embraced by all of our stakeholders including Oxford’s own universities.

The Unipart U was then followed by the establishment of Faculties on the Floor in every operating company throughout the world. Coupled with the continuous teaching of The Unipart Way tools and techniques, and coaching in its philosophy and principles, it provided the foundation for Unipart Group’s Gate to Great programme.

We believe everyone within our diverse workforce can be great at what they do provided they have the opportunity of engaging in deliberate practice within a designed system. They need to be supported by fellow employees who are keen to impart their skills and knowledge so that everyone can grow together.

For nearly 30 years, Corporate Responsibility in Unipart has been about the way we work with all of our stakeholders. People at every level in our Group of Companies are not only more convinced of its relevance today, but are also more convincing and articulate when they talk about its importance to the long term success of our company and all our stakeholders. In a fast changing digital world, we were pleased to see our approach recognised at the Responsible Business Awards where we won the Fujitsu Award for Responsible Business in a Digital Age.

We realise that sustaining what we have achieved so far is in itself difficult and demanding, but it has given us the self-confidence to set more ambitious goals coupled with an awareness that, in a fast changing and interconnected world, we need to keep testing what we do and how we do it for relevance to our mission, guiding philosophy, corporate goal and operating principles.

John M Neill CBE
Chairman and Group Chief Executive
Unipart at a glance

Unipart Group is a British owned company operating in key global markets providing manufacturing, logistics and consulting services.

The Group employs over 8,000 people at peak periods with more than 40 sites in the UK and locations in each of the major global markets. Unipart has an annual turnover including Joint Ventures in excess of £850 million. Corporate responsibility has been in its DNA since that time always ranking highly in the Business in the Community Corporate Responsibility Index and coming top with 5 Stars, the highest possible rank, in 2016.

What we do

Unipart Group is now one of the largest, privately-owned companies in Britain, and we are proud to have diversified far beyond our origins. Today the company comprises:

• **Unipart Logistics** provides intelligent logistics and supply chain management services for many of the world’s blue-chip companies in automotive, technology, mobile communications, retail and industrial sectors.

• **Unipart Manufacturing** are first tier suppliers to the automotive industry providing some of the highest technology, most sophisticated fuel systems through its wholly owned businesses and joint ventures with its partners. The Advanced Manufacturing and Engineering Institute is a partnership with Coventry University creating industry ready products and work ready graduates.

• **Unipart Rail** designs sophisticated signalling and telecommunications equipment for the rail industry, services to Network Rail and parts for all the train operating companies.

• **Unipart Expert Practices** provides operational excellence consulting services based on The Unipart Way to clients in virtually every industry sector in most countries around the world.

• **Unipart International** provides a wide range of heat exchange and cooling products from its manufacturing facilities in the Gulf with operations in the United States and the United Kingdom. It is also the European leader in the collision parts industry as well as providing services to the truck and bus aftermarket.
Our approach at Unipart

Corporate Responsibility is at the heart of our business and is core to everything that we do. Engaging employees is part of our day to day activity and is embedded in our value set which is intrinsically linked with the company’s proprietary business system for continuous improvement, The Unipart Way.

The Unipart Way is our way of working that has been developed over 30 years and which we believe sets us apart from our competitors.

It is much more than a technique or initiative – it is a philosophy of working that is underpinned by a set of integrated tools, each of which can be mastered over time by people at every level of our organisation. It engages our people in delivering outstanding customer service while empowering them to find ways of continually improving our day-to-day operational performance. It is our basis for embedding strong Corporate Responsibility principles and behaviours across our business.

It’s why we do what we do, and why we are focussed on everything it means to be a responsible business. This document sets out our approach, our successes and our plans going forward.
Our Corporate Responsibility Priorities for 2017/2018

One of the core principles of The Unipart Way is that ‘we manage with a long term view’. It is, therefore, unsurprising that our corporate responsibility priorities and areas of focus have remained largely consistent over a number of years.

For us this is separated into four areas:

**Workplace**
Developing responsible and inclusive employment practices that ensure we have a high quality, engaged and healthy workforce to meet the current and future needs of the business.

**Community**
Addressing key social issues and the needs of local communities through working constructively with partners for mutual benefit.

**Environment**
Reducing carbon emissions, water consumption and waste within the core business and encouraging wider groups of stakeholders to do the same.

**Marketplace**
Working with our customers and suppliers to ensure we are part of a responsible supply chain that develops, sources and markets products and services responsibly and with integrity, whilst ensuring a return on investment.
How are we doing?

We were the winner at the inaugural Princess Royal Training Awards for our training and development scheme.

Winner of the 2017 Fujitsu Award for Responsible Business in the Digital Age at Business in the Community's Responsible Business Awards.

90% of our sites are now accredited to ISO14001-2015 standard.

Over 90% of waste was recycled or reused.

Electricity consumption decreased by 35% due to LED lighting installations.

CO2 emissions went down by 10% year on year.

Over the past seven years we have received 48 Swords of Honour for our commitment to safety management.

Over 90% of waste was recycled or reused.

Over 10,000 colleague volunteering hours in 2016/2017.

35 people have taken part in our Mock Assessment Programme for graduates in 2016/2017.

We have more than 41 apprentices working across our group of companies.

128 Leaders have gone through a Management Accreditation Programme in 2016/17/18.

Over £300,000 total Unipart Group community investment in 2016/2017 through cash, gifts and time.

Continued development of Unipart Workwell, including a strategy for mental health awareness training.
We embed our Corporate Responsibility (CR) values into divisional and operational teams to ensure that CR plans are aligned with the overall business strategy for that part of the organisation.

Each element of Corporate Responsibility has a Senior Champion who will set the high level priorities and strategic framework for their element (see table 1 below). Beyond that, accountability for detailed Corporate Responsibility planning and delivery is embedded into Divisional and Operational teams to ensure that CR plans are aligned with the overall business strategy for that part of the organisation.

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<tr>
<th>ElementGroup</th>
<th>Champion</th>
<th>Position</th>
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<tbody>
<tr>
<td>Overall Champion</td>
<td>John Neill</td>
<td>Chairman &amp; Group Chief Executive</td>
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<tr>
<td>Community</td>
<td>Frank Nigriello</td>
<td>Director of Corporate Affairs</td>
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<tr>
<td>Workplace (incl. Human Rights)</td>
<td>John Greatrex</td>
<td>Group HR Director</td>
</tr>
<tr>
<td>Marketplace - Customers</td>
<td>Frank Burns</td>
<td>Managing Director Unipart Logistics</td>
</tr>
<tr>
<td>Marketplace - Suppliers</td>
<td>Noel Travers</td>
<td>Managing Director Unipart Rail</td>
</tr>
<tr>
<td>Environment</td>
<td>Claire Walters</td>
<td>Chief Commercial Officer</td>
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Each division has a team responsible for developing its CR programmes, based on the Group priorities and its own divisional objectives. Increasingly we are seeing CR managed alongside business operations, subject to the same targets and monitoring process.

Reflecting Unipart’s strong decentralised nature, a number of Corporate Responsibility related cross-divisional forums are in place bringing together people from across the divisions to facilitate learning, improve processes across the group, and learn from external experts how to take advantage of latest developments.

A small central team facilitates and supports this approach, including maintenance of standards and legislative compliance, report production and sharing of best practice, both internally and externally.
Risk and Materiality

We have a robust and comprehensive Enterprise Risk Management (ERM) process that covers our whole business.

It is updated annually, but also monitors key risks and changing risk levels throughout the year, providing awareness of new risks and early warning for changing risk levels. It is based on COSO Published “Enterprise Risk Management-Integrated Framework”, and is modified to suit Unipart’s environment. This process covers Workplace, Social and Environmental risks as well as Business and Operational risks.

Key group risks identified for 2017/18 are:

4th Industrial Revolution
The current pace of technological change is revolutionary and will have massive implications for the structure of industry, company ownership, distribution systems and the regulatory environment in which we work.

Many industry observers are concerned by what they see as a skills gap. In 1993, Unipart recognised that, to be competitive, we need to renew our skills every three years. That is even more relevant today. It is not just digital skills from new recruits; it is the continuous re-skilling of every one of our colleagues that will provide us with the capability for digital innovations to remain relevant in the future.

Brexit
The uncertainty created by the UK’s exit from the EU presents a challenge to all UK business. There are some very specific challenges across the sectors in which we operate including doing business and employing people in the EU, our ability to attract the right skills and talent going forward and the future for our employees who are EU nationals, who we value very highly and are keen to retain.

Competition
Across the various areas of our Logistics operations we operate in a highly competitive market which applies pressure to the sales and margins that we can achieve. We seek to differentiate ourselves from our competitors through the application of the Unipart Way, enabling us to offer to superior levels of quality, service and availability to our customers.

Emerging Markets
Political, regulatory, economic and legal systems in emerging markets may be less predictable than in countries with more stable institutional structures. Since we operate in and are exposed to emerging markets, our local operations in these markets may be adversely affected by political, regulatory, economic, tax and legal developments which are beyond our control. We consult with professional advisors in all markets we operate in to ensure compliance with local regulations to minimise this risk.

IT Vulnerability
The risk of breaches to IT Security, which can lead to loss or corruption of controlled data, due to unauthorised access is mitigated by the deployment of multiple layers of software and processes alongside a robust approach to Data Protection and training in the principles of data protection across our organisation.
Risk and Materiality (continued)

While the ERM process covers the major risk areas for the business, risk management is also embedded within all of our core processes, including Corporate Responsibility risks.

For example:

- Risk assessment is embedded in our Unipart Safety and Environmental Management Systems.
- The Unipart Programme Management process, used to deliver all significant business projects, now includes a CR Impact Assessment carried out at an early stage in the process. Questions are included to ensure that the project/programme team can demonstrate that CR issues have been suitably considered and managed at each stage.
- Risk Assessment is embedded into our Communication Strategy process. All stakeholders are considered and maintained in the communications process.
- Internal Audit programmes are developed and implemented; business processes are audited via the annual Unipart Way Audit programme, covering Health & Safety, Environment and Community.

The identification of key issues in the different elements of CR are initially informed by the appropriate CR risks coming from the Enterprise Risk Management process, with additional risks identified and built in as follows:

**Marketplace:**
- **Supplier** – Overall risk is assessed by the Heads of Procurement. Supplier risk assessments are done by divisional procurement teams and where appropriate risk ‘heat maps’ are produced.
- **Customer** – Risk assessment is managed through the Customer Engagement Programme and overseen by the Divisional Commercial and New Business teams.

**Workplace:**
Workshop chaired by Group Workplace champion with divisional champions. A cross-divisional Safety Forum is chaired by the Group H&S Manager Health & Wellbeing Steering Group chaired by HR Director; Corporate Responsibility & Policy.

**Community:**
Workshop chaired by Group Community Champion with divisional and site champions.

**Environment:**
Overall risks are assessed by the Group Environmental Steering Group. Site-based risk assessments are also carried out and as well as Environmental Audits.
We think that communication and dialogue with our key stakeholders is vital to understanding how our activities are perceived and how they are impacting others; furthermore, the feedback we receive helps to inform our corporate responsibility priorities.

We use a variety of techniques to engage with key stakeholders.

<table>
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<tr>
<th>STAKEHOLDER</th>
<th>ENGAGEMENT METHODS</th>
<th>2017/18 EXAMPLES</th>
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<tr>
<td><strong>Our employees</strong></td>
<td>We have a number of formal and informal methods of engaging with our employees including: • Forums • Communications Cells • Engagement Surveys and workshops • Senior Leadership ‘Open Door’ policy • Briefings and ‘town hall’ events</td>
<td>In 2017/18 we continued with our annual programme of employee engagement surveys and workshops. Engagement hubs are present on all sites and ‘Engagement Dashboards’, (which help leaders monitor and understand engagement and its impact in their part of the business) are well established.</td>
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<td><strong>Our Customers</strong></td>
<td>In addition to informal day-to-day customer engagement, we have a number of different methodologies for formal customer engagement including: • Our own 4 Ps process • Customer seminars • Major account reviews</td>
<td>We work with our customers to deeply understand their real and perceived needs. In previous years we have focussed on embedding our Customer Engagement System on our internal knowledge management system – the Unipart Way Online. During 2018 our focus has moved to new sales models that drive us to an even deeper understanding of our customers’ operating environments and challenges.</td>
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<tr>
<td><strong>Our Suppliers</strong></td>
<td>In addition to the day to day contact that takes place between our suppliers and our procurement and supplier development teams, we have formal processes for engaging with our suppliers. These are: • Our Ten(d)to Zero supplier management programme • Supplier conferences</td>
<td>During 2017/18 we have continued our regime of ethical audits and in addition have engaged with suppliers identified as ‘high risk’ on specific issues such as Modern Slavery and Data Protection to ensure that we have a mutually acceptable approach to these issues that minimises risk.</td>
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<tr>
<td><strong>Our Communities</strong></td>
<td>As a multi-site organisation we believe it is appropriate that community engagement is managed at a local level. Each site consults with their local community/community organisations to understand their concerns and issues and identify areas where we can positively contribute. We talk to our neighbours to help us understand the impact of our operations on their lives and help them understand what we do.</td>
<td>In 2017/8, we continued our community audit programme to assess the levels of engagement and communication with local community partners. We continue to work with local community groups in sites which are close to residential areas. We continued to share our best practice and good news stories, both internally and externally, through the ‘CSR News’ section of our Group Corporate Website.</td>
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Promoting our Values to Government

Lobbying is an influencing activity that Unipart pursues directly and indirectly in the UK. Directly, Unipart makes representations to government at national and local level through its own relationships. Indirectly, Unipart lobbies government through its partner organisations such as the EEF, CBI, and Society of Motor Manufacturers and Traders. It is Unipart’s policy to strictly comply with all lobbying laws and regulations wherever Unipart does business.

What it means for Unipart:

- Unipart aims to be consistent in its communications with local and national Government, governmental departments, industry & business regulatory bodies on matters of public or regulatory policy.

- Unipart takes its role as a responsible corporate citizen seriously, and may engage with the UK Government or governmental bodies on public or regulatory policy matters which are of specific concern to the company.

- Unipart employees or others acting on Unipart’s behalf contacting government officials or government personnel (and contracts for lobbying consultants) on behalf of Unipart will be coordinated with the Corporate Affairs department.

- Participation in consultation on pending legislation, covering functional issues such as Employment, Environment, Safety or Pensions, is relatively frequent and will be coordinated by the functional director concerned.

- Because of Unipart’s prominence and the expertise of its employees, particularly in the field of productivity and operational excellence, employees are sometimes asked to appear before or support government bodies. The company believes such appearances provide an opportunity to enhance its reputation and influence the development of public policy. The decision to accept, not accept, or an opportunity to testify requires careful thought, planning and will be coordinated with Corporate Affairs.

- Indirect lobbying via partnership organisations is likely to be specific to the business sectors operated in, and will therefore be the responsibility of divisions. Examples of these organisations include SMMT, Chartered Institute of Logistics and Transport, EEF, Aldersgate Group for the environment, Rail Industry Association, and the Association of Train Operating Companies.

What we will avoid

- Formal discussions on Unipart’s behalf about legislation, rulemaking or policy development with elected officials or administrative employees, unless there is prior review and agreement with Corporate Affairs.

Unipart is a politically-neutral company and will not engage in any lobbying intended to favour or promote a specific political party or organisation.
Tax Policy

We have a clear and simple tax policy - which is to pay the right amount of tax at the right time in all tax jurisdictions in which we operate. Unipart has an open and honest approach to tax and publishes on the website a Group Tax Statement.

Diversity and Inclusion

As a progressive business with a global footprint we recognise the significant benefits that come with having a diverse workforce in terms of:

- employee engagement
- customer engagement
- creativity and innovation
- leadership and retention
- helping us establish ourselves in new markets

We believe that as a diverse and inclusive employer the composition of our workforce should reflect that of working age people in the territories in which we operate. We firmly believe in always ‘appointing the best person for the job’, irrespective of their race, gender, ethnicity, age or any other personal characteristic; equality of opportunity is embedded in our value set and achieved primarily through consistent delivery of The Unipart Way and Leadership Fundamentals. This is underpinned by an inclusive approach to recruitment and also in our key talent pipelines including (but not limited to) our Graduate programme, Apprenticeship programme, Line Manager Training and Team Leader Accreditation programmes.

Gender Pay Gap

Unipart Group is proud to have been one of the few UK companies that have previously published information on our gender pay gap as part of our corporate responsibility reporting and this was done on the basis of difference between male and female basic hourly rates. This voluntary reporting reinforced our ongoing commitment to equal pay and also encouraged us to seek ways to reduce our gender pay gap through encouraging more women to join our businesses, which traditionally have attracted more men, and having effective and inclusive talent pipelines.

The format for calculating and reporting on gender pay that has been introduced under the new regulations has offered new insights into gender pay across our businesses and we are very pleased to report that our median gender pay gap, which varies from 5.3% in favour of women to 7.68% in favour of men, is far better than the national average of 18.1% (Office of National Statistics 2016).

We know that, if we are to continue to be successful and meet the huge challenges of the 4th Industrial Revolution as well as Brexit, we need to attract, develop and retain talent that reflects the diversity of society as a whole. To this end, over the past several years, we have given careful consideration to the factors that might underpin our gender pay gap; and we have been working on developing policies and programmes aimed at achieving a balanced and diverse workforce where everyone is encouraged to be their very best and has an equal opportunity to be great.