



## **Unipart Verification Statement Unipart Group 2014 CR Report**

### **Verification Objectives**

- Conduct an independent internal verification of:
  - Unipart's 2014 report 'Corporate Responsibility the Unipart Way and 2014 Performance'; and
  - 2014 Corporate Responsibility related material (including press releases) displayed on the Unipart external facing internet site, which forms part of the Company's Corporate Responsibility reporting.
- Review the accuracy and balance of the 2014 report and associated material displayed on the internet to ensure statements made and data presented accurately reflect business practices within the Unipart Group of Companies.
- Make recommendations with the aim of continuously improving the future delivery of Corporate Responsibility within Unipart, and the benefit derived from the improved delivery.

### **Responsibilities**

The accountability and responsibility for the delivery of Corporate Responsibility within Unipart lies with the Group Executive Committee and Group CR Champions under the leadership of the Group's CEO and Chairman John Neill.

The responsibility and accountability for day to day delivery of objectives is cascaded globally, on a site by site basis and it is clear that many of the workforces are passionate in their delivery of these objectives.

The creation of 'Corporate Responsibility The Unipart Way' report and the presentation of Corporate Responsibility material on the Unipart Internet site is the responsibility of the Group Communications team and Unipart's Director of Corporate Responsibility.

Unipart's Director of Corporate Responsibility is responsible for the creation of the annual improvement plan and supporting the delivery of this plan across the group

This verification statement is the responsibility of the Director of HR Policy who is a certified AA1000 Auditor, who has had no direct impact on the development or implementation of the annual improvement plan and as such represents an independent opinion, based on an in depth internal audit.

### **Quality Assurance**

The objectives of the assurance process were to evaluate Unipart's adherence to the AA1000APS (2008) principles of inclusivity, materiality and responsiveness (the



"principles") and the reliability of specified sustainability performance information. I have commented on the report against the principles of inclusivity, materiality and responsiveness. Any financial information contained within the Corporate Responsibility the Unipart Way' report or displayed on the Unipart internet sites is excluded from the scope of this assurance process.

### **Verification Method**

The verification was conducted against the AA1000APS (2008) principles by:

- Meeting with key members of divisional operating committees and members of the Group Executive Committee (GEC)
- Attendance at Group and divisional performance reviews

Obtaining full access to all relevant corporate material including:

- Audits - Supplier, Client, Unipart Way, British Safety Council, ISO 9001, ISO 18001 and ISO 14001;
- Access to both the Internet and Intranet web sites
- Minutes - Worker forums, Executive meetings, CSR Improvement review;
- Project and Programme gateways;
- Internal Auditing data collection processes (Divisional and central);
- Risk Assessments (at all levels);
- Training records;
- Reviewing new business bids and exit strategies;
- Internal investigations into disappointing situations (whistleblowing, accidents, incidents, disciplinaries and grievances etc.);
- Outputs of Employee Engagement Surveys
- Sampling data collected for completeness and accuracy.

Utilising auditing skills and an in-depth knowledge and awareness of Unipart's business and processes gained whilst working in numerous roles during my 30 + years of employment with Unipart.

By visiting UK sites, talking with the workforce, reviewing the sites business processes and outputs. No non-UK sites were visited personally but input from independent reviews undertaken as part of the overall Unipart Way (independent) Audit process were used as input to development of this report.

The included and excluded 2014 performance information and key claims both in the report and on the Unipart Internet sites.

The financial information reported in the Group's audited annual report and accounts is excluded from this process as it is covered by Unipart's external auditors.



## Opinion

I conducted my assessment within the context of the AA1000 Assurance Standard's three principles:

**Inclusivity** - people should have a say in the decisions that impact on them

**Materiality** - decision makers should identify and be clear about the issues that matter

**Responsiveness** - organisations should be transparent about their actions.

As such, my findings, described below, are reported within that same context.

In 2011 Unipart sold a majority shareholding of Unipart Automotive to H2 Equity Partners with the expectation of growth. It was a noted omission in the 2014 CR report that Unipart Automotive that went into administration in July 2014 and this had a CR impact on the business:

- a brand risk associated when a business utilising the 'Unipart' brand name went into administration; and
- additional financial pressure put on the company as a whole and the pension's deficit in particular cause by the business loss.

However this issue was covered by internal cascade briefs, formal press releases and interviews, so although omitted from the 2014 CR report this was not omitted from public reporting.

Unipart has published an annual CR report since 2002 and as such has mature data collection systems throughout the UK. It was noted that the vast majority of the statistics related to the UK workforce rather than the global footprint but this was not made clear in the report.

It was previously noted that the Global workforce impact and achievements were under represented in the 2013 report so it was very pleasing to see how well the growing sites based in India have embedded the Unipart Way culture including CR throughout their business and to see this reflected in the 2014 report. With an international workforce of approximately 2,000 people based in 12 countries where CR focus and reporting is still immature.

There are clear communications programmes for all stakeholder groups however the list of stakeholder group mentioned in the 2014 report there were some notable omissions

- Unipart's DB pension scheme members – although this scheme is closed to future accrual that are still approximately 10,000 members (pensioners, deferred members, and dependant members). These members are dependent on Unipart to sustain contribution levels to ensure the on-going payment of full retirement pensions;
- Shareholders – Approximately 60% of the shares are held by employee groups (mainly employees and the pension scheme). With such a large employee based share-holding Unipart is able to focus on long-term sustainability rather than short term financial return to the shareholders;



- Unipart values their 'Agency' workforce which is utilised as both a recruitment route into Unipart and a mechanism to manage business peaks and troughs. The number of individuals provided by Resourcing Agencies staff to Unipart sites varies throughout the year it ranges between 1,000 and 2,000 individuals at any one time. These individuals although not Unipart employees have access to many of the benefits afforded to Unipart employees including training, Employee assistant programme, etc.

## Inclusivity

Unipart's processes for engaging with stakeholders are well established; they have identified their stakeholder groups and then have actively encouraged them to participate in the determination of material issues and setting of performance indicators. These processes are mirrored at our operations throughout the world.

There are mature relationship building programs for both suppliers and customers based on mutual reward in all of their market places. They have made a public commitment to major stakeholders via their Value Set. Their supplier Ten(d) to zero program aims to improve/lean supplier performance for the benefit of both Unipart and their total enterprise. The Consultancy arm of the business utilises the Unipart Way engagement and continuous improvement experiences to help external organisations, increase capability, reduce costs and deliver better customer service in a sustainable manner.

Unipart Group's commitment to stakeholder inclusivity is evidenced by numerous ongoing and embedded programmes, with all stakeholder groups covered. However the CR report did not reflect the full extent of stakeholder coverage:

- Employee engagement programme (which include agency staff);
- Worker forums and focus groups throughout the organisation;
- Employees Health and well-being programmes (which include agency staff);
- Succession planning (ensuring inclusivity);
- Supplier development programmes many undertaken on shared benefit principles;
- Customer intimacy programmes;
- Pension Trustee boards ensure regular and relevant communications;
- Our Contribution Counts (OCC) circles used to address problems, many of which have external stakeholder participants;
- Community programmes
- Employee briefings (Leadership conferences, Divisional conferences, regular site and team briefings

The employee engagement programmes are embedded on all sites. Some sites have chosen to include Agency Workers, as these colleagues form a significant proportion of their workforce.



During the review it has been noted that Unipart continues to encourage their workforce at all levels, within all countries and across all businesses to be open and learn from both success and failure. Many such situations underpin formal improvement plan or personal development plans that were made available for this verification process.

The Unipart Pension scheme, like many others in the sector, continues to operate with a long-term deficit. This scheme remains a significant Unipart stakeholder with many pensioners, employees and ex-employees depending on the solvency of the schemes for their long term well-being. Pension schemes with a large deficit are largely dependent on the long-term profitability of their sponsoring company. As such the Unipart Pension Scheme trustees work in a spirit of partnership with Unipart to secure the long-term financial stability of the sponsored schemes. The need to make regular and substantial contributions to these historic schemes has been made clear to all employees.

### **Materiality**

Business Risk Assessment techniques are widely used by all levels of the business to identify economic, environmental and social risks and opportunities. Risk registers are aggregated at project, divisional and Group level. Risk Assessment underpins Unipart's response to all existing and pending legislative requirements, with each risk assessment reviewed at least annually or where a failing is exposed.

Due to the diverse nature of Unipart's businesses, their global locations and the markets in which they operate, there are a wide range of social and environmental issues and opportunities.

Workforce profiles, exit interviews, disciplinary outcomes and employment disputes were reviewed to ensure all material issues are included.

The only significant risk not mentioned in the 2014 CR report was the brand risk associated with the transfer of Unipart Automotive. This risk was well understood by Unipart, and when the risk came to fruition was well communicated and managed both internally and externally. Unipart Group sold a majority shareholding of Unipart Automotive to H2 Equity Partners in 2011 and provided the new venture with a licence to use the Unipart Automotive brand name. This sale was negotiated with an expectation that this new company would extend their product range and penetration into Europe thus growing the company and securing the on-going employment of transferred employees, and contribute to the historic pension provision of transferred employees. As Unipart Group of Companies did not maintain a controlling interest in Unipart Automotive there was a recognised reputational risk associated with the use of the 'Unipart' brand. During 2013 Unipart continued to provide much needed financial support to the newly formed company. However midway through 2014 Unipart Automotive went into administration and the brand risk came to fruition with some UK newspapers reporting that 'Unipart' had gone into administration. Unipart strongly countered this brand risk by launching a high profile and successful advertising campaign, and formed a strategic alliance with Andrew



Page to secure on-going employment for approximately 350 ex Unipart Automotive employees.

## **Responsiveness**

I am not aware of any additional issues of stakeholder interest that are not currently being managed by Unipart through inclusion in these Reports or via other communication channels.

There were no other significant issues omitted from these reports

## **Performance information**

The vast majority of the material published focused on UK sites and workforce. This was evident in all sections of published material, Marketplace, Workplace, Environment and Community. However there is evidence that Unipart Way philosophy and principles are embedded in all Unipart sites worldwide. However the data capture mechanisms are far less developed.

During 2014 there has been a growth in the number of International sites and the size of the workforce, particularly in India and China. New sites have been established in both Korea and Australia. Overseas sites now account for approximately one quarter of the workforce and half the sites, this growth needs to be reflect in CR reports.

Environmental key performance measures are gathered regularly across the business. There are early signs of the environmental culture change in the UK moving from simply reporting on environmental resources consumed to an organisation where the removal of waste takes a higher priority. This has been achieved by utilising more dynamic reporting tools, six sigma and addressing root causes of waste.

E-coaching has been introduced to provide greater support both the UK and the Unipart overseas sites, this should be backed up by broader data collection and reporting. All charts shown in the 2014 report contain solely UK Environmental data.

Our Contribution Counts circles (OCCs) continue to be effectively utilised throughout the business as an employee engagement tool delivering both CR and business performance improvements however when results are recorded the focus tent to remain on financial benefits with individuals sometimes not recognising the CR benefits achieved – better education will improve this reporting aspect of CR improvement.

The employee related charts shown in the 2014 report evidence a diverse workforce within the UK operations (gender, age, nationality & ethnic origin). Consideration should be given to the development of suitable graphs to evidence the nature of the Non UK workforces.



## **Recommendations for Future Reports and Sustainability Programme**

- Improve Global CR focus and reporting
- Ensure all Significant Risks are included
- Ensure all significant stakeholders are included

At the end of the reporting year 'lesson learnt' workshops were held by each Champion to consider progress made and obstacle identified as a precursor to the development of 2015 Improvement Plans. Having reviewed the 2014 data and the 2015 Improvement Plans all key aspects had been included.

The challenge for Unipart is to retain focus on their CR Improvement Plans whilst addressing key business risks in an uncertain business climate.

The Unipart Way tools and techniques are a powerful asset when it comes to embedding CR principles and improving CR performance and improving Employee Engagement.

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