



John Menzies plc

2010 Corporate Social Responsibility Report





We chose to participate in the FTSE4Good index because it measures the performance of companies that meet globally recognised responsibility standards.



WE BELIEVE THAT OUR BUSINESS CONDUCT, POLICIES AND GUIDELINES WHICH WE HAVE IN PLACE CONCERNING ETHICS, SOUND BUSINESS PRACTICES AND WIDER GOVERNANCE ISSUES WILL NOT ONLY ENHANCE OUR STANDING IN THE COMMUNITY, BUT ALSO PROVIDE A BETTER BUSINESS FOR ALL OUR STAKEHOLDERS.

The Company recognises that being a socially responsible company adds to and enhances the Company's overall value, both short and long term. The impact our business activities have on the environment, communities in which we operate, and wider society are important to us. We recognize that all our stakeholders have an interest in our business activities, and seek to maintain an open and participatory dialogue ensuring that our business activities are performed in a safe, ethical and efficient way.

We have systems in place to identify, analyse and manage key risks arising from our operations, and develop better business methods. The policies and guidelines we have in place set standards concerning ethics, sound business practices and wider governance issues.

The Board expects the Group to conduct its operations based on sound ethical practices which are open and free from discrimination and harassment, and will promote a positive representation of the Group to stakeholders. The Group has adopted and disseminated appropriate policies and procedures, including clear guidelines on matters such as competition law, bribery and whistleblowing, and the Board has tasked each Divisional Managing Director to be responsible for the implementation of all of these policies in their divisions.

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BOARD RESPONSIBILITY AND MANAGEMENT FRAMEWORK

It is important that both of our divisions maintain an open and productive dialogue with all of our employees, customers, suppliers and other stakeholders, and the Board has tasked each Divisional Managing Director with ensuring that these occur. The two Divisional Managing Directors therefore have ultimate responsibility for CSR within their divisions and specifically includes Health and Safety and Employee welfare.

We believe that our business conduct, policies and guidelines which we have in place concerning ethics, sound business practices and wider governance issues will not only enhance our standing in the community, but also provide a better business for all our stakeholders. Significant CSR issues arising in or affecting any of our businesses are raised and discussed at each Group Board meeting. The Group Board and the Divisional Operating Boards have systems in place, including access to adequate information, to identify and assess CSR risks, and to ensure that these risks, and exposure to them, are managed appropriately. Each Divisional Managing Director is also responsible for ensuring that high levels of health and safety are upheld throughout the supply chain; conduct their operations on a lawful, sound and ethical basis; and minimise potential reputational and operational risk to the Group.

Both Operating Boards recognise their legal, moral and commercial responsibility for effective policies, robust health, safety and security management systems and controls to identify, recognise and where reasonably practical eliminate or minimise risk.

Direct responsibility for Aviation Safety and Security is assigned to Menzies Aviations Executive Vice President Operations, Mervyn Walker, who utilises the skills of a Network Safety and Security Team under the SVP Operational Support, Kevin Brown. Safety & Security management is cascaded down into each business through regional safety and security managers who are responsible for safety and security compliance within their assigned region. 2010 has seen further changes to the Network Safety & Security Team to meet the needs of the business and include additional resources to raise the security focus within Menzies Aviation operations. The regional safety & security managers maintain a strong functional reporting line with the responsible specialists in the central support team. Within Menzies Distribution, the Human Resources Director, Christina Mellon, has Operating Board responsibility for Health & Safety. Detailed annual plans are prepared by a Health & Safety manager, who is responsible for developing and implementing procedures and initiatives within Menzies Distribution and MMS, and these are approved by the board, with their implementation supported by two further regional health and safety specialists, with direct responsibility for supporting the implementation in the hubs and spokes in their areas. Every manager and supervisor throughout the division also has responsibility for health and safety reflected in their job descriptions.



HEALTH AND SAFETY

Good health and safety practices are integral both to employee welfare and to the success of the Group. Each Divisional Managing Director is responsible to the Board for health and safety in their division. We continually review our procedures and our training in order to develop and adopt methods of working which reduce the likelihood of accidents occurring. Both divisions operate in a time-critical environment with any delay increasing costs and causing disruption for ourselves and our customers.

Both Menzies Aviation and Menzies Distribution have integrated CSR models into their business development strategies. These are designed to standardise and improve business practices throughout each division. Reports on health and safety performance are the first operating item at all meetings of the Group Board and at Divisional Operating Board meetings. They include injury statistics and trends as well as lessons learned, training performance, contacts with regulators and legislative changes. The Group's health and safety policy statement, which is published on our website, focuses on establishing a suitable environment, providing proper training, communication and consultation with employees.

MENZIES AVIATION

Solid business pillars – being 'SMART'

During 2010 Menzies Aviation continued to build on the positive results it had achieved during 2009. This was achieved during periods of operational disruption caused by the Icelandic Volcano, Hurricanes and Earthquakes and of course the coldest period recorded in the UK and Central Europe where the Menzies Aviation operational teams rose to the challenge and were a credit to the company. During the year some 80 employees received safety recognition awards from which 3 employees were shortlisted and selected to receive a special TAG watch awarded in recognition of their efforts.

The structure of Health, Safety and Security management within Menzies Aviation has changed during the year to match the operational business needs and further strengthen the focus on establishing operational standards and policies. This was achieved through the appointment of a new position of SVP Operational Support, reporting directly to the EVP Operations.

The development and successful implementation of the SMART programme has established a framework of minimum standards that all business operations must strive to achieve. SMART has been designed to concisely and clearly provide the minimum standard expected in a Menzies operation. Compliance against these standards is monitored through self-certification, as well as independent audit. It covers subjects including Safety, Security and Quality, Corporate Governance, Human Resource, Operational Training, Planning and Procedures and Finance. Although challenging, the 2010 SMART audit performance supported by Deloitte for ground handling activities recorded a running rate of >90% compliance. The year also saw the successful and strategic implementation of the IATA Safety Audit Ground Operations (ISAGO) programme at the corporate level and selected network stations.



The network safety, security & training team has continued to be closely involved supporting new start up operations and other activities in Europe, Africa, India, Oceania and the Americas, as well as providing support to underperforming stations. This also included the successful takeover of the BMI and Lufthansa contracts at Heathrow, with no major issues.

Menzies Aviation has continued to build on the work completed during 2009 and strengthened its network security programme this year by adopting a more proactive approach following the launch of the aviation Security Policy Manual. At the same time the division has maintained a strong focus on UK cargo security where further investment has been made in new leading edge security enhancements.

Menzies Aviation continues to take a proactive position with representation on industry groups such as the International Air Transport Association (IATA), Airside Safety Group. Representation at these groups continues to underpin a strong message to the industry and regulators that Menzies Aviation is proactive in their commitment to safety.

Menzies Operating Responsibility Safely and Effectively (MORSE)

Menzies Aviation's safety management programme is called MORSE. The MORSE safety management system and network safety team provide a dedicated resource within each region to support the field organisation and ensure we maintain a strong safety compliance focus. SMART is an integral part of the safety management system and the network team work together to set policy, agree standard operational procedures and communicate regular safety awareness information to the field organisation. The priority continues to be standardising safety and other business critical processes.

MORSE incorporates an intranet-based network reporting and investigation system for the recording of all incidents, including near misses, to UK standards and is continually updated and refreshed to promote its safety and security awareness message.

A new safety and security business plan tool was introduced in Menzies Aviation in 2009 that now forms part of the annual budget planning process. This initiative requires each business unit to consider what specific and measurable preventative actions or measures they will take during the following year to reduce safety and security incidents. These individual safety and security plans were approved by regional management and will be reviewed by the Incident Review Board on a quarterly basis and during audits and form a key part of the strategy and work programme within each region during 2010.

The Menzies Aviation MORSE safety, security and SMART programmes continue to support and enhance the operational and commercial activities of the aviation division.

MENZIES DISTRIBUTION

2010 has been very busy for Menzies Distribution with the inclusion of the new business started at the end of 2009. This required the H&S team to target a lot of its resource towards staff training and introducing our safety systems into the new business centres. This additional focus did not



had a negative effect on accident rates across the rest of the division with only one more Category "A" Accident reported than in the previous year.

Regrettably one of our employees suffered fatal injuries when the vehicle he was driving collided with an articulated lorry which was travelling on the wrong side of the road. The company would like to note its regret at this tragic occurrence which brings to light one of the major hazards attached to our business.

Every year branches and business centres are audited by the H&S team. The initial part of the audit takes the form of a visual inspection which concentrates on the management of safe working practices. This is followed up by an in depth review of local reports, logs, risk assessments, safety inspections and training records. The audit process requires the auditor to answer a bank of questions based on the information gathered and rate the conformity of the local site. Once the information is fully updated, the audit tool will produce an accumulative score and a series of reports which detail any deficiencies within the particular site and recommendations for any improvements.

The inclusion of new and relocating staff into the new distribution centres in Kent and the surrounding areas has seen an increase in the time and resource required for staff and manager training. It is hoped that this training will lead to a decrease in accident rates over the next 12 months. With the completion of the annual safety audits which included the new business units, we have seen a slight rise in the average score from 92% to 93% across the estate. It is expected that as the new business units become fully assimilated into the Menzies operational practices, that the average score will increase in the coming months.

During 2010 an updated 3 year health and safety strategy was delivered to the Menzies Distribution Operational Board for approval. The strategy aims to continue to develop a positive health and safety culture, with coherent policies and procedures, that are compliant with all appropriate health and safety standards. By continually improving the attitude, perception and competency of all staff the division aims to continually improve the behaviour of employees and therefore install a positive H&S culture across the division.

The main initiatives for the past year have included:

- The completion of the 2010 branch audit programme. This has seen a slight increase in the overall scoring, with the average score rising from 92% in 2009 to 93% in 2010. This increase in percentage scoring is a very positive result considering that this was the first audit year for the new sites in Kent and Preston, with further improvement expected for 2011.
- The introduction of pre-audit health checks which have been introduced as part of the 3 year strategy and are designed to identify any deficiencies in site administration with a view to preparing them for a full H&S audit.
- The updating of the Personal Protective Equipment (PPE) policy in line with EU requirements.
- Supervisor training for existing Supervisors, as part of the "Stepping Up" programme and newly appointed Supervisors as part of their introduction to the business.



- Induction and manual handling training for over 200 new members of staff across the business.
- General Risk Assessment training for 14 Managers and key personnel covering Operational sites, Contact Centres, EM News and Menzie's Marketing Services.
- Manual Handling "Train the Trainer" courses for a further 13 delegates bringing the total number of trainers within the Distribution business to 88.
- The continued refinement of activities within Menzie's Marketing Services, including the H&S team providing on site risk assessment training, staff training and developing bespoke safety check lists.

MORSE AND THE SAFETY STRATEGY

The most common injuries in the Distribution business are those sustained from manual handling, slips and trips, and moving objects. Best practice is shared between the divisions, and Menzie's Distribution uses a variation of Menzie's Aviation's MORSE programme.

In November 2010 Menzie's Distributions 3 year health and safety strategy was released. The aims of this strategy are to deliver improvements to the capacity for the business to handle risk effectively and produce a performance management framework that will enable it to demonstrate improvements made in the management of health and safety and the contribution that it makes to the overall handling of risk and achieving of outcomes.

- Competence and Senior Management: training to IOSH qualification level in risk management;
- Supervisors Stepping Up programme:
- Introduction of Electronic Reporting Tool: a new tool is currently being selected to complement the existing MORSE programme.

This approach has proved successful and will be extended over the next three years. The division continued to evolve its vehicle movement practices, separating workplace vehicle movements from people movements. Our route-map practices were previously highly commended by the Freight Transport Association and the Health & Safety Executive (HSE) and remain a case study on the HSE website, highlighting Menzie's Distribution's safe systems of work as the blueprint for good working practices. All staff receive health and safety training relevant to the tasks they perform. CD-based training materials are also available, including our driver training programme which covers safety as well as advanced driving skills to maximise fuel savings.

INJURY AND INCIDENT REPORTING

Whilst both divisions utilise key performance measures to monitor trends and to improve our performance in this area, they operate in very different sectors, and so to provide clarity on the trends within each separate business, statistics for each division are analysed individually.

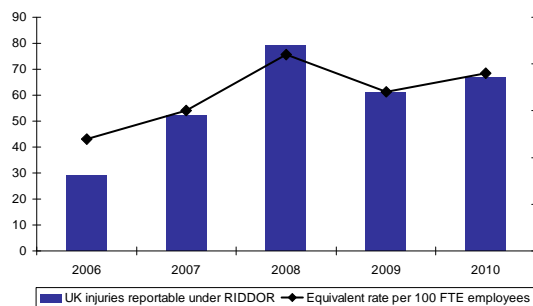
In respect of Menzie's Aviation's overseas operations, there is no comparable UK RIDDOR, as each country where it operates has different reporting requirements. However, under the MORSE



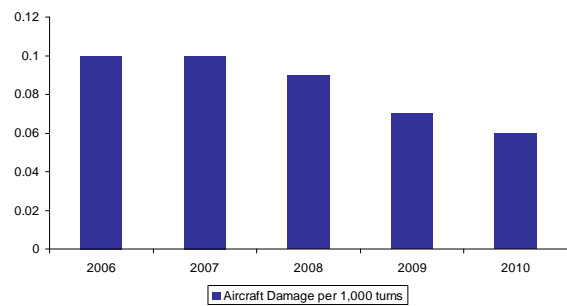
incident reporting system, all injuries are reported under standard categories depending on seriousness, where Category A would be for the most serious incidents. Category A level is not the same as UK RIDDOR, but it includes major/serious incidents involving fatality, serious harm, dangerous occurrence or aircraft damage, including significant near misses.

Within Menzie's Aviation, analysis of accident trends shows that musculoskeletal type injuries resulting from manual handling activities continue to contribute significantly to the total injuries reported in 2010. These injuries are indicative of the industry and the nature of ramp services and cargo handling tasks which all require a high degree of physical handling. UK Ground Services are trialling a new approach to manual handling training with a specialist external company in this field, early indications following a trial at Stansted airport are encouraging.

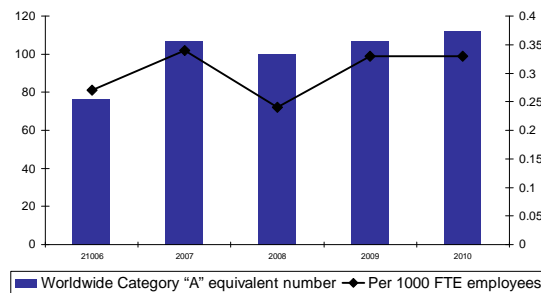
Menzie's Aviation – UK Figures



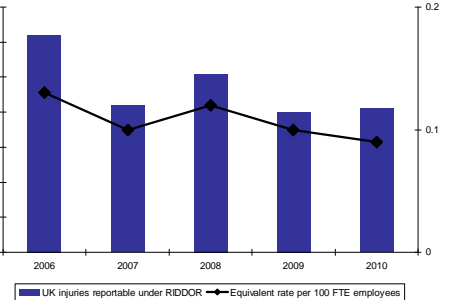
Aircraft damage per 1,000 turns



Worldwide Category "A" equivalent number



Menzie's Distribution – UK Figures





EMPLOYEES

DIVERSITY

The Group recognises the value in a diverse employment base. The principles are recognised through published employment policies which are designed to attract, retain and motivate quality staff. Full consideration is given to age discrimination laws and the employment of disabled people and our policies and practices encourage recruitment and promotion based on merit, irrespective of factors such as age, gender, race, religious beliefs or sexual orientation.

Managers are also encouraged to foster a work-based culture based on values espoused as part of a campaign promoting and providing guidance on ethical business practices and professional conduct concerning dealings with all our stakeholder groups such as customers, suppliers and of course employees.

ATTRACTING THE RIGHT PEOPLE

Both of our divisions recognise that the recruitment process is only the first stage in our relationship with our employees, and selecting the right people is essential in delivering an efficient, cost-effective product to our customers. Both divisions believe in approaching as wide a population as possible in their recruitment efforts, and so in 2010 continued to utilise a variety of recruitment methods. Applications are considered purely on merit, and psychometric assessments are also used across the business to assist in selection for management roles.

In 2011, both divisions intend to develop further their recruitment processes to maximise the use of web-based applications, with Menzies Aviation continuing projects to develop internal and external web based recruitment landing sites using existing company intranet and extranet sites.

MANAGING OUR PEOPLE

Menzies Distribution are striving to achieve the external Investor in People (IIP) recognition, and an active dialogue commenced with IIP in 2009, which continued throughout 2010, with a view to assessing the division for the Investors in People award in the near future. The division have used the IIP framework as a platform to implement its training and development plans in 2010/2011.

Menzies Aviation continued to develop its web based modular people management system in 2010. Modules currently implemented include:

- Goal management – enabling the company to record, monitor and reward achievements of individuals whilst ensuring consistency against common goals.
- Performance management - in conjunction with goal management this allows a clear and consistent view of performance and leadership skills with biannual personal development plan sessions arranged for all management grade employees.
- Employee profile – enabling individual employee profiles to be recorded including details of previous experience, qualifications and essential contact information.



2011 will see the implementation of additional modules covering compensation and benefits, succession planning and recruitment management.

REWARD AND INCENTIVES

The Group recognises that its continuing success depends on the quality and motivation of its employees. It aims to ensure that its remuneration practices are competitive, enabling it to attract, retain and motivate executives and employees who have the experience, skills and talents to operate and develop its businesses to their maximum potential.

We provide a variety of reward and pension arrangements as part of our employee retention and incentivisation programme. Employees are able to develop a direct interest in the financial performance of the Group through its savings-related share option scheme, which is open to all UK employees. Over 1,000 UK employees took up their invitation and subscribed to the 2010 sharesave scheme in which almost 500,000 shares are now held under option. For staff in the UK, the Group offers many benefits, such as a childcare scheme which allows staff to opt to receive part of their pay in tax-free childcare vouchers.

Other benefits offered to staff, dependent on grade and location, include: private medical care, subsidized staff restaurant, gym membership, life insurance and a company car or car allowance.

DEVELOPING AND TRAINING OUR EMPLOYEES

Training is an integral part of our offering to employees – not only for health, safety and security purposes, but also in developing talent within the business. All employees, in both Menzies Aviation and Menzies Distribution receive an induction programme particular to the work they will be undertaking. Health, safety and security training continues for everyone throughout the employees time in the Company, supplemented by management and leadership courses where an employee is promoted.

All Directors and managers, from the Executive Directors downwards, undergo a formal annual review where feedback is given on the previous year's performance and goals for the upcoming year are agreed. Individual Personal Development Plans are established, and leadership talent reviews are held to identify those suitable for potential promotion. Other staff receive continual feedback from their branch or local managers.

Leadership development initiatives remain important in Menzies Aviation and 2009 saw the continuation of the 'Leading from the Front' programme, which provides supervisory level employees with basic leadership skills. The programme is delivered locally helping to ensure local buy-in to the 'Menzies Way' principles. All new employees are given induction training designed to ensure that they can fulfil their tasks safely and securely.

Menzies Distribution continued to deliver its popular 'Stepping Up' four day leadership course for supervisors. This tailored course has been supplemented by 'Release the Potential' aimed at first level managers, helping employees understand themselves better and improve the way they relate to other people with the intention of improving business performance.



A radical overhaul of Menzie's Aviations operational training was completed during the year with some seventy new standardised and approved training modules completed and available on the divisions intranet that form the foundation for all operational training along with the further development and implementation of new policy and procedures manuals for quality assurance, ground service equipment, passenger services and cargo. Which collectively form the Menzie's Aviation DNA and will also be published on a memory stick and issued to all business units and start up operations as part of the 'Menzie's in a box' concept. Furthermore in the first quarter of 2011 a Certificate of Competence will be included with all new tenders setting out the value added benefits that potential customers will gain when selecting and working with Menzie's Aviation.

All of the Group's commercial vehicle drivers are given driver training. Each division has resources made available to it to ensure the training needs of its staff carrying out particular functions and tasks are fully met. Menzie's Distribution enlisted the help of Orion PS training group to commence the delivery of the Driver Certificate of Professional Competence (Driver "CPC") mandatory training. Under EU regulations, after September 2014 any driver that operates a vehicle which has a gross vehicle weight in excess of 3,500kgs, must have undergone 35 hours of periodic training within the previous 5 years. Orion have delivered the first 7 hour training using Safe and Fuel Efficient Driving and Digital Tachograph operation as the training topics. During an 18 week period, 81 courses were held at 15 locations and 671 drivers were trained to the same competent standard. Due to the requirement of this regulation, a minimum of 7 hours training to these drivers will be provided every year. NVQ training has continued to be provided in our branches to staff and Tachograph training sessions have been held in co-operation with the Freight Transport Association, sharing best practice.

As part of the succession planning within Menzie's Distribution, the division launched a programme targeted at developing future talent called 'Aspire'. 'Aspire' is a cutting edge development bespoke programme which is specific to business challenges and competencies. Both the content and the method of delivery have been delivered in a creative, challenging and relevant way to the participants. The programme is made up of 8 workshops and 15 potential future "stars" within the business are participating. The Distribution Operating Board regularly attend and individually sponsor the numerous workshops, and review the outcome of the set project work assigned to the participants.

COMMUNICATION AND CONSULTATION

Menzie's Distribution and Menzie's Aviation management meet regularly with employee representatives, and seek to maintain an open and constructive dialogue. These discussions range from national agreements to issues at local sites.

During 2010, both divisions operated comprehensive internal communication programmes designed to ensure that all employees throughout the Group are kept informed about the direction and performance of their own division and of the rest of the Group.

Communicating the "safety & security" message within Menzie's Aviation has continued with a strong focus on the promotion of a fair and just reporting policy and culture. Also regular publication



of safety alerts, posters, stickers, operational audits and employee participation through local safety committees as well as a monthly safety performance newsletter.

Regular e-bulletins are also issued with divisional news and corporate results, and disseminated through regular crew room briefings at each airports. Crew room briefings are also designed to provide an informal environment where two way communication can occur, and employees are encouraged to raise issues, concerns or questions in these sessions.

A programme to install networked television screens in employee rest areas is planned for 2011 to further improve communication to employees. The screens will be used to transmit safety, security alerts and messages along with business updates, news bulletins as well as localised information.

Menzie's Distribution increased publication of both its successful staff magazines to become bi-monthly; 'News and Views' available to all staff, and 'Critical Business Briefing' for senior staff, designed to capture and discuss significant changes and developments within the business.

RECOGNISING HUMAN RIGHTS

All our employees are important to us and the Group operates policies designed to ensure that the highest standards are maintained. Menzie's Aviation operates in an international environment and its Human Resources policies include sections specifically designed to maintain Group-wide standards. These are integral to the SMART programme. International airports are unique operating environments, and demand the highest international standards in employment practice, both for the safety and security of all our customers and for the benefit of our business.

WHISTLEBLOWING, ANTI-CORRUPTION AND BRIBERY

The Group is committed to transparent and honest business, and recognises that robust policies and procedures are necessary to minimise risk to the business. As well as making its whistle-blowing policy available on its website, in the UK staff noticeboards contain details of the division's whistle-blowing policy.

Staff can report any issues locally or via an independent third party. Menzie's Aviation has similar policies in place for its operations in the rest of the world. All reports are taken seriously and will be treated fairly and justly by John Menzie's plc, and all reasonable steps will be taken to ensure that no person who raises a genuine concern will be at risk of suffering any form of retaliation as a result. As well as working within the Group's Corporate Governance manual, Menzie's Aviation has also made a divisionally focused version available on its intranet, containing details of the Ethics and Gifts & Hospitality policies. 'Do's and Don'ts' cards are available to all managers on the division's intranet detailing what they should or should not do in regard to anti-competitive practices.



ENVIRONMENT

The Board acknowledges its responsibilities for ensuring that environmental risks arising from the activities of its businesses are properly identified, managed and controlled, and that its businesses are compliant with all local laws, as well as with best practice – the latter where it is practicable.

ENVIRONMENTAL POLICY

Each of our two divisions has its own environmental policy, which has been approved by the Divisional Operating Boards and is integrated within existing management structures and implemented through normal business practices and procedures. These environmental policies address the following areas:

allocating roles, responsibilities and resources;

- complying with legislation and best practice;
- monitoring, verification and auditing of compliance;
- data collection, analysis and reporting;
- risk identification, assessment and management;
- communication and dissemination of information;
- adopting technology and working practices that are modern, environmentally friendly and energy efficient; and
- working with customers and suppliers to address environmental issues affecting our businesses.

At Group level, environmental issues affecting the businesses are the responsibility of, and reported by, each Divisional Managing Director to the Board. Environmental risks associated with new businesses are always assessed as part of our due diligence process on all acquisitions.

Within Menzie's Aviation, as part of the SMART programme, operational management have to certify periodically compliance with local environmental regulations. There were no incidents last year which posed a significant environmental risk to the Group's operations and systems are in place to try to prevent their occurrence. These systems are reviewed periodically.

2010 was the second year of Menzie's Distribution's five year conservation strategy, aimed at implementing its Energy and Water policy. The strategy is divided into three parallel streams:

- Monitoring and targeting;
- Good housekeeping – encompassing staff awareness, staff training, motivation and publicity; and
- Technical improvements – investing to improve efficiency and reduce emissions.

Each stream has its own internal objectives and methods, and is being implemented by a combination of external facilitators and experts, and Menzie's in-house facilities and logistics teams and site managers.



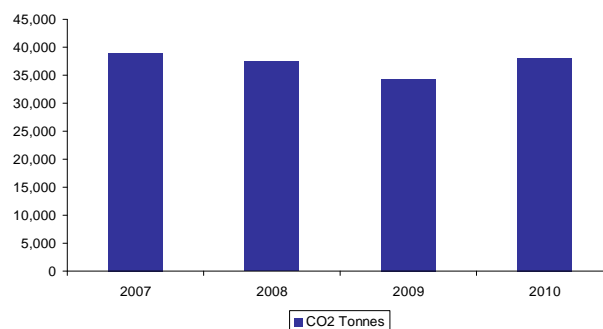
As well as preventing risk, the Group is committed to reducing its carbon footprint and impact on the environments in which it operates.

CARBON TRUST STANDARD

The Group is proud that at the start of 2009, Menzies Distribution achieved the Carbon Trust Standard for the energy efficiency work that has been undertaken in the division. The Carbon Trust Standard is awarded to organisations that measure, manage and reduce their carbon footprint. It shows which businesses and organisations are taking real action on climate change and reducing carbon emissions and the award recognises Menzies Distribution's efforts to date and its commitment to further reductions. The recertification process for the Carbon Trust Standard has commenced with the gathering of information relating to CO₂ emissions in 2010. As with the original application, evidences of governance, carbon accounting and carbon management are required to prove that the company is committed to a sustainable future. A reduction in the recorded level of CO₂ emissions for 2009 and 2010 must also be recorded against the base year of 2008. Carbon footprint reduction continues across the Group, providing efficiencies and reducing costs to the business and both divisions remain committed to minimising the impact they have on the environment.

ENERGY CONSUMPTION

CO₂ Emissions



Since October 2007 all Menzies Distribution mainland UK electricity has been procured from fully 'green' renewable resources. The division has a target of reducing electricity consumption by over 12% from its 2008 figures by the end of 2011, and seeks to maintain its accreditation to Carbon Trust Standard. Energy consumption at Menzies Distribution during the year amounted to 32million

kWh, an increase of 15% on 2009, primarily due to an increase in gas usage during severe winter conditions both at the beginning and end of the year.

Menzies Aviation operates largely in shared environments such as airport terminals, and their direct billed energy is significantly lower than that of Menzies Distribution. However, they work closely with airport authorities in minimising their energy consumption, and actively promote efficiencies within their own premises.

In 2010, the Group continued monitoring its energy consumption levels in the UK as part of its requirements under the Carbon Reduction Commitment. Water consumption across the business is low. Both divisions again have a policy in place to minimise usage and the impact of our business operations to the local environments.



CARBON REDUCTION

Menzies Distribution has been committed to addressing environmental issues for the past 10 years. During this time the division has focused specifically on carbon emissions, as these equate directly to operational costs for a distribution business. This has had a significant, positive impact on our business with a reduction in our CO₂ emissions of approx. 30% over this period. We remain committed to action, to supporting others and learning from others.

Menzies Distribution are stakeholders within the Logistics Carbon Reduction Scheme ("LCRS"), a Freight Transport Association group created to lead the Logistics industry and supply chain towards a more sustainable future. The gathering of information from companies involved with the LCRS, on how they have tackled CO₂ reduction will be included in a newly created "Knowledge Hub". The division is also involved in a trial with Tesco along with a number of their other supplying partners to create information for a "Carbon Knowledge Hub". This Hub has been created by Tesco, the Sustainable Consumption Institute at Manchester University and 2 Degrees, to provide a central point of information where case studies and other information on carbon reduction can be viewed.

MENZIES DISTRIBUTION CARBON FOOTPRINT

During 2007, Menzies Distribution worked with a team from Heriot-Watt University and their academic partners in the government-funded 'green logistics' project to establish its direct carbon footprint and (1) benchmark this in relation to the newspaper and magazine supply chain overall and (2) establish how our footprint has evolved over recent years. The exercise proved revealing and supports the strong link between operational effectiveness and environmental impact. Menzies Distribution has responded to the report on two fronts – leading within the business and leading within the industry.

LEADING WITHIN THE BUSINESS

Despite an increase in our overall carbon footprint, largely due to the addition of new business, our CO₂ equivalent calculation of "CO₂ per tonne handled" has dropped from 0.90kg/co₂ per tonne handled in 2009 to 0.84kg/co₂ per tonne in 2010. Further use of the route management tool OPTRAK should see ongoing reductions in the miles travelled and ultimately the CO₂ generated.

Significant steps have been taken to reduce carbon emissions within day-to-day practice. In warehouses and offices, this has meant a campaign to discourage unnecessary use of lighting, and collaboration with energy wholesalers to acquire green electricity contracts.

LEADING WITHIN THE INDUSTRY

Menzies Distribution has sought ways to encourage greener practice at its partners and associates. The division's carbon footprint amounts to around 38,140 tonnes; however, the newspaper and magazine supply chain as a whole accounts for significantly more. Lobbying others within the



industry is therefore one of the most important steps the division can take to reduce carbon emissions overall. Menzies Distribution's newly launched website, www.enviromenzies.com is the platform from which the division aims to lead this campaign.

MENZIES AVIATION

Menzies Aviation provides a people-based service to its airline customers and is a lower emitter of carbon than Menzies Distribution. Menzies Aviation tends to operate in shared environments such as airport terminals where we work together with the airport authorities to minimise carbon emissions at each site. Efficiency is key in all aspects of our operations, including at our own warehouses, where energy inefficiency is a cost to the business. A significant proportion of our airside ground servicing equipment fleet is electric, and our lease arrangements ensure frequent servicing and replacement, maximising efficiency. In addition, landside road vehicles are regularly serviced and trucks are all Euro IV standard, to maximise fuel efficiency per mile, and numbers of miles travelled are kept as low as possible.



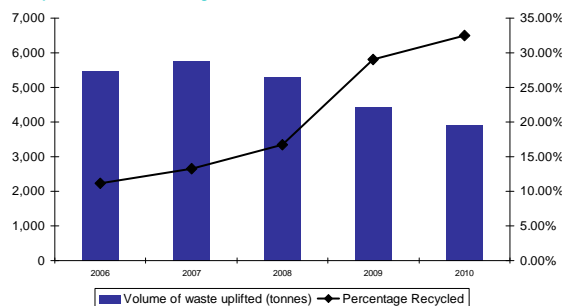
WASTE AND EMISSIONS

MENZIES DISTRIBUTION

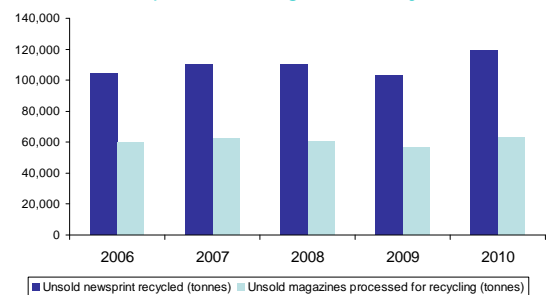
At Menzies Distribution, packaging waste, namely cardboard and polythene, and office paper are byproducts of our activities. We have waste compactors installed at our 19 hub branches in the UK which we now use for all Dry Mixed Recyclable materials rather than sending these to landfill sites, Menzies Distribution is working closely with their preferred waste service provider to achieve 90% recycling of general waste material across the Division.

Under our contracts with newspaper and magazine publishers, we are responsible for the collection of unsold copies from retail outlets. Newspaper publishers outsource the physical uplift and recycling from our premises via third-party agents with whom we work closely to integrate an efficient transition from our processes to their collection.

Uplifted and Recycled Waste



Unsold newsprint and magazines recycled



For magazines, unsold copy from all of our branches is fed primarily into UPM Kymmene's Shotton Paper Mill for conversion into future newsprint. All unsold magazine products which are not required for resale are consigned for paper recycling.

The division also handles other unsold products such as collectible partworks and sticker collections. These are sent back to publishers for subsequent re-use. Menzies Distribution is active in industry initiatives aimed at reducing the volumes of such material to landfill and supporting initiatives to increase consumer awareness of the magazine recycling opportunity.

MENZIES AVIATION

Menzies Aviation are committed to reducing unnecessary consumption of resources and recycling packaging such as polythene, rope and pallets where possible. Its total use of packaging materials through its AMI and cargo businesses in the UK amounted to 757 tonnes (2009: 708 tonnes). Where the division offers an aircraft cleaning service, any waste we remove from an aircraft is, wherever possible, processed via airport waste recycling systems.



WASTE AND AIR EMISSIONS

The Group is aware that its transportation activities can have an effect on the environment through water and air emissions. Washing our vehicles is our largest form of water consumption. Vehicles are washed on a weekly basis, or when required at each of the Menzie's Distribution branches. The Group is a relatively low consumer of water, and waste water is fed into the national waste water network.



FLEET AND FUEL

MENZIES DISTRIBUTION

The Menzies Distribution fleet has increased slightly from 487 in 2009 to 497 in 2010. The range the fleet covers car derived vehicles right through to 44 tonne articulated commercial vehicles. The fleet comprises diesel-only vehicles on a leased basis. Lease terms typically run for between three and five years, ensuring a modern and efficient fleet. All new additions to our fleet since January 2007 run on Euro IV engines.

In addition to lifecycle costing, future fleet structure will reflect relative emissions efficiency, with a commitment to reduction.

Distribution	2010	2009 (including new business)	2008
Fleet			
Own	497	487	432
Contractors	1227	1,202	1,211
Mileage			
Own (miles)	17 million	13.5 Million	13.8 Million
Contractors (miles)	28.1 million	25.9 Million	29.0 Million
Fuel consumption			
Own (litres)	4.1 million	3.1 Million	3.0 Million
Contractors (litres)	5.9 million	5.6 million	5.5 Million

INVESTING IN NEW TRANSPORT TECHNOLOGY

A MODEC electric vehicle operates in central London as part of our assessment of more eco-friendly vehicles and Menzies Distribution remains committed to supporting low carbon operations and will continue to explore further electric vehicles in 2011.

In addition to the MODEC electric vehicle located at one of our London branches, JYL now have two QEV electric vehicles as part of their fleet, one of which has recently returned following a major refurbishment, whilst the other is brand new. Both vehicles are capable of carrying 1,000kgs of payload at a top speed of 35mph and have the ability to travel 40 miles on a round trip. These work well on the flat terrain of London and provide JYL with an alternative to a diesel vehicle which saves on vehicle excise duty and congestion charging.



We are currently running trials with “Fuel Saver Technologies”, who have developed engine management software which reduces fuel consumption whilst limiting revs and speed. We are also trialing an alternative solution with Magno-flo using magnet technology to change the molecular structure of the carbon in fuel, which aims to produce a more efficient burn as well as greater engine torque.

Investigations are also underway with Masternaut and Aero Mark to understand the benefits of using vehicle telemetry. Being able to identify driving behaviours that lead to higher fuel use and erratic driving would provide a double win by ensuring greater safety to our drivers and other road users and reducing fuel consumption.

Third-party contractors carry out two-thirds of our delivery mileage and the same focus on costs, regulatory compliance, vehicle suitability and health and safety which influences the division's direct operations is also applied in selection and management of such subcontractors.

MENZIES AVIATION

The division operates various vehicles in connection with its activities. Typically, these are on or off airport activities and include bussing, trucking (cargo between airports) and air freight couriering by AMI. Total fleet size is small in comparison to Menzies Distribution, and in the UK covered approximately 4.2 million miles in 2010 (2009: 4.5 million miles).

The on-airport activities involve use of specialist Ground Support Equipment (GSE) for both our ground and cargo handling businesses. Other than some passenger steps and baggage or cargo carts which need to be towed, all GSE can be driven and run on either diesel, electricity or LPG. Other equipment including hydraulic loaders, aircraft push back tugs, conveyor belt loaders, and some diesel tow tractors that pull passenger steps and carts are, wherever possible, fitted with the latest low emission standard engines for the particular equipment type. GSE is not designed to travel long distances so the mileage is low.

The division also operates a small fleet of single-deck passenger buses that transport airport workers daily to and from car parks in and around Heathrow Airport in London. This fleet was replaced in early 2010 and the new vehicles all run on Euro V compliant engines. The UK trucking operation transports cargo between airports, mainly in the UK and Ireland. The vehicle fleet undergoes a six-weekly maintenance check to ensure safety and optimum engine efficiency. The division also has trucking operations in the USA, South Africa and Sweden, most of which are provided through subcontractors.

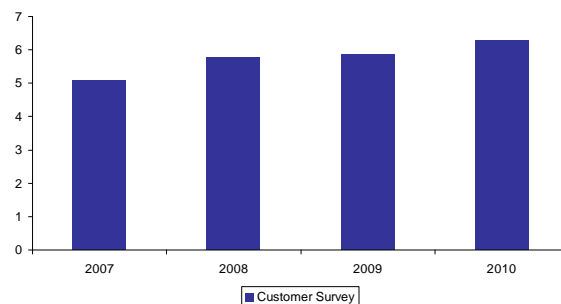


SUPPLY CHAIN

Our relationship with our customers and suppliers is important to us – without them, we would simply not exist. Both our businesses rely on long-term working relationships as one of the core pillars of their business strategy – for Menzie's Distribution this can be a lifelong arrangement with a newsagent, and for Menzie's Aviation agreements covering many years at many airports.

Airports and airlines operate on an international platform and expect all their suppliers to operate to acceptable standards worldwide. Menzie's Aviation shares this commitment to high standards and works with its airline and airport partners to ensure that we all maintain and deliver commitments to high standards throughout the supply chain, at all our locations worldwide.

MENZIES DISTRIBUTION CUSTOMER SURVEY



At the end of each year Menzie's Distribution commissions an independent customer survey, covering all aspects of its relationship with its retail customers. Improvements to our customer contact centres are just one of the outcomes to previous years surveys. These are now providing a better level of service than previously provided at a branch level. The overall score for 2010 has just been

published and is 6.28. Our survey scores in this area are traditionally between 5 and 6.

MENZIES DISTRIBUTION SERVICE PLEDGE

Another key area which Menzie's Distribution had undertaken to improve further was its relationship with its customers, and 2010 saw the division continue the operation of its 'Service Pledge'. This booklet, circulated to all its customers, laid out in plain language the minimum levels of performance that they can expect from the division, building on three key principles – guaranteed universal service; better than industry standard standards; and a complaints resolution process. Not content to rest on their laurels, the division began a full review at the end of the year which will culminate in the release of a new and improved 'Service Pledge' in 2011.

MENZIES AVIATION RELATIONSHIP BUILDING

Menzie's Aviation has at the core of its strategy the establishment of long-term agreements with attractive airlines in attractive markets. Working closely with our airline and airport customers and our ground equipment suppliers provides long-term, reliable partnerships. Menzie's Aviation also has frequent audits of its services, processes, procedures and policies at its airports by its airline customers to ensure that their high standards are maintained.



SUPPLIER PAYMENT POLICY

The Group does not operate a standard code in respect of payments to suppliers. Each division is responsible for agreeing the terms and conditions under which business transactions with its suppliers are conducted, including the terms of payment. It is Group policy that payments to suppliers are made in accordance with the agreed terms, provided that the supplier has performed in accordance with all relevant terms and conditions. At the year-end, the amount owed to trade creditors by the Group was equivalent to 33.8 days (2009: 37.9 days) of purchases from suppliers.

POLITICAL DONATIONS

It is the Company's policy not to make political donations and no political donations were made during the year (2009: Enil).



INVESTMENT IN COMMUNITIES

John Menzies is aware that it has community obligations, particularly within neighbourhoods, where it does business. We have a general duty to avoid conducting business which is against the best interests of these communities. We have a positive duty as well as a self interest, to improve the well being of individuals and to use our best endeavours to enhance community life. A positive approach to our community relations is in the best long term interests of our company and of those who work within it.

In addition to supporting local causes where Menzies employees are involved, we aim to provide significant levels of support to a small number of charities nominated by each operating division each year. The following criteria is used in deciding our charities of choice:

- Charities that enhance our engagement in the community
- Charities that assist in managing the sustainability of the local environment
- Charities that educate young people and that assist disadvantaged groups
- Charities that are small enough for our donation to make an impact;
- Charities have specific aims and demonstrate how our contribution will benefit their cause.
- Charities that the company can develop a positive association with and that employees can engage with;

Generally, Menzies will not make contributions to certain causes or activities. These include, but are not limited to political parties, Books, research papers or articles in professional journals, Religious organisations or anything that conflicts with our Ethics Policy.

The Company actively encourages employees to support chosen charities through attendance at events and the 'Payroll Giving Scheme' which allows for tax efficient donations to be made to charities.

In 2010, over £50,000 was donated by the Company. Funding is provided via two main routes – The Charities Fund and the John M. Menzies Community Fund.

THE JOHN M. MENZIES COMMUNITY FUND

Donations requests received from employees are supported through the John M. Menzies Community Fund. The Group employs more than 19,000 people in 27 countries all around the world, many of whom participate in various forms of charitable, voluntary and other community-related work. We are supportive of these initiatives, and encourage and support these through the work of our Community Investment team.

The John M. Menzies Community Fund makes individual cash awards of up to £350 per employee, or £700 per team of employees, undertaking a charitable or community project. Such awards are made in consultation with the Managing Directors of each business. During 2010, some 30 applications were supported by this Fund to a total of £8,150.



THE CHARITIES FUND

This is the main vehicle for the Groups charitable donations. The fund is set each year by the Group Board and Menzies Aviation and Menzies Distribution both nominate charities to receive donations and in 2010 over £42,000 was donated to a small number of selected organisations which the Committee felt matched the investment criteria. These organisations included the Newstraid Benevolent Fund which works for individuals in need in the retailing and distribution section of the newspaper and magazine publishing industry throughout the UK, Parikrma Humanity Foundation a non-profit organization that is transforming education for underserved children in urban India, so that they can have equal access to the best opportunities, Support in Mind Scotland which works to improve the wellbeing and quality of life of people affected by serious mental illness, and the Make A Wish Foundation in the USA, which grants a wish every 40 minutes to children with life-threatening conditions.