



Menlo
Worldwide
Sustainability
Report

2012

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Welcome

Menlo Worldwide Logistics is a \$1.7 billion global provider of logistics, transportation management and supply chain services with operations in five continents. A subsidiary of Con-way Inc., Menlo operates a strategic network of multi-client and dedicated facilities encompassing more than 17 million square feet of warehouse space in North America, the Asia-Pacific Region, Europe and Latin America.

In 2012, Menlo began to build a formal sustainability program and established a sustainability mission, policy and principles for the company. Of course, the logistics provider has been laying a foundation for sustainability for years. As a leader in Lean logistics, Menlo already has in place an infrastructure—and a culture—for reducing waste and maximizing resource efficiency. As it turns out, Lean serves as an excellent blueprint for sustainability.

This is Menlo's first sustainability report and it demonstrates the company's commitment to achieving a sustainable business model while being a good steward to the natural environment. Future reports will include social and economic issues and be global in nature, while this one focuses solely on Menlo's environmental performance in North America.

Though the emphasis of this report is North America, you'll see highlights throughout about employees from facilities around the world, as Menlo's culture of sustainability grows internationally. These teams initiated "green kaizen events" (continuous improvement events) to reduce waste and use of resources. The results are impressive and, like all Lean successes, can be standardized and replicated.

Menlo Worldwide Logistics is committed to aligning sustainable business practices to the core values of the company: safety, leadership, integrity, commitment and excellence. The foundation is there. Welcome to the next step in the journey.

Message from Ashton Shaw

SENIOR LEAN COORDINATOR AND SUSTAINABILITY ENGINEER

2012 was a year of firsts. From establishing our first sustainability policy, to our first solar power installation in Dayton, N.J., Menlo is committed to improving our customers' supply chain sustainability, both strategically and tactically. Through this report, inspired by the Global Reporting Initiative and our Lean operating culture, we aim to lead by example while sharing our successes and areas for improvement.

If you have any questions regarding the 2012 sustainability report, please let me know. You can contact me at: shaw.ashton@menloworldwide.com or 630-870-3541 or Lori Zoellner at zoellner.lori@con-way.com or 734-757-1481.

Message from Bob Bianco



Sustainable business practices that recognize and help minimize our impact on the environment have emerged as a business priority. Our customers are placing increasing value on it, and they want partners who can enable their sustainability programs. It's not only a business imperative, it's the right thing to do. Menlo has recognized this by making sustainability a foundation of our Strategic House.

We've also established a vision, mission, principles and policy to guide our sustainability plans and actions. I want to encourage every associate at all facilities to develop eyes for environmental waste, and to integrate our sustainability principles within our Lean practices and standards.

We began to make real inroads in 2012. Our energy efficiency improved in several major facilities, including in Aurora, Ill. (ENERGY STAR certified); Livermore, Calif. (Green Business certified); and Menlo's headquarters in San Francisco (LEED Platinum certified). In addition, we set up our first solar-powered warehouse in Dayton, N.J.; established a zero waste pilot operation; and built strategic partnerships that will continue to foster our sustainability journey. Read on to learn about other examples of sustainability projects that we've begun to deploy, including the outstanding "green kaizen" work done by our employees.

This, our first-ever sustainability report, is part of our learning experience as a company. It is the start of formalizing our environmental metrics and reporting. It's worth noting that sustainability, in addition to environmental factors, includes social and economic dimensions. In the coming years, we plan to add those important elements to our reporting as well.

We've come far in a short time, but we still have a long way to go. With a Lean approach to sustainability, we will continue to improve the sustainability and efficiency of our operations globally.

A handwritten signature in black ink that reads "Bob Bianco". The signature is stylized with a long horizontal line extending to the right.

PRESIDENT, MENLO WORLDWIDE LOGISTICS

Menlo's Sustainability Strategy

Menlo's sustainability strategy is similar to its strategy for creating and cultivating the company's Lean operating system. Policies and programs are developed and deployed in North America first. Then, once teams learn from "pilot" successes *and* missteps, processes are refined and expanded to operations in Europe, Asia and the rest of the world. Lean has transformed Menlo's culture and business, offering a value-added approach, which customers readily embrace; the goal is the same for sustainability.

In the spring of 2012, the company's sustainability mission became explicit: to balance the three Ps of sustainability—people, planet and prosperity—by providing associates and vendors with the knowledge and tools necessary to integrate sustainability practices into the company's infrastructure, policies and operating environments.

This mission, as well as principles to practice it, was represented on a poster that was translated into more than a dozen languages and shared at company sites throughout North America and around the world. An introduction letter from Menlo president Bob Bianco accompanied the poster; the pursuit of sustainability starts with leadership.

Employees at all levels of the company are working to integrate sustainability targets into existing operations infrastructure by leveraging Lean tools and processes, such as continuous improvement roadmaps, value stream maps, standard operating procedures and 5S activities. Continuous improvement events are tracked across the globe (see green kaizen sidebars throughout document for examples). In addition, senior management who take part in leadership development are educated about, and asked to demonstrate an understanding of, sustainability principles and practices.

Goals to improve environmental outcomes are now built into the company's annual strategy. To help implement environmental policies, Menlo is also working on a multi-year plan for sustainability. The strategic roadmap will discover and define opportunities within the company, then design, implement and monitor programs—first in North America, then eventually Europe, Asia, and other locations.

LOOKING AHEAD:

One of Menlo's corporate objectives is to reduce greenhouse gas (GHG) emissions. In fact, establishing five-year reduction goals by the end of 2013 is a primary SMART Target for the company. Using a GHG inventory that now exists for North America, the company can identify top emission sources (based on material risk and opportunity assessment) and begin to develop a framework for reducing GHG emissions in methodical and cost-effective ways.



SUSTAINABILITY POLICY

Menlo Worldwide Logistics is committed to achieving a sustainable business model while being a good steward of the natural environment and the communities where we live and operate. The company will strive to fulfill its obligation to customers, employees and stockholders while taking care that the decisions we make and the business practices we employ enhance the well-being and sustainability of the planet.

Our sustainability policy will be realized as a result of all people in the organization living our core values, maintaining our sustainability principles and expecting the same level of commitment from our partners.

SUSTAINABILITY PRINCIPLES

- Reduce natural resource and energy consumption
- Strive to contribute zero waste to landfills through prevention, minimization, reuse and recycling
- Reduce greenhouse gas (GHG) emissions
- Give priority to sustainable products and partners
- Contribute to our communities

SUSTAINABILITY MISSION

Menlo is committed to balancing the three Ps of sustainability — people, planet and prosperity — by providing associates and vendors with the knowledge and tools necessary to integrate green practices into the infrastructure, policies and environments of our operations.

People: Contributions from associates, vendors and supply chain partners to achieve sustainability goals within our communities and operating environments

Planet: Commitment to the conservation of resources and business practices that protect our natural environment

Prosperity: Creativity and innovation to enable future growth while protecting the environment and increasing profits

ZERO WASTE VISION

Menlo's vision of becoming a zero waste organization stems from our lean operating culture and objective to become a leader in supply chain sustainability. Simply stated, our vision is to contribute zero waste to landfills. This is achieved through the deployment of strategic programs designed to prevent, minimize, reuse, recycle and convert to energy the "waste" left over from a process or operation.



AGS-0008 (8/12) Printed in USA

Employee poster provided to all Menlo locations.

HOW LEAN TOOLS WORK TO SUPPORT SUSTAINABILITY

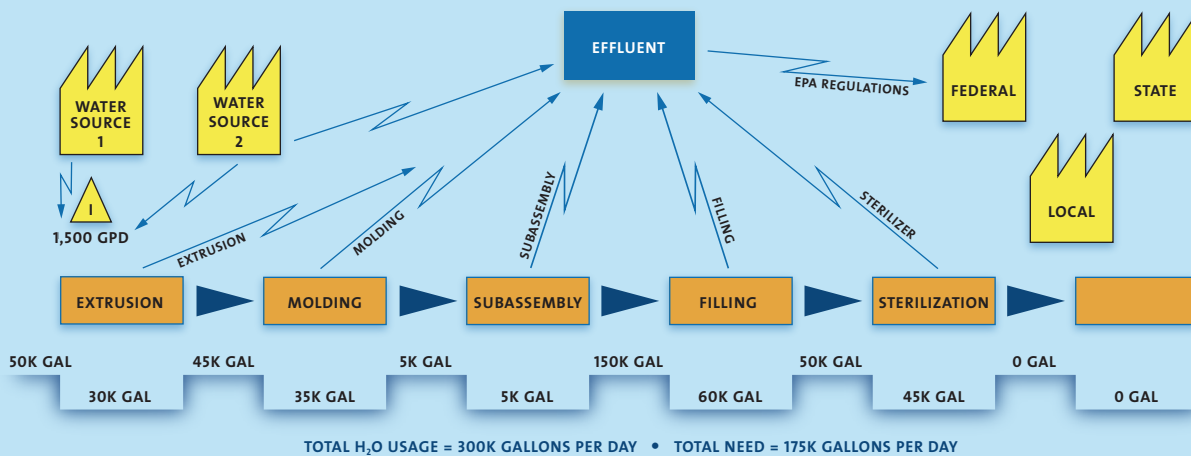
Lean is not a business program, but rather a philosophy—a cultural mindset that empowers individuals to focus on continuous process improvement and the identification and removal of waste. Since all forms of waste (such as physical waste, wasted energy and emissions) have an environmental impact, Lean principles are invaluable to sustainability.

Several Lean tools and methodologies are described below, but it is important to remember that these, and others, are used in harmony with one another and as part of a larger operating culture.

Value Stream Mapping

Value Stream Mapping (VSM) is the technique most commonly used to visually depict the movement of information and material across a customer's value chain. It serves as a starting point for making value added and “non value added” (waste) activities visible, from within a single process (micro), within an operation (macro), or across the entire supply chain (super macro). VSM is not a one-time exercise; such mapping is done repeatedly to understand the current state, discover where continuous improvement opportunities exist, and establish (or refine) processes based on a designed future state.

VSM for sustainability gives employees “eyes for environmental waste” by adding several data points to standard VSM forms, including: natural resources that are used/generated, energy consumed, and hazardous materials used/generated. The key questions to ask when using VSM for sustainability are: What is needed? What is used? The answers help identify what the customer is willing to pay for and where continuous improvement opportunities exist.



Original graph image provided by EPA.

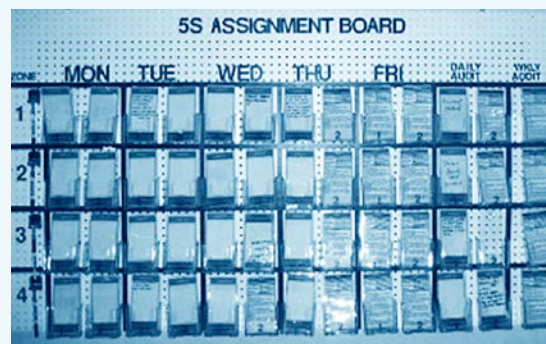
5S / Standardized Work

In order to establish predictable results and operational effectiveness, there must be “a place for everything and everything in its place.” 5S is an assessment process that leads to standardized work practices that are repeatable, consistent, and help keep the operation running in a predictable fashion. 5S stands for: Sort, Set in Order, Shine, Standardize and Sustain.

Standardized work includes developing standard operating procedures (SOP) and standard work instructions (SWI) that are used to train employees on any given task. 5S reinforces the standardization.

Here is one example of 5S in action:

- **Sort:** Are hazardous and nonhazardous materials distinguished in your work area? (Yellow-tag identify environmental wastes and items that may be harmful to human health or the environment.)
- **Set in Order:** Are all containers with chemicals or wastes covered or sealed when not in use?
- **Shine:** Are any leaks evident from equipment, piping, tanks, exhaust lines, or other areas in the workplace?
- **Standardize:** Are SOPs documented and available for the area? Are environmental, health, and safety management activities and procedures relevant to the work area?
- **Sustain:** Are SOPs being followed? Are workers in the area aware of hazards?



From a sustainability perspective, 5S is an effective way to develop and maintain standardized tasks to make certain that there is no wasted energy or natural resources within operations. For example, incorporating items onto a daily checklist, such as properly recycling material or safely maintaining hazardous materials. In addition, environmental concerns, such as energy, natural resources, material waste, and recycling, are accounted for in the training and standardization processes (SOP/SWI).

Go Look Go See

Go Look Go See is an essential practice of Lean problem solving and a direct extension of the 5S/ Standardized Work approach. Go Look Go See is a formal, focused way to get employees and management to see, hear and experience firsthand the situation where it occurs. The information gathered during the Go Look Go See process is invaluable, especially in the dynamic, constantly changing world of logistics.

Menlo has standardized processes and checklists for performing Go Look Go See events. The company is currently developing environmental/sustainability Go Look Go See documents to assist team members in seeking and identifying environmental waste. Any opportunities for improvement that are identified during a Go Look Go See can be addressed during a kaizen event.

Kaizen

Kaizen is a Japanese phrase that means “continuous improvement” or “change for the better.” At Menlo, kaizen events are where those changes actually happen. Employees target an area for improvement, define the problem and objectives, come up with a solution, and then test it. The goal for every kaizen event is to get to the root cause of the identified problem.

Most kaizen events are identified during the Continuous Improvement Roadmap (CIR) development process, as well as Value Stream Mapping (VSM). Other sources for possible kaizen events include employee suggestions and Go Look Go See visits conducted by leadership or site Lean teams. Kaizen events are collected and prioritized, then implemented based on the ease of implementation and estimated value. Kaizen seeks to take small, actionable steps to improve a process rather than lengthy “bold stroke” improvements. It is a data driven, standardized continuous improvement approach, and employee empowerment is critical to identify opportunities and implement solutions.

Menlo is leveraging the kaizen/continuous improvement approach to identify and reduce environmental waste. Thus far, it has proved extremely successful, especially as sites share their kaizen event experiences and best practices.

Introduction to Green Kaizen

At Menlo, kaizen events are important building blocks in the Lean process, as teams of employees target an area of improvement and then spend 3–5 days defining the problem and objectives, brainstorming a solution, implementing it, and then monitoring for further assessment.

In the past few years, “green kaizens”—team events that identify an environmental area of improvement—have become part of the Lean infrastructure. In 2012, the company established the Environmental Stewardship Award to recognize operations that have shown a commitment to sustainability through the quality and results of their green kaizens.

Out of more than 50 green kaizen reports that were submitted from 2011, Menlo facilities in Johor, Malaysia, and Smyrna, Tenn., were given the Environmental Stewardship Award for their outstanding demonstrations of Menlo’s sustainability principles.

The facility operating in Johor, Malaysia, completed four environmental kaizens and implemented cost-effective improvements throughout its location, including the simple act of turning off the lights while employees were on their lunch break. The team also consolidated the number of pallet types used to reduce waste and installed insulating curtains where temperature-controlled environments exist. The results were a combined annual cost savings of \$11,220 and energy savings of 8,093 kilowatt-hours (kWh), and the Johor team has integrated these processes into the facility’s day-to-day operations.

In Smyrna, Tenn., employees reported a cost savings of \$49,377 and an energy savings of 213,944 kWh by downgrading from a 20-horsepower air compressor to a 5-horsepower air compressor; restructuring the facilities’ operating hours 18%; realigning lighting to better manage usage; and installing programmable thermostats.

Teams at both facilities reduced their environmental impact and saved money for the company—and its customers.



Sustainability at Work

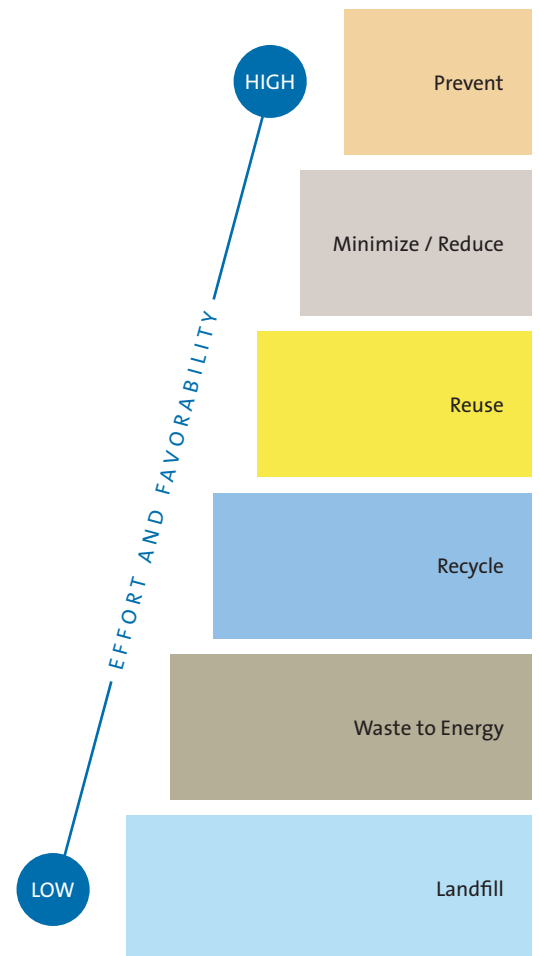
ZERO WASTE VISION

Zero waste is a philosophy that was defined by the Zero Waste International Alliance in 2004 as: “a goal that is ethical, economical, efficient and visionary, to guide people in changing their lifestyles and practices to emulate sustainable natural cycles, where all discarded materials are designed to become resources for others to use.” Zero waste business principles include commitment to the trip bottom line, preventing pollution and reducing waste. Businesses that achieve over 90% diversion of waste from landfills, incinerators and the environment are considered to be successful in achieving zero waste.

Menlo’s vision of becoming a zero waste organization stems from its Lean operating culture. To that end, the company aims to prevent, minimize, reuse, recycle or convert to energy the “waste” left over from a process or operation. Preventing and minimizing waste are clearly the most favorable options. In logistics, however, both approaches require a high level of collaboration with the customer or partner to ensure that operational details and their environmental impact are considered, and that alternatives are appropriately evaluated.

Striving for zero waste is no easy task and requires a great deal of work to set up and implement. One difficulty, given Menlo’s business model, is designing a cost-effective network to manage low volumes of unwanted materials that are generated by dozens of operations across the U.S. Another challenge is that recycling capabilities vary depending upon geography; some locations have excellent infrastructure for recycling, composting or waste-to-energy, while others may have no infrastructure at all.

In order to achieve the target future state of zero waste, each facility must understand its current state, as well as set up effective tracking systems to monitor progress. One potential hurdle is that partners and providers don’t always provide the necessary data to track activities, which makes accurate monitoring difficult. These and other challenges all require creative solutions that make fiscal sense to the customer and to the business.



In 2012, Menlo piloted its first zero waste site at an operation in Kansas City, Mo. The facility is now recycling 99.99% of its cardboard, plastic, wood, metal and other waste products; that's roughly 5,000–8,000 pounds a month being recycled, and an average of four pounds of unwanted materials bound for landfills. Working with improved processes and new vendors, the facility has turned its dumpster cost into revenue for recyclable commodities, resulting in an annual savings of more than \$25,000.

The management team at the pilot site spent many hours researching its options, negotiating creatively with vendors, and putting the recycling system in place. One impediment for the team is a common one: what to do with low volumes of unwanted materials? In the case of disposing of low volumes of wood, for example, they worked with their pallet vendor to recycle any scrap wood that collected.

Cultural change is just as important as process change. For the Kansas City team, this behavioral shift was achieved through on-site training, incorporating new process steps into existing operating procedures, and dedicated leadership support and vision. Employees also integrated the new process into the existing Lean structure using familiar tools (5S checklist, for example) to ensure that recycling methods are properly executed. Perhaps the most critical requirement for a zero waste facility is a genuine commitment from management.

LOOKING AHEAD:

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In 2013, Menlo aims to implement zero waste kaizens at a number of other facilities. Once these pilot sites are up and running, there will be many more learning opportunities, with the goal of creating a general zero waste approach that can be repeated and measured—and integrated within the broader Lean system—at all locations throughout the company.

2013 ESA Award Winner: Memphis, Tennessee

How does a facility save money, reduce environmental waste *and* provide the customer with added value? The Memphis, Tenn., depot did it through three inventive kaizen events and was awarded the 2013 Environmental Stewardship Award (ESA) for their efforts.

The facility works with Hewlett-Packard Networking (HPN) to inventory and package HP technology products for various countries. One green kaizen identified a problem that the team described as “obvious waste with an obvious solution.” Every month, employees take base units, remove the power cord and replace it according to geographic need (replacing U.S. power supply with one that works in Latin America, for example). At least 1,000 cords were being removed and thrown away every month. The team observed the waste and worked with the customer to find a way to reuse the “wasted” inventory. They instituted the “Cords Galore” program, which now returns to stock almost 20,000 cords a year. At \$1.25 per cord, that’s a savings of \$25,000 for the customer, not to mention the time and effort the company saves using its new recycling process.

Another kaizen event resulted in more benefits to the triple bottom line, using the renegotiation of a building lease to do it. The kaizen explored installing T-5 fluorescent lighting to reduce the amount of electricity used at the site. The opportunity presented itself when the facility’s lease was set to expire. They worked with their landlord to retrofit the lighting at no cost to the company (and without any interruption to operations). The facility now saves more than 30% on lighting costs, a savings they can pass directly to their customer (about \$2,700 a month).

This lighting project is on track to save the warehouse \$20,000 annually, and it sets a great example for other Menlo warehouses on how to negotiate with landlords to pursue environmentally friendly improvements as part of the lease renewal/ agreement. “Green leasing” is quickly becoming a best business practice for many of the largest commercial building operators in the country.

Through a third kaizen event, the facility introduced cardboard recycling, saving 100 tons of landfill-bound waste per year. The team used the new lease to negotiate for additional space to house a recycling unit. They then worked with a new waste management vendor to create a unit to compact and recycle corrugated, plastic and bond paper. Though new processes take time to take hold, visual management tools and constant communication help employees learn and practice new sustainable habits.



Menlo employees gather outside their facility after being recognized with the 2013 Environmental Stewardship Award.

Sustainable Sites

ISO 14001 CERTIFICATION

Created by the International Organization for Standardization, or ISO, the ISO 14001 family of standards provides a framework for organizations to develop an environmental management system (EMS). The standards serve to encourage companies to evaluate all areas of business activity that have an environmental consequence and establish measures, controls, mitigation strategies and communications programs to manage their impact.

Menlo's Lean Supply Chain Management Center in Aurora, Ill., was ISO 14001 certified in April 2012, the company's first facility to be awarded with the certification. The extensive process began in January 2010, when the company's internal EMS team inventoried the facility, mapped its carbon footprint and identified significant environmental aspects and impacts of the

LOOKING AHEAD:

ISO 14001 is the gold standard of EMS, and the Lean Supply Chain Management Center in Aurora will serve as a benchmark for the rest of operations going forward. Now that Menlo has developed standardized ISO 14001 processes and tools, the company plans to solidify a global process navigator to support EMS standardization and predictability at any site. The EMS utilizes Lean processes and provides the tools to understand environmental regulations at the local, state and federal levels—and to actively inventory and monitor environmental impacts for the purpose of setting reduction goals.

operation. Eventually, the team developed a system of compliance that mirrored the ISO 14001 guidelines and initiated new procedures, including a comprehensive recycling, energy and waste reduction program and a system to capture, calculate and further manage greenhouse gas emissions for national transportation accounts.

Customers also benefit from ISO 14001 certification: reduced energy consumption, identification and remediation of practices that generate environmental waste, and lowered risk (through environmental impact analysis). Additional benefits include increased visibility to environmental performance and waste reduction opportunities.

ENERGY STAR®



In addition to ISO 14001 certification in 2012, the Aurora location was also ENERGY STAR certified. An ENERGY STAR certified facility meets strict energy performance standards set by the Environmental Protection Agency. In this case, Menlo partnered with the building's management company (Liberty Property Trust) to benchmark the energy usage in the building using the ENERGY STAR Portfolio Manager. The building management executed a lighting retrofit, while Menlo implemented many other energy conservation measures, including upgrading HVAC thermostats to regulate temperatures when certain zones are unoccupied, as well as replacing all CRT computer monitors with LCD or LED models.

The site facilities team also replaced all computer servers that were more than 5 years old with more efficient models, which results in a dual benefit: the new servers save energy by using less electricity and generate less heat, which decreases the energy need from the AC unit in the server room. These and other efforts resulted in ENERGY STAR certification for the building with a rating of 94, meaning that the building performs better than 94% of its peers.

LOOKING AHEAD:

The value of ENERGY STAR, LEED and other voluntary certification programs is not just in reducing financial or environmental costs for individual locations. The real worth lies in how the rest of the company can apply the lessons learned by the certification process. Observing how these sites perform and measure success can only increase operational excellence for the company and its customers.



Menlo Worldwide Logistics headquarters, San Francisco.

LEED®

LEED® (Leadership in Energy and Environmental Design) is a voluntary program that uses various rating systems (depending upon the type of building) to provide third-party verification of green buildings. Historically, LEED-certified buildings cost less to operate and maintain, while reducing energy and water use, and waste.

In January 2013, Menlo Worldwide Logistics moved its office headquarters to San Francisco. The new location was the first multi-tenant building in California to receive Platinum certification under the U.S. Green Building Council's LEED® 2009 for Existing Buildings: Operations & Maintenance Rating System.

With five ENERGY STAR labels and a current LEED rating of 97 (out of 100 points), the building is 60 percent more energy efficient than the national average office building. This translates into estimated annual greenhouse gas reductions equivalent to removing more than 1,000 cars from the road. The building sets the standard for high-performing, green office space—and as the corporate office for Menlo, the site is establishing energy saving policies and practices for the rest of the company.

There are other LEED-certified Menlo facilities, including one in Greensboro, S.C. The 341,000 square foot warehouse is Silver LEED-NC (New Construction) certified and designed to use 11% less energy and 40% less water than a conventional warehouse of comparable size. Among the building's features is a highly reflective R-30 white TPO (Thermoplastic Polyolefin) roof that helps reflect rather than absorb sunlight, which reduces energy (and costs) for heating and cooling.

GREEN BUSINESS CERTIFICATION

Menlo's Livermore, Calif., site comprises 190,000 square feet of warehouse space, employs 150 people, and supports customer supply chain operations with a variety of logistics services. In 2012, the facility was also awarded the Green Business Certification from the California Green Business Program. Certification required the facility to meet program-defined performance levels in the areas of waste reduction, energy conservation, water conservation and pollution prevention. Operations also had to be in compliance with local and state regulations regarding air quality, hazardous material management, clean water systems and sewer discharge.

2012 ESA Award Winner: Monterrey, Nuevo León (Mexico)

The energy-efficient T-5 High Output lights consume 26% less electricity than the previous lighting (6 percent more than the team anticipated).



Menlo employees gather outside their facility after being recognized with the 2013 Environmental Stewardship Award.

Sometimes it's small changes that make the biggest difference. The Menlo facility in Monterrey, Nuevo León, won the 2012 Environmental Stewardship Award, not because of the amount of money or resources saved, but because their green kaizen events spurred an attitude of environmental awareness and action that permeates the operation.

The teams focused on electricity and water—two of the facility's most consumed resources—and looked for ways to reduce both. Lighting accounts for half of the facility's total energy consumption, so one project goal was to reduce electricity consumption by upgrading its 400-watt overhead lights. The energy-efficient T-5 High Output lights consume 26% less electricity than the previous lighting (6 percent more than the team anticipated). The new lights also offer 20% more light output than older models and up to 75% longer operating life. With the implementation of 32 new energy-saving lamps, the facility will be saving 1.762 kWh every month. To make the lighting even more efficient, the team added motion sensors to light switches throughout the building.

In another example of green leasing, the landlord (Prologis) covered the costs of implementing the energy-saving lamps and required electrical modifications, in accordance with the remodeling of the site's existing contract.

Another kaizen took into account a water source that sometimes gets overlooked in operations: the restroom. By replacing some of the ordinary urinals with a newer version that doesn't require any water to flush, the Monterrey facility now saves about 2,160 gallons of water every month, or almost 26,000 gallons a year. Although the cost savings from this effort was minimal, the water savings were substantial: the new urinals save a swimming pool's worth of water every month and highlights Monterrey's commitment to reducing natural resource consumption.

These improvements may seem simple on the surface, but they have become the start of a bigger project for the entire Monterrey team: to keep searching for continuous improvement that will conserve resources and protect the environment. The environmental successes have been contagious, and employees throughout the facility are excited to contribute to growing a culture of sustainability—and hope to be an example for other sites in Latin America.

Measuring Environmental Effects (and Opportunities)

There is potential for more sustainable operations throughout every supply chain—but those opportunities won't be realized until the right information is captured and measured. This section describes two of the most important systems that Menlo uses to collect and analyze relevant environmental data—one is an industry standard, the other newly developed.

SmartWay®

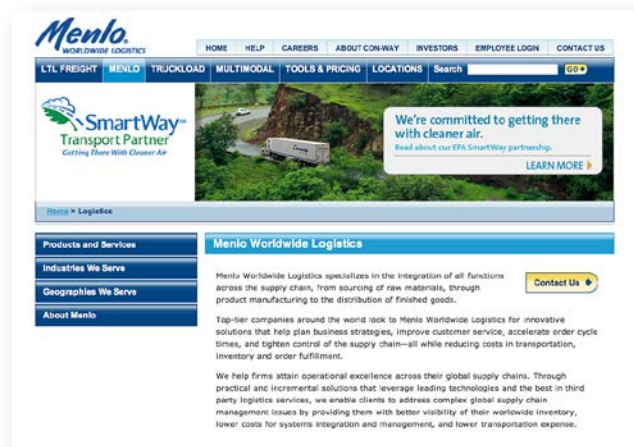
SmartWay® is a public/private collaboration between the U.S. Environmental Protection Agency (EPA) and freight shippers, carriers, and logistics companies. Launched in 2004, SmartWay aims to improve supply chain fuel efficiency through programs that reduce transportation-related fuel consumption, as well as carbon and NOx (nitric oxide and nitrogen oxide) emissions.

Since joining SmartWay in 2007, the program has enabled Menlo and its Con-way Inc. affiliates with measurable, data-driven practices to improve environmental performance and awareness. Across the organization, the partnership directly supports Menlo's Sustainability Policy and Principles and has helped reduce thousands of tons of greenhouse gasses (GHG) in the transportation and logistics sector. One of the company's emissions goals is to ensure that 85% of network miles are with SmartWay-approved carriers. In 2012, Menlo met this goal (and is on track to surpass 90% in 2013).

In 2012, Menlo Worldwide Logistics managed 727 carriers directly and reviewed each carrier's performance scorecard on a regular basis. As part of this standard review, the carrier's SmartWay Transport partnership was discussed, and their performance was evaluated and ranked. (This process also helped to educate current participants, as well as to encourage non-participants to adopt fuel-efficient practices.)

Menlo also directly promotes SmartWay in a number of ways. The company continuously educates its customers about the SmartWay program during business reviews and other discussions involving sustainability, encouraging them to choose SmartWay-approved carriers whenever possible. It routinely provides SmartWay overview training for core carriers on behalf of its customers. In addition, Menlo maintains a standard reporting mechanism that identifies high volume, non-SmartWay carriers so the company can raise awareness about the value of the program.

Menlo is a past recipient of an Environmental Excellence Award. The SmartWay Excellence Awards recognize partners that have demonstrated outstanding environmental performance by actively implementing and promoting sustainable practices.



CarbonNet™

One of SmartWay's objectives is to make carbon emission data available to businesses and to the public. Using a five-step Lean-based process (Discover, Define, Design, Implement, Monitor) Menlo has developed its own program to measure the company's carbon footprint.

During the discovery phase, which began in 2010, the company used best practices, such as the Greenhouse Gas Protocol Corporate Standard (GHG Protocol), to create its first GHG inventory, as well as to understand what kind of standards to apply moving forward.

Through defining its GHG inventory management plan, the company decided to create a tool in-house that would measure its natural resource consumption and associated carbon output. Design for a proprietary software and management system commenced in 2011, and in late 2012, CarbonNet was officially launched.

CarbonNet uses Menlo's People, Process, Technology approach—Menlo employees execute processes using Lean principles to support the technology that helps the customer. The program combines cloud-based technology with Lean processes and expertise to calculate, benchmark and manage carbon emissions of supply chain operations.

Menlo has piloted CarbonNet across its North American operations. Emission source data was collected on each facility and an emissions baseline was established starting in 2010. Measurements are currently being made against published industry indexes and standards to identify reduction opportunities for Menlo and its customers. Menlo used the CarbonNet program to gather data for the Key Performance Indicators (KPIs) found in this report.

CarbonNet™

What is CarbonNet?

CarbonNet is a cloud-based, sustainability-focused service that measures your organization's current carbon footprint and offers ongoing monitoring to ensure our solution meets your organization's corporate social responsibility (CSR) goals.

Features

- Benchmarks your current level of greenhouse gas (GHG) emissions
- Identifies opportunities to reduce resource consumption
- Provides a framework for designing testing and validating solutions
- Complements your organization's broader sustainability initiatives

Benefits

- Simplifies GHG emission tracking and reporting
- Delivers measurable results for continuous improvement
- Enables confident supply chain management decisions
- Reduces costs and mitigates risk
- Hones your organization's competitive edge

Featured Services

- Greenhouse gas benchmarking and calculation across supply chain
- Design and testing of "future state" carbon footprint using Lean methodologies
- Ongoing monitoring and validation services to support continuous improvement

CarbonNet™ Sustainability Management Process

1 DISCOVER

value stream mapping, stakeholder engagement, regulatory and voluntary compliance, determine scope, risks and timeline, engage partners

3 DESIGN

complete solution design and approval, determine ROI, obtain business case approval, develop standardization documents, develop training and education plan

2 DEFINE

organizational/facility profiling, data collection and validation, set baseline, create business case

4 IMPLEMENT

test and implement IT, conduct training and education, deploy metrics, cross-train and transition



STRATEGIC PLANNING



SOLUTIONS ENGINEERING



OPERATIONAL EXCELLENCE

5 MONITOR

monitor performance, measure and track results, conduct continuous improvement kaizen events

The processes that support the CarbonNet application are performed at Menlo's Lean Supply Chain Management Center in Aurora, Ill., and are ISO 14001 certified through its Environmental Management System. A number of established protocols are incorporated into the program, including: the GHG Protocol; energy use definitions published by the World Resource Institute; and standards for transportation emissions published by the Environmental Protection Agency's SmartWay program.

The company continues to refine CarbonNet processes and technology and is beginning to offer consultative and reporting services to customers who require a supply chain-focused approach to carbon management. In fact, Menlo can already provide carbon output information for its existing customers: current operational data from Menlo's Warehouse Management System (WMS) and Transportation Management System (TMS) is fed into CarbonNet for immediate reporting.

The CarbonNet application is designed to be highly scalable. Because the technology is cloud-based, there is no software to download, and—in addition to company-managed data—information can be collected from nodes and flows up and down the supply chain. Suppliers, vendors and other third parties whose activities could contribute to the makeup of a supply chain carbon footprint, can all input data directly into CarbonNet for analysis.

In addition to data collection and reporting, Menlo employees can use CarbonNet processes and technology to provide customers with consulting services, as well as a framework to identify opportunities to reduce energy waste (and related carbon emissions) and drive continuous improvement toward sustainability goals.

LOOKING AHEAD:

CarbonNet has provided a platform for Menlo operations in North America to establish an emission source inventory, which will enable benchmarking continuous improvement opportunities. There is great opportunity for Menlo to improve reduction emissions globally, as well. In 2013, Menlo will expand their GHG inventory into Europe by rolling out CarbonNet to the sites where Menlo maintains operational control. In Q2, the company began to collect the necessary baseline data from 2010 forward related to all the emission source activity in Europe. In 2014, Menlo plans to expand the GHG inventory activity to operations in Asia and across the globe.

Solar panel installations: Dayton, New Jersey

Environmental stewardship supports Menlo's core values, but as a 3PL the company must also provide fiscal stewardship for its customers. It was with this dual commitment in mind that employees in Dayton, N.J., used a green kaizen event as a forum to discuss the challenges and opportunities for energy reduction. One outcome was a solar power installation, the first project of its kind for the company.

The team started the project in the fall of 2011 by evaluating their electricity demands for the prior year, including during peak periods. They were then able to figure out how much power they needed to produce to ensure the system could provide 90% of their electrical needs. The solar installation began in January 2012 and took close to two months to complete. At one point, there were 85 contractors on site—60 of them on the roof. Solar panels cover 250,000 square feet of the 1.2 million square foot roof. It's worth noting that the installation took place during live operations, 22 hours a day.

The size and scale of the project were immense, as were the challenges. From the onset, the utility bills were much more complicated than the team expected, and they relied heavily on a number of partners. They worked closely with the building's landlord to structure the project. (Menlo has a long-term lease, so the solar modules are actually owned by the property owner.) They also sought guidance and counsel from energy consultants, including PACE Global, a Siemens company. Sustainability experts at Menlo helped the Dayton team navigate the entire process.

Customers of the multi-client facility were extremely pleased by the outcomes because environmental stewardship is part of their company cultures, too. And the project produced tangible value: there was a 20% reduction in one customer's annual utility cost. Internally, employees have embraced the project and appreciate the part they play in reducing GHG emissions.



Report Parameters and Key Performance Indicators (KPIs)

Menlo Worldwide Logistics used the framework developed by the Global Reporting Initiative (GRI)* to compile this report, as well as to identify Key Performance Indicators (KPIs). It contains information for the 2012 calendar year, although data from 2010 forward is included, when available, to provide context.

Though Menlo engages a number of stakeholders throughout its business, the contents of this report are directed to inform our customers and employees, respectively. Members of the company's executive and management teams conducted a stakeholder materiality assessment and identified these two groups as the primary stakeholders with whom to engage regarding Menlo's sustainability progress.

Beyond identifying stakeholders, a central principle of the GRI framework is deciding which material issues to include and assess. To that end, content for this report was further defined by engaging customers and employees with a survey asking: what are the most important material environmental issues to you? A sample of Menlo customers were asked to complete an online survey, while company employees were asked to complete either a paper or online survey. Their feedback was then used to determine the KPIs and other topics shared in this report.

The company's organizational boundaries for its GHG inventories, as well as for this report, are defined using the operational control approach based on the Greenhouse Gas (GHG) Protocol. According to GHG Protocol guidelines, Menlo currently measures Scopes 1 and 2 (direct and indirect GHG emissions in North America). Under the operational control approach, the company accounts for 100% of emissions from operations over which it has operational control, meaning that leased assets fall within the company's organizational boundary if an operating lease exists. It's worth noting that the majority of Menlo assets are

leased. If Menlo does not own the operating lease, information from that site is not included in the KPI data.

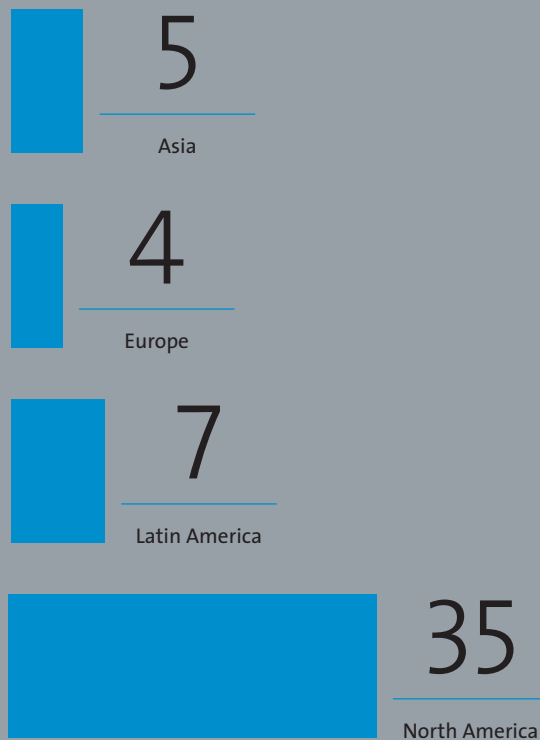
This is the company's first sustainability report and the goal is to publish this information at least biannually. In the future, the boundary and scope of this report will expand and will include additional GRI categories. Currently, there is no specific timeline for providing additional environmental, economic or social impacts of the company. However, Menlo's parent company, Con-way Inc., plans to produce its own sustainability report by 2015 and it will include Menlo, as well as its other two business units, in its reporting.

*GRI has not verified the contents of this report, nor does it take a position on the reliability of information reported herein. Except for historical information contained herein, the statements made in this report constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements, including statements regarding the intent, belief or current expectations of the company and its management regarding the company's strategic directions, prospects and future results, involve certain risks and uncertainties. Certain factors may cause actual results to differ materially from those contained in the forward-looking statements, including economic and other conditions in the markets in which we operate, governmental regulations, our competitive environment, strikes, work stoppages and slowdowns, increases in aviation and motor fuel prices, cyclical and seasonal fluctuations in our operating results, and other risks discussed in the company's Form 10-K and other filings with the Securities and Exchange Commission, which discussions are incorporated herein by reference.

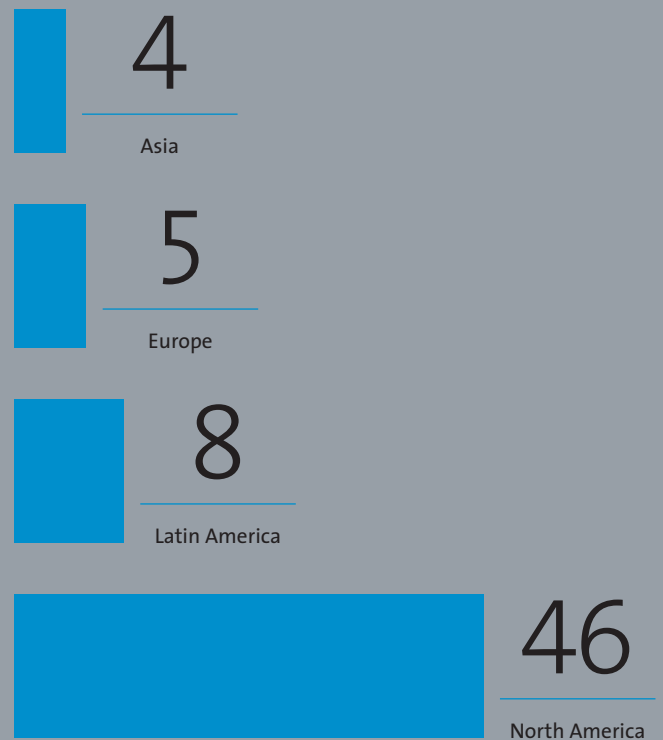
Overall Green Kaizen Results

- Kaizen goals are part of all operations' continuous improvement roadmaps
 - CarbonNet supporting the identification of kaizen opportunities
 - Highlight company-wide green kaizen results, broken out by environmental area
-

2011 Green Kaizens by Region

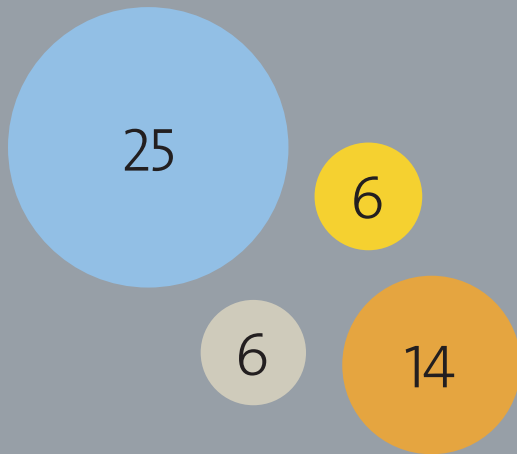


2012 Green Kaizens by Region



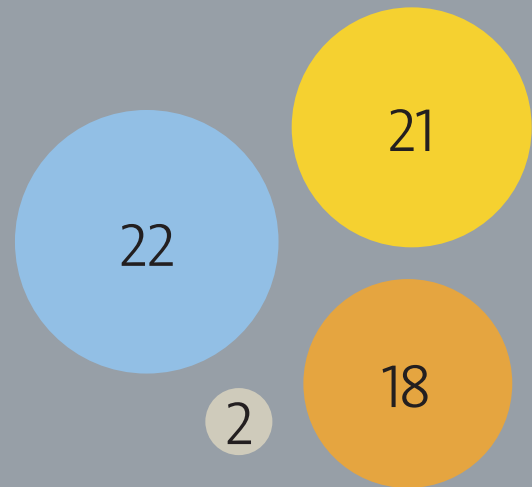
2011 Green Kaizen Results

North America

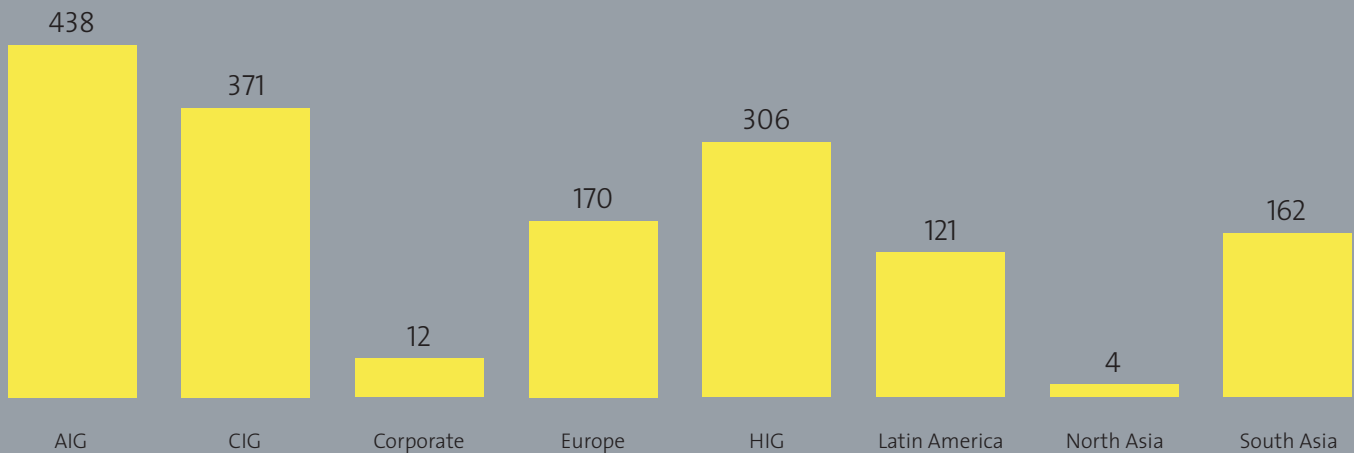


2012 Green Kaizen Results

North America



Total Kaizens by IG 2012



Key Performance Indicators (KPI) Data

Environmental

Scope of Data: North America

EN2: Percentage of materials used that are recycled input materials.

No data is available at this time. Menlo does not yet have a system in place to calculate the percentage of materials that are recycled versus total materials consumed. This KPI will be evaluated and prioritized in coming years.

EN3: Direct energy consumption by primary energy source.

TYPE OF PRIMARY ENERGY CONSUMPTION	2010	2011	2012
Natural Gas (MMBtu)	89,620	81,159	77,075
Diesel (Gallons)	171,944	168,533	103,625
Propane	14,221	7,058	8,546
Gasoline	6,621	12,962	15,269

EN4: Indirect energy consumption by primary source.

TYPE OF PRIMARY SOURCE	2010	2011	2012
Non-Renewable Electricity (kWh)	27,982,640	26,267,701	27,293,238

EN5: Energy saved due to conservation and efficiency improvements.

TYPE OF PRIMARY SOURCE	2010	2011	2012
Energy Savings (kWh)	N/A	214,953	503,853

Although dozens of continuous improvement events targeting conservation and efficiency took place in 2012, no comprehensive energy values are available at this time.

EN6: Initiatives to provide energy-efficient or renewable energy based products and services and reductions in energy requirements as a result of these initiatives.

EN18: Initiatives to reduce greenhouse gas emissions and reductions achieved.

Since 2007, Menlo has been an active member of the EPA SmartWay program, which seeks to improve freight sustainability through awareness, education and technological advancements. In addition, Menlo developed CarbonNet in 2012, which provides customers with standardized emissions data resulting from their supply chain activity. These programs, supported by Menlo’s Lean operating culture and sustainability policy, encourage all employees to identify and eliminate waste through the use of kaizen events. These continuous improvement events can range from lighting and HVAC upgrades to full out solar retrofits and demand response programs.

EN8: Total water withdrawal by source.

WATER USED	2010	2011	2012
Water Consumed (Gallons)	7,903,498	11,284,472	7,779,233

These figures are not broken down by source due to unavailable data. Water utility is usually part of each building lease and, as previously stated, the majority of Menlo’s assets are leased. Menlo is currently working to standardize a system for obtaining the necessary data from property owners, with the goal of increasing water efficiency at each facility. Further development of EMS at local sites will support this effort in the future.

EN16: Total direct and indirect greenhouse emissions by weight.

GHG EMISSIONS (EXPRESSED IN METRIC TONS OF CO ₂ EQUIVALENT)	2010	2011	2012
GHG Emissions (MT CO ₂ -e)	32,753	29,937	31,983
Direct Scope 1 (Stationary and Mobile Fuels)	6,671	6,202	5,347
Indirect Scope 2 (Electricity)	23,419	20,953	23,587
Indirect Scope 3 (Waste and Business Travel)	2,662	2,782	3,049

EN19: Emissions of ozone-depleting substances by weight.

No data is available at this time. There is not yet a system in place to actively track these types of emissions, as this information typically resides with property owners. Menlo is currently working to standardize a system for obtaining the necessary data from property owners and third party vendors, with the goal of decreasing emissions of ozone-depleting substances. Further development of EMS at local sites will support this effort in the future.

EN22: Total weight of waste by type and disposal method.

TYPE OF WASTE (EXPRESSED IN METRIC TONS)	2010	2011	2012
Waste	2,054	1,852	2,130
Wood Recycling	753	1,692	1,944
Metal Recycling	41	20	8
Mixed Recycling	4	165	467
Plastic Recycling	15	58	61
Corrugate Recycling (tons)	208	640	1,629

*Menlo began collecting data of waste in 2010, accounting for the partial data. The company had better access to information in 2011, and in 2012 began using a centralized waste management process, which further improved the amount and quality of data.

EN23: Total number and volume of significant spills. There were no significant spills from 2010–2012.

EN26: Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.

A number of initiatives (and their results) for saving energy, reducing GHG emissions, and mitigating environmental impacts have been outlined in the “green kaizen” sidebars throughout this report. It’s worth noting that for almost 25 years Menlo Worldwide Logistics has been helping its customers reduce the amount of resources—including fuel, time and money—through its Lean operations and expertise in supply chain management. Some of those ongoing initiatives include:

- Network optimization—designing the most efficient supply chain based on price, service and carbon emissions
- Modal shift—ensuring that the most efficient modes of transportation are used given our customers’ service requirements
- Consolidation—combining multiple customers’ freight when possible to reduce cost and emissions
- SmartWay partner since 2007—selecting the most carbon-efficient carriers on behalf of our customers

As benchmarks for these and other environmental initiatives are established, the company’s next challenge will be to track results consistently and comprehensively.

EN29: Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.

BUSINESS TRAVEL (MT CO ₂ -E)	2010	2011	2012
	1,490	1,667	1,826

Menlo does not currently have comprehensive transportation data from the upstream supply chain; however, some Scope 3 emission source data, such as business travel, is available (see GHG emissions graphic for data).

EN30: Total environmental protection expenditures and investments by type.

Menlo has made numerous environmental protection expenditures and investments (solar energy, energy-efficient lighting, waste reduction, management training, etc.); however, no comprehensive data is available at this time. This data will be better tracked as the company continues to put standardized procedures and benchmarks in place.



Looking Ahead

Menlo Worldwide Logistics will continue to leverage Lean methodologies to incorporate and standardize sustainability practices throughout the organization (finance, human resources, legal, real estate), as well as with business stakeholders. But creating successful policies and processes wholly depends upon effective employees. In the coming years, the company will continue to focus significantly on internal education and training, as stated in the sustainability mission: “provid[e] associates with the knowledge and tools necessary to integrate green practices into our infrastructure, policies and operating environments.”

In addition, Menlo will increase its focus on community involvement among its employees. A few sites have already established working teams to encourage community involvement, such as volunteerism. Efforts to better recognize these activities and individuals will be a focus in the years to come.

In the past few years, Menlo employees have made definite strides to lessen the company’s environmental impact and to increase its support of sustainability goals. Establishing a formal sustainability mission and principles was an important step, as were the actions outlined in this report. In the years to come, the vision is clear: achieve a sustainable business model while being a good steward of the natural environment and the communities where the company operates.

As more sustainable programs are created and integrated into the existing Lean operating culture, it will be essential to generate awareness and understanding across all departments of the company.

Company Profile

Menlo Worldwide Logistics

Headquarters

560 Mission Street, Suite 2950
San Francisco, CA 94105-2992
www.menloworldwide.com

Scale of the reporting organization

6,500 employees
\$1.7 billion by net sales
140 operation facilities
Five services provided: warehousing, transportation management, freight brokerage, value-added services, 4PL

Industry groups

Automotive
Consumer/Retail
High Tech
Industrial
Chemical
Government

Where the organization operates

Menlo Worldwide Logistics operates in 20 countries.
Countries with major operations are the United States, Canada, Mexico, China, Singapore, Thailand, Malaysia, India, United Kingdom, the Netherlands, Belgium, Czech Republic and Germany.

Services

Distribution (warehouse management): dedicated and multi-client warehousing; cross-docks; VMIs; export/import consolidation programs
Transportation Management: Domestic (in country)
Freight Brokerage (managed by Con-way Multimodal, a business unit branch of Menlo)
Third- and fourth-party logistics (3PL and 4PL)

Company Profile, cont'd

Menlo Worldwide Logistics

Value-added services

Light assembly; packing/labeling; kitting; staging; postponement and configuration services

Global supply chain solutions: 3PL and 4PL

Solutions engineering/Consulting: supply chain analytics; information technology; network configuration/planning

Markets served

Menlo Worldwide Logistics performs outsourced logistics in North America, South America, Europe, Asia and Australia.

Primary services in these regions are warehousing and transportation management. Some of the warehouses perform value-added services such as light assembly, postponement and packaging. Transportation management includes motor carrier, parcel, railroad and ocean modes.

Menlo focuses on the automotive, high technology, consumer, retail, industrial, chemical and government sectors. Customers include Fortune 500 global companies in these sectors and the U.S. Department of Defense. A myriad of regional, mid-sized companies use our services as well.

Significant changes

No significant changes to size

No significant changes to structure

No significant changes to ownership

Initiated planning to move headquarters 24 miles from San Mateo, Calif., to San Francisco

Awards received

(within the reporting period)

Cisco Excellence in Forward Logistics Award

Inbound Logistics magazine's Top 10 3PL Provider Award

Food Logistics magazine's Top 100 3PL Providers

Locations of Standard Disclosure

- Strategy and Analysis 1.1 – 1.2;
- Organizational Profile 2.1 – 2.10;
- Report Parameters 3.1 – 3.13;
- Governance, Commitments, and Engagement 4.1 – 4.17;
- Disclosure of Management Approach, per category;
- Core Performance Indicators;
- Any GRI Additional Indicators that were included; and
- Any GRI Sector Supplement Indicators included in the report.