



# Federal Express Canada Ltd.

## RATING REPORT

Dec 13, 2005

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Mississauga, ON  
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(905) 212 5372  
www.fedex.ca

**Toll Free Consumer Phone line:** (800) 463-3339

**Ticker Symbol:**

**President:** Rajesh Subramaniam

**E-mail:**

**Employees Canada:** 5,000

**Employment world wide:** 250,000

**Ownership:** privately-held

**Founded In Canada:** 1981

**Percent ownership:** FDX Corp

100 %

**Annual Revenue (millions):**

**Banners:** FedEx

**Operations:** Can, US, and 232 countries

Toronto-based Federal Express Canada, founded in 1981, is a courier business that is a wholly owned subsidiary of FDX Corp of the United States. The parent company is said to have invented the overnight courier business in 1973 after a Yale University student wrote a term paper describing an overnight nation-wide delivery service. In 1987, Memphis-based FedEx Corp. acquired Cansica Inc. which had been licensed in 1981 as a domestic courier. Growth was spurred by investing in a number of acquisitions, developing sorting stations in all provinces, and chartering its own aircraft to handle Canadian air haul. The company has 1,600 vehicles and 23 aircraft in service in Canada. Global revenues in 2005 are \$29.4 billion.

### Equity and Family Issues

FedEx has three women of 7 officers in Canada and 2 women among 13 directors at its head office.

Major Concern    Average    Strength  
○    ○    ●    ○    ○

Boardrooms and executive suites in the road transport sector remain dominated by men. AMJ Campbell, Trimac and Vitran do not report female directors or executive officers. Shipping, piloting, and maintenance work as well as long distance trucking continue to be predominantly male trades.

In 2001, UPS revealed formal plans to give preference for minority-owned suppliers, sub-contractors or service (cleaning, parts, or maintenance) businesses in Canada and other countries. This program matched UPS's minorities-owned business procurement efforts in the United States.

### Community Responsibilities

FedEx did not reveal its donations totals in 2005.

○    ●    ○    ○    ○

Several road transport companies are less than forthright about details concerning their charitable donations and community relations practices. This lack of candor may reflect the absence of integrated programs to engage employees and support local communities. While companies espouse voluntarism, few match employee donations. Indeed, where data exists, the amount of employee and retiree donations (such as at UPS) may at least double that of the employer.

There are demonstrations of leadership within the road transport sector. Trimac pledges to Imagine Canada, a national effort to promote corporate philanthropy. AMJ Campbell (which makes national donations through its head office) and UPS Canada reveal corporate charitable donations totals. In response to the SouthAsia tsunami disaster last December, parent United Parcel Service gave \$2.5 million in kind, \$400,000 in cash, and \$100,000 in matching gifts. Over the period 1990-1998, UPS Canada made \$1.07 million in grants through its charitable foundation, which was established in 1951. Indeed, UPS is one of the largest donors to the United Way in the United States. Its Canadian operations gave \$705,000 to United Way/Centraide in 1998. This information came from a community report booklet issued by UPS Canada in 1998.

**Progressive Staff Policies**

FedEx has no scholarships for staff or their children. Typically, training occurs on the job, but this is difficult given different staff schedules. Programs include driver skills training, ergonomic lifting, packing and materials management, technology, and retail sales training. Mention of scholarships for staff and their children are uncommon. Estimates of average dollars spent annually on employee training are not forthcoming.

**Employee Relations**

FedEx Canada has 5,000 employees in Canada and 250,000 worldwide. Transport companies range in size from 2,000-3,500 Canadian-based workers at the low end to over 11,500 at Purolator. UPS, the largest courier, employs over 350,000 workers worldwide.

**Environmental Performance**

**Environmental Management**

FedEx has a policy which was updated in 2005 but provides little details. Competitor UPS Canada can lay claim to leadership in environmental management. Alone among its competitors, UPS issues an annual sustainability report including progress on environmental issues. It is the only company to report participation and progress with the U.S. EPA's Smartway Transport Partnership, with its fuel use and emission guidelines. In 2005 only UPS appears on indexes such as DJSI (since 2002) and FTSE4Good (in 2004). In 1997, UPS won an award for its liquefied natural gas fuelling station at an Ontario facility.

**Ethical Management Practices and Consumer Relations**

FedEx had a Handbook during the 1990s but replaced this with a code of ethics, introduced in 2003, and updated in 2005. A copy was made available to EthicScan on the company's website.

Most transport companies don't have written corporate codes of ethics. Such codes address subjects like fair competition, employee and customer privacy, health and environmental commitments, confidentiality of information, giving and receiving gifts, and whistle blower protection. The two companies that do— Laidlaw and United Parcel Service (or UPS)— have not substantively updated their codes, prepared by and at their American-based head offices, within the last five years.

AMJ Campbell uses a code of conduct prepared by the Federation of International Furniture Movers. Laidlaw's ethics program includes The Right Road: A Code of Business Conduct and Ethics, a separate two page ethics code for senior executives, an ethics and compliance department, and an integrity hotline. UPS has a nine page Code of Business Conduct, translated into 13 languages, a business ethics questionnaire, and an annual compliance report and certification process. In addition, UPS has a toll-free helpline, internal audits, and a requirement that managers complete these questionnaires regularly.

**Sourcing and Trading**

FedEx has operations in China, Myanmar and North Vietnam all of which are repressive regimes according to Covenant House. Controls on ethical procurement and supply chain management of fuel, vehicle parts, maintenance equipment, and contractor services aren't reported. Landings,

offices, and letter or package handling are common in repressive regimes like Egypt, Myanmar, and Libya, though not Cuba, which is on an American government embargo list. Courier companies are active in China—FedEx uses an all out U.S. style aggressive approach versus UPS’s gradual approach in China.

**Corporate Governance**

There are areas for improvement. Executives at land transport companies are assessed on narrow economic performance criteria. There are no limits on consecutive terms for directors. More directors could be nominated individually, rather than by slate.



**Candor**

Federal Express has a 41% candor quotient.

**Canadian Content**

The Canadian subsidiary of US-based FDX Corp (ticker FDX on NYSE) once was publicly traded in Canada but has reverted to being wholly owned. Shares in FedEx Canada, delisted in 1994, are no longer traded on the TSE/TSX.

**Notable Facts**

FedEx is the world's eleventh largest air carrier.

**Sensitive Business Activities**

FedEx does not make or sell these sensitive products. Companies don't readily answer questions about transport of weapons, handguns or ammunition.

Carriers like AMJ Campbell and Trimac confirm that they will work for the Department of National Defence, but not likely transporting military goods. With appropriate controls, they would transport hazardous, though legal, products like pesticides, biological and chemical wastes, or cigarettes.

**Rating Summary:**

	A	B	C	D		A	B	C	D
EQUITY AND FAMILY ISSUES	F	1	F	F	ENVIRONMENTAL MANAGEMENT	E-	3	E	E
COMMUNITY RESPONSIBILITIES	F+	3	E+	F+	MANAGEMENT PRACTICES	D-	2	D-	F+
PROGRESSIVE STAFF POLICIES	D+	1	D-	E+	SOURCING AND TRADING	F	2	F	F+
EMPLOYEE RELATIONS	E+	1	E	E-	CORPORATE GOVERNANCE	E+	0	F+	E-
ENVIRONMENTAL PERFORMANCE	F+	2	F+	F					

**A: Letter Grade this company    B: Rank within sector    C: Industry sector group average    D: Corporate 1500 Database Average**

**Sector:** courier services                      **Date Issued:** 2005-12-13                      **Number Companies In This Sector:** 3

The above independent assessment is accurate to the best of EthicScan Canada's knowledge. It includes information from the company, unions, advocacy groups, shareholder rights advocates and others. The company had two opportunities to comment upon the research underlying these reports. The grading scheme is described in detail at <www.ethicscan.ca>.

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