

A large, stylized anchor logo is centered in the background. The anchor is white with a blue shadow, set against a circular blue gradient. The background of the entire page is a dark blue gradient.

Sustainability Report 2018



Content

	3	Welcome Message
	4	Sustainable Business in 2018
	4	About this Report
	6	Risk Assessment
	6	Sustainability Strategy
	6	Materiality Matrix and Sustainability Goals and Progress
	9	Awards
INTEGRITY IN BUSINESS	10	10 Governance
		10 Ethics and Compliance
		14 Stakeholder Engagement and Dialogue
		18 Customers
		19 Suppliers
		23 Facility Management
		26 Quality Services
MAKING THE DIFFERENCE	36	36 Management Approach
		40 Development – “Go to Talent Market” Strategy
		41 Pulse Check 2018
		42 Continuous Learning and Knowledge
GREEN FOOTPRINT	44	44 Management Approach
		48 Climate Change
		50 Energy Efficiency
		51 Waste and Recycling
		54 Water and Conservation
COMMUNITY ENGAGEMENT	58	58 Environmental Day 2018
		58 Kuehne + Nagel Partnership in Support of World Water Day

Welcome Message



Dear Reader,

Sustainability has many facets. For us, at Kuehne + Nagel, sustainability means creating a corporate culture of sustainable behaviour in the first place – in every aspect of our business. Therefore, we attach great importance to the integrity of our employees, but also of our suppliers. Our Compliance and Ethics Programme, our Quality, Safety and Health Initiatives as well as our Supplier Management Tool are good samples of how we drive integrity by giving guidance.

However, the concept of sustainability is also reflected in our range of services: We see many opportunities for sustainable development to grow profitably and to provide our customers with added value. We already offer several sustainable solutions today and will continue to expand them in the years to come. The public's awareness of the environmental impact caused by the growing global flow of goods has risen noticeably in recent years – and will continue to increase in the coming years. At the same time, for our customers, it is becoming more and more important to achieve sustainable efficiency with the least possible environmental impact. The better we succeed in supporting our customers with corresponding logistics solutions, the more sustainable our development will be.

At Kuehne + Nagel, sustainability is highly related to our spirit of innovation. Through the use of new technologies or by applying data analytics, we are able to create innovative solutions which help our customers to optimise their supply chains and contribute to their own sustainability goals. With the new digital platform Sea Explorer, our customers can schedule and book shipments according to specific criteria, e.g. choose the service with the lowest CO₂ emissions. But innovation also means for us to be open for new ideas. This is directly related to the development of unique industry-specific solutions such as KN BatteryChain, the first logistics solutions for the entire life cycle of lithium batteries fostering the worldwide trend towards drive electrification through battery-powered vehicles. And last but not least, we use our innovative mind-set to lay the foundation for a sustainable company culture shown in numerous projects carried out locally to enhance environmental consciousness, raise health & safety awareness or encourage ethical behaviour among our employees and the communities they work and live in.

I invite you to explore this report and learn about our commitment towards sustainability.

*Dr. Detlef Trefzger
CEO*

Sustainable Business in 2018

About this Report

This report addresses Kuehne + Nagel's sustainability activities and performance for the 2018 calendar year. During the reporting period, there were no significant changes to the company regarding size, structure or ownership. Throughout the report, some historic data and information have been included to provide context and to illustrate performance trends. The Global Reporting Initiative (GRI) Index at the end of this report makes reference to the GRI Core standards fulfilled by Kuehne + Nagel.

This report covers Kuehne + Nagel's global operations including activities occurring at all of our facilities, owned and leased, over which we have operational control unless otherwise noted. The scope of health and safety reporting includes facilities and operations over which Kuehne + Nagel has management control, including warehouses and offices.

Kuehne + Nagel seeks external assurance of its direct greenhouse gas emissions (scope 1), indirect greenhouse gas emissions (scope 2), energy consumption and production, waste generation, water consumption from our company-owned sites. The external assurance, validation and certification were granted by Bureau Veritas. Environmental data presented in this report has changed from prior disclosures due to changes of business operations, including mergers and acquisitions that concluded during the reporting year.

Other Group reporting that may be of interest to readers is available on our website under Annual Report 2018 as follows:

- 2018 in Focus
- Corporate Governance
- Remuneration Report
- Status Report
- Financial Report

Our sustainability approach

For all our sustainability topics we have set goals. Their progress is measured qualitatively for some and quantitatively for others. In the following, this report will give further details how Kuehne + Nagel is engaging with the global UN Sustainable Development Goals (SDG's) and targets.

Consistent with our commitment to be a leading logistics company in taking action on the environment, we have decided to reduce our carbon footprint (CO₂) by issuing the edition of the Sustainability Report 2018 as an online version. A pdf-print version is available for download on the website.

Our sustainability approach



Risk Assessment GRI 102-30

Achieving our strategic and operational objectives involves managing potential and actual risks. To identify, assess, prioritise, address, monitor and communicate these risks across the company's operations, Kuehne + Nagel leverages an integrated risk management system. This system helps us align risks and opportunities with our strategic objectives and thus protects the organisation from future uncertainties, while increasing the probability of success in achieving our corporate goals and improving decision-making across the organisation. It is also an important element in driving a risk-aware culture across the organisation. More about Kuehne + Nagel's risk management can be found here: <https://2018-annual-report.kuehne-nagel.com/>

Sustainability Strategy GRI 102-14

Kuehne + Nagel's sustainability strategy is based on the Group's social and environmental responsibility. We are committed to implementing global standards and to keeping a high level of legal and ethical practices, giving back to local communities, ensuring the safety and health of our employees, and reducing the impact of our services on the environment. To stay sustainable, we establish yearly goals to guide us and to show us our progress and thus how we can improve in the years to come. More about our Sustainability Goals can be found under Materiality Matrix and Sustainability Goals and Progress.

Our company is listed on numerous sustainability ratings. The capital market sustainability ratings that are most important to us are:

- SIX (Swiss Stock Exchange) – Kuehne + Nagel has been awarded a listing on the SIX Switzerland Sustainability 25 Index
- EcoVadis providing Sustainability Ratings for global sustainable procurement – Kuehne + Nagel is listed as a current member
- CDP (Carbon Disclosure Project) is a not-for-profit organisation – Kuehne + Nagel is an invited reporting company
- RobecoSAM is an international investment company focus on sustainability investments – Kuehne + Nagel is invited to report its sustainability performance
- EPA's SmartWay helps companies advance their supply chain sustainability – Kuehne + Nagel is a current member.

Materiality Matrix and Sustainability Goals and Progress

In 2017, we reassessed our material issues, using input from nearly 600 individuals, including senior Kuehne + Nagel executives and employees from all parts of the business, customers and external stakeholders that are specialists in key sustainability areas. We also mapped regulatory risks and macro

trends, and benchmarked against peer companies to help us establish a comprehensive sustainability issues landscape. We used this assessment to help prioritise our resources and investments in the context of the changing business environment and to inform about the scope of this Sustainability Report.

The material aspects being of highest priority to the business and to our stakeholders are highlighted in our Materiality Matrix as “very important”, and are covered more in depth within the detail of each of the five pillars of the Materiality Assessment and in this report. The material aspects were defined by internal management workshops. GRI 102-47; GRI 103-1



- | | | | | |
|---|---|--|---|--|
| <p>Management</p> <ul style="list-style-type: none"> 1 Extreme Risk Countries and Conflict Zones 2 Public Policy Engagement 3 Terrorism and Political Unrest 4 Mobility 5 Business Prepared, Resiliency and Disaster Response 6 Data Privacy and Security 7 Responsible Communication | <p>Supply Chain</p> <ul style="list-style-type: none"> 8 Customer Relations and Satisfaction 9 Product and Service Innovation 10 Customer Privacy 11 Supplier Diversity/Engagement 12 Product Safety 13 Sustainable Supply Chain | <p>Employees</p> <ul style="list-style-type: none"> 14 Fair Treatment of Workers 15 Employee Relations and Engagement 16 Occupational Health and Safety 17 Labor Standards 18 People's Diversity 19 Employee Work Life Balance and Well-Being 20 Corporate Citizenship | <p>Environment</p> <ul style="list-style-type: none"> 21 Waste Management and Recycling 22 Management of Dangerous Goods 23 Greenhouse Gas Emissions on Transport 24 Greenhouse Gas Emissions from Facilities 25 Efficient Use of Resources 26 Pollution Prevention 27 Water Management 28 Biodiversity and Ecosystems | <p>Governance</p> <ul style="list-style-type: none"> 29 Ethics and Governance 30 Transparency, Disclosure, Reporting 31 Advocating Law 32 Impact on Society |
|---|---|--|---|--|



The assessment confirmed that many of our material aspects are consistent with previous years but also that there is growing stakeholder interest in Data Privacy and Security as well as Customer Relations and Satisfaction.

In 2019, one of our priorities is to continue monitoring our sustainability issues, in order to earn the trust of our stakeholders worldwide through ongoing dialogue and engagement.

We will review our policies and practices and provide our employees with the tools they need to make ethical decisions. To inform and guide our ongoing approach to respecting human rights, we will further align with international frameworks such as the United Nations Global Sustainable Development Goals (UNSDG) and the UN Global Compact principles (UNGCC). Through multi-stakeholder initiatives and public forums, we will work to promote innovation for the benefit of business and society.

2019 Objectives

Objectives	Completion Date
Conduct annual materiality assessment	December 2019
Engage with multiple stakeholder groups to inform them of our sustainability programme, performance, and reporting	December 2019
Kuehne + Nagel's white collar employees to complete the Code of Conduct annual certification	December 2019
Promote environmental awareness by reducing our carbon footprint and promoting the zero plastic waste campaign	December 2019
Reach our goal of "No harm" to people by continuing our journey of zero fatalities, disseminate the "Get Home Safe" programme, and prepare the organisation for the transition to ISO 45001:2018	December 2019

Awards

For 2018, Kuehne + Nagel has been awarded by customers, associations, groups and surveys numerous times for outstanding achievements and innovations. An extract of these awards can be reflected as follows:

- Top Employer Europe award for several countries
- Kuehne + Nagel Singapore – award Care and Positive Work Environment of the Year
- Kuehne + Nagel W.L.L, Bahrain – award 10 Million hours without Lost time incident
- Kuehne + Nagel, Canada – award Provider of the Year by Abbott Nutrition
- Kuehne + Nagel, Mexico – award of Recognition by customer Mahle for being an extension to their business
- Kuehne + Nagel, USA – award Supplier of the Year by Royal Caribbean
- Kuehne + Nagel Sp.z.o.o., Poland – award 1st place – The leader of safe work in the warehouse
- Kuehne + Nagel Italy – SOFIDEL Supplier Sustainability Award 2018 as a best supplier and the best sustainable project

Integrity in Business

Governance



The Chairman of the Board of Directors entrusts the Risk and Compliance Committee of the Kuehne + Nagel Group to support the Board of Directors and the Management Board when adhering to the standards of good corporate management. This in particular refers to evaluating the risks of the Kuehne + Nagel Group and to taking adequate measures for minimising risks and safeguarding the adherence to external and internal regulations.

The functional responsibility for the design and implementation of the Ethics and Compliance Programme is delegated to the Chief Compliance Officer who has the expertise, independence and authority to implement the programme in all business areas and subsidiaries.

This is accomplished in close cooperation and with the support of the Kuehne + Nagel management and other qualified resources and functions. In recognition of the crucial importance of the Ethics and Compliance Programme, the Chief Compliance Officer reports directly to the Chief Executive Officer. Further reporting exists to the Audit Committee Chairman of the Board of Directors and the Group General Counsel. The Chief Compliance Officer is supported by corporate, regional and local compliance representatives and also involves other internal functions, such as Internal Audit, Legal or Human Resources.

Ethics and Compliance

Management Approach ^{GRI 103}

Compliance with legal, regulatory and internal regulations, as well as the observance of common standards and rules of professional conduct, is essential to Kuehne + Nagel's business.

A comprehensive Ethics and Compliance Programme begins with leaders. Our leaders are in charge of setting the priorities and driving our culture. Therefore, Kuehne + Nagel expects its leaders to integrate a culture of compliance within their respective areas of the business. By considering integrity to be a key element of our business behaviour we are able to foster a sense of trust with our stakeholders and meet our responsibility of being a reliable and successful business partner. Independent of function, geography or business area, Kuehne + Nagel's Ethics and Compliance Programme provides guidance and suggests measures to our members and business partners throughout the entire Group. We are convinced that our Ethics and Compliance Programme – as a way of risk prevention – protects us from negative consequences such as sanctions or reputational damage. This programme is a unique opportunity for making a difference in a competitive global market place. It is essential for our business success to pay attention to this programme at each organisational level and to be supported by Kuehne + Nagel's senior executives and managers around the globe.

Code of Conduct 2018 ^{GRI 102-16}

Kuehne + Nagel's Code of Conduct forms the basis of the Ethics and Compliance Programme. The Code of Conduct states the general principles of the Group's business conduct and behavioural requirements that Kuehne + Nagel members have to comply with. The Code of Conduct does not explicitly comment but refers under "employment practices" to "Kuehne + Nagel Values", and "Core Principles", in addition the Supplier Code of Conduct explicitly covers the topic "freely chosen employment". As a basic principle, all suppliers are expected to sign the Kuehne + Nagel Supplier Code of Conduct.

The Code of Conduct also addresses respected and fostered principles such as employment conditions, as well as remuneration, aim to stimulate high performance and to consistently reward excellent results. Employment must never be illegal and unfair. ^{G 202-1}



Ethics and Compliance Programme

In 2018, Kuehne + Nagel established an enhanced version of the Code of Conduct, its implementation and dissemination started in January 2019. The new Code of Conduct is structured in three different sections: Employment Practices, Safeguarding People and Assets and Business Ethics. The new Code of Conduct is now available in 43 languages (previously: 39 languages). The English version is available on our website https://www.kn-portal.com/about_us/corporate_social_responsibility/compliance/

The Code of Conduct is complemented by internal policies and guidelines. These supplementary materials

address specific compliance topics and provide guidance to every Kuehne + Nagel member on standards and procedures that are specific to particular compliance risks; including Anti-Trust, Anti-Bribery, Conflict of Interest or Gift and Entertainment.

Compliance awareness GRI 205-2

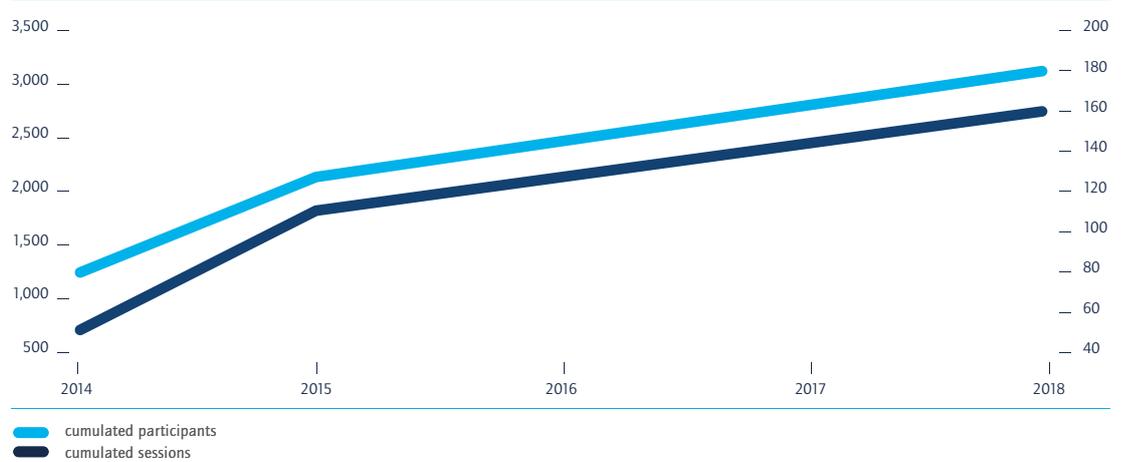
All members are required to acknowledge the Code of Conduct when starting employment with Kuehne + Nagel. In addition, a comprehensive educational programme ensures continuous awareness and a monitored level of consistent training. Members are trained on the Code of Conduct through live and computer-based



43

languages available for the Code of Conduct

ABC Live Training



3,000

top and senior managers participated in ABC Live Training in over 150 sessions



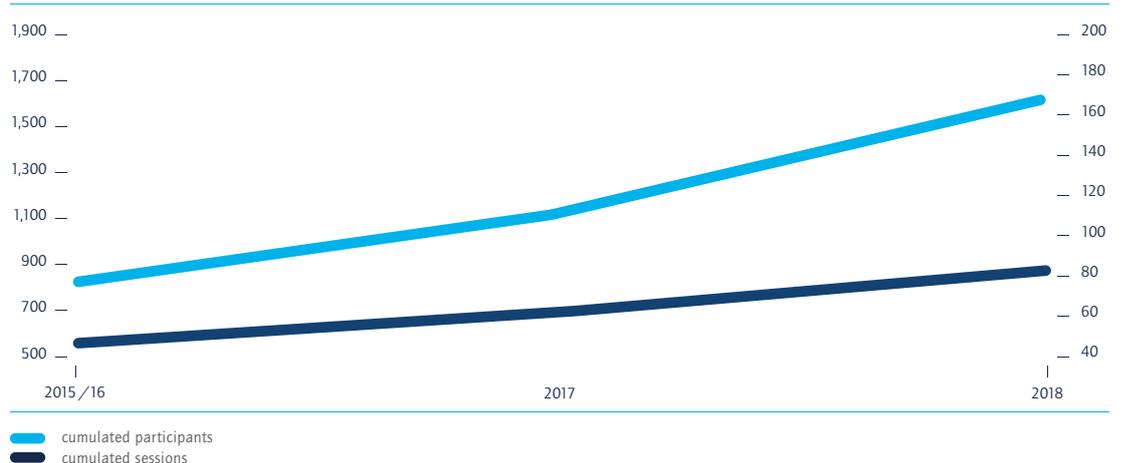
1,690

members participated in Antitrust Live Training in over 80 sessions

training as well as on-demand training following risk-based considerations. On a yearly basis, all Kuehne + Nagel members are asked to confirm having received, read and understood the Code of Conduct. Kuehne + Nagel monitors the Code of Conduct live and computer-based training as well as the annual confirmation for ensuring constant participation rates of at least 95%. Failure to follow the Code of Conduct may result in disciplinary action. ^{G 102-16}

For dedicated and risk-based selected target audiences live training has been delivered in the areas of anti-bribery/corruption ("ABC") and antitrust ("AT"). This is launched in annual regular waves, and is scheduled to continue. Selected audiences are continuously informed in order to maintain awareness or announce new or enhanced initiatives. Further, internal electronic information platforms grant access to Compliance-related information.

Antitrust Training





Confidential Reporting

Kuehne + Nagel members are encouraged to raise concerns about potential violations of the Code of Conduct to persons of trust within Kuehne + Nagel. Further, a global confidential reporting line has been implemented in all countries with Kuehne + Nagel facilities. This line allows for reports on potential violations in a safe, confident, and, if desired, anonymous manner. The confidential reporting line can be reached 24 hours a day, seven days a week and is operated by an external service provider enabling reporting in more than 100 native languages; either by telephone, e-mail or a dedicated web-based reporting tool.

One third of the reported allegations are non-HR related matters and two thirds HR-related matters. Following independent investigations, almost half of all allegations were substantiated and remediated accordingly; including measures such as improvements in processes and controls to prevent reoccurrence and also sanctions such as warnings and terminations.

The Kuehne + Nagel Independent Allegation Management Committee oversees the handling and follow-up of reported allegations received through any channel. The Committee ensures consistent professional standards and procedures for enabling thorough independent investigations where needed. Subject matter experts are involved to ensure competent and adequate assessments, appropriate decision making, and related follow-up activities.

Complaints or allegations made in good faith will not expose the submitter to counter-measure. However, knowingly providing false or misleading information may result in sanctions.

Data Privacy Policy and Data Protection

At Kuehne + Nagel, we respect the privacy of all individuals that have entrusted us with their personal data. Anyone concerned can raise suggestions, inquiries and complaints in a safe, confident and, if desired, anonymous manner.

As a globally operating company, Kuehne + Nagel is required to comply with a wide range of data protection laws and regulations. Therefore, our Global Data Protection Framework sets a worldwide data protection standard. Within the Kuehne + Nagel Group, it stipulates rules for the processing of personal data of internal and external stakeholders. On this basis all Kuehne + Nagel companies are enabled to comply with national and international data protection and privacy laws, including the EU General Data Protection Regulation.

The Kuehne + Nagel Data Protection Framework supports the management under the Data Protection Programme and provides subject matter expertise, guidance and training to the business and functional units, management and employees. Internal audits complement our endeavours to foster the effective operationalisation of the standards.

Stakeholder Engagement and Dialogue

GRI 102-12; GRI 102-13; GRI 102-40



Our company fosters a transparent and close dialogue with our stakeholders and this involves the evaluation of how our business impacts the environment and the communities we work in. Kuehne + Nagel established a programme to efficiently support the flow of communication with stakeholders, consequently allowing us to improve our processes in all business areas. Ultimately, our stakeholders' feedback has helped us to gradually improve our sustainability agenda.

Industry partners

Global industry initiatives are of great importance for Kuehne + Nagel. They provide a sound platform to exchange ideas and best practices based on a dynamic dialogue. Some of the global institutions and initiatives that we have projects with are:

Clean Cargo Working Group (CCWG)

Different working groups aim to achieve optimal performance for carrier members. For instance, Kuehne + Nagel supports CCWG's intention to set emission standards for the maritime industry.

International Federation of Freight Forwarders Associations (FIATA)

Kuehne + Nagel closely monitors revisions, and facilitates the understanding and explanation of legislation, procedures and regulations to promote more efficiency in the regulatory framework.

European Association for Forwarding, Transport, Logistics and Customs Services (CLECAT)

Kuehne + Nagel primarily observes legislation that affects international supply chains in the logistics industry. The company also welcomes initiatives that strive for efficient and streamlined procedures.

Global Logistic Emission Council (GLEC)

Kuehne + Nagel is an early adopter of the GLEC framework. The company assisted the Council during the development of the framework and also volunteered to apply the model in our transport and warehousing operations.

International Air Transport Association (IATA)

Kuehne + Nagel closely follows IATA's initiatives to support the promotion and understanding of proposals for future industry regulation aimed at continued efficiency. Additionally, we participate in the following initiatives:

- Transported Asset Protection Association (TAPA)
- International Civil Aviation Organization (ICAO)
- Carbon Trust Standard
- SmartWay
- EcoTransIT

Relationship with our shareholders GRI 102-42; GRI 102-43

Kuehne + Nagel provides detailed financial performance figures on a quarterly basis to its investors and the public. Numerous stakeholder roadshows by the CEO and CFO have taken place. In addition, quarterly analyst calls with Q&A sessions were conducted. At the Annual General Meeting (AGM) our shareholders vote on issues of mutual interest according to statutory requirements.

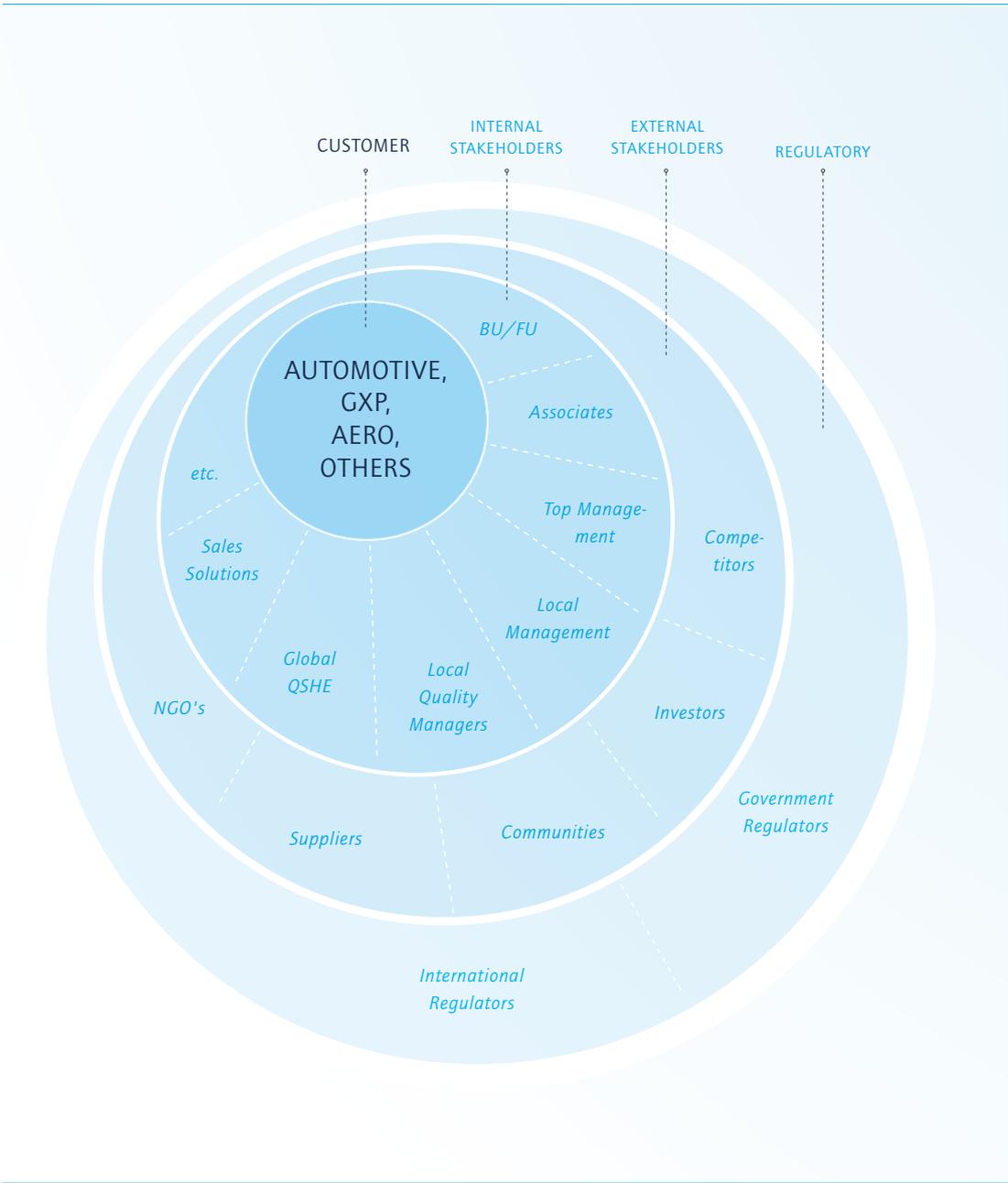
Communication with our employees

Kuehne + Nagel holds town hall meetings on a global level on quarterly basis where Management keeps employees up to date on important company information; employees have an opportunity to ask questions and to give their feedback.

In addition to direct communication, we also have "Pulse Check", an internal review carried out by Human Resources at least once a year. By this, we measure our employee satisfaction and we are able to improve our working and social environment. See more in this report under Making the Difference.



Internal and External Stakeholders



In 2017, we launched "myKN", a digital collaboration platform which facilitates and promotes interactive working across the Group. After one year of the open communication between employees and the use of best practices and feedback possibilities, have had a positive impact on our collaborative culture.

Communication with Customers and Suppliers

Our annual customer survey helps us to identify potential improvements in service quality and to give customers the opportunity to share their opinion with us. The voice of the customer is an opportunity to gain insight to our customer's experiences, challenges and perceptions. Thus, it facilitates more frequent discussion and provides opportunities for us to listen, learn and improve. Further information on page 18.

We establish a communication channel with our suppliers throughout the Supplier's Code of Conduct. We aim for a broader assessment of our suppliers' impact on the environment and society through their labour practices and safety and health standards.

Governments

We are actively engaged in the dissemination of regulations through various industry organisations eliminating redundancy and increasing efficiency.

Industry

As previously mentioned, interaction with the logistics industry primarily happens through industrial sector working groups. Kuehne + Nagel participates in such groups, which represent the logistics sector, legitimate interests, and also consider ways in which the industry could perform in an increasingly sustainable manner.

Some of the major areas / issues identified, or emphasised during the previous year as needs and expectations from our stakeholders are listed in the table on the right:

Customers
Pharmaceutical and Medical Devices
Qualification Process
ISO 13485
Supplier Control, Heavy Supplier Requirements
New Technologies for Inventory Management
Cold-chain Across Modes of Transport and Storage
Full Compliance to Standards and Regulations
Oil and Gas
Preventive HSE Management
ISO 45001
Automotive
JIS Assembly Line Support
New Technologies for Inventory Management
Supply Chain Management for Batteries
Aerospace
Reliable Supply Chain, Heavy Regulatory Requirements
AS9100 Certification
Hi-Tech
Security across the Supply Chain (ISO 28001) Regulatory Requirements
Food
HACCP/ IFS
ISO 22001



Internal Stakeholders	External Stakeholders	Regulatory
<p>Pharmaceutical and Medical Devices</p> <ul style="list-style-type: none"> Increased Focus on Safety and Health New Technologies for Inventory Management QSHE Involvement in Implementations 	<p>Investors</p> <ul style="list-style-type: none"> Return on Investment Non asset-based company Standardisation of QSHE Activities 	<p>Government Regulators</p> <ul style="list-style-type: none"> Increased and Changing Requirements for Pharmaceutical and Medical Devices
<p>Freight Forwarding</p> <ul style="list-style-type: none"> Focus on Controls for Dangerous Goods Shipments (Batteries) Digitalisation Increased Number of Suppliers to be Vetted 	<p>Suppliers</p> <ul style="list-style-type: none"> Payment Terms Looking for Opportunities of Specialisation 	<p>International Regulators</p> <ul style="list-style-type: none"> Increased Security with Dangerous Goods Handling Changing Requirements for Lithium Batteries
<p>Sales</p> <ul style="list-style-type: none"> Technical Specific Responses in RFQs 	<p>Communities</p> <ul style="list-style-type: none"> Involvement in Social Responsibility Activities 	
<p>Finance</p> <ul style="list-style-type: none"> Cost Reduction Centralisation of Purchases 		

Customers



To create outstanding customer experiences, we must first create an outstanding environment for our employees

Management Approach

For Kuehne + Nagel, it is all about satisfying our customers. We are offering customers tailored solutions based on technological expertise and the highest service standards. Our Customer Excellence Programme ensures sustainable business growth by building customer loyalty, retention and referrals, while also being a good opportunity to develop our people.

Service Quality and Customer Orientation

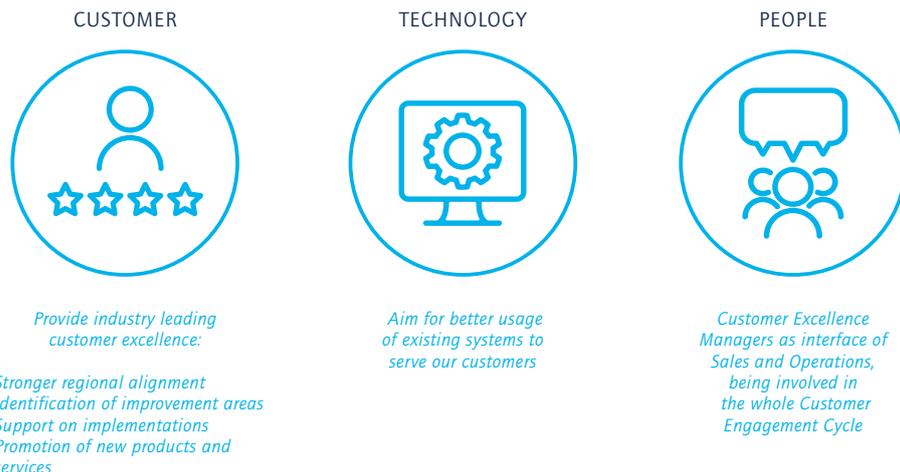
The internet and digitalisation are not only transforming our daily lives, but also revolutionising business models and thus changing customer behaviour and expectations. Providing a consistent service attitude as well as a consistent service performance is key to keeping pace with these changes.

In the first phase of the Customer Excellence Programme we deployed a set of standards for building up excellent customer relations; to equip managers and employees with relevant knowledge and skills,

and to ensure employees readiness for embracing a Customer Excellence culture. Within the Customer Excellence Standards Development Team, so-called "Programme Ambassadors" selected managers and employees from Sales and Operations are responsible for developing Customer Excellence Standards. The Customer Excellence Programme's activities are guided by the Customers Engagement Cycle; this approach leads us to achieve excellence at each customer's touch point, and to further improve customer-facing and internal activities involving business and functional units. This programme enables us to achieve higher retention rates; the target is to reach a 95% ratio by 2022.

While Kuehne + Nagel conducted its last global customer satisfaction survey in 2017, 2018 was the year to follow-up on necessary actions on related items from the survey. In addition, a dedicated survey for contract logistics' customers was launched in 2018, where specific contacts in three functional groups were asked on their experience with Kuehne + Nagel. The feedback received from customers helps us to build the foundation of a Customer Excellence Plan with specific initiatives and actions to follow at global and country level.

Benefits of the Customer Excellence Programme





Suppliers



partners which comply with global, regional and local legal regulations.

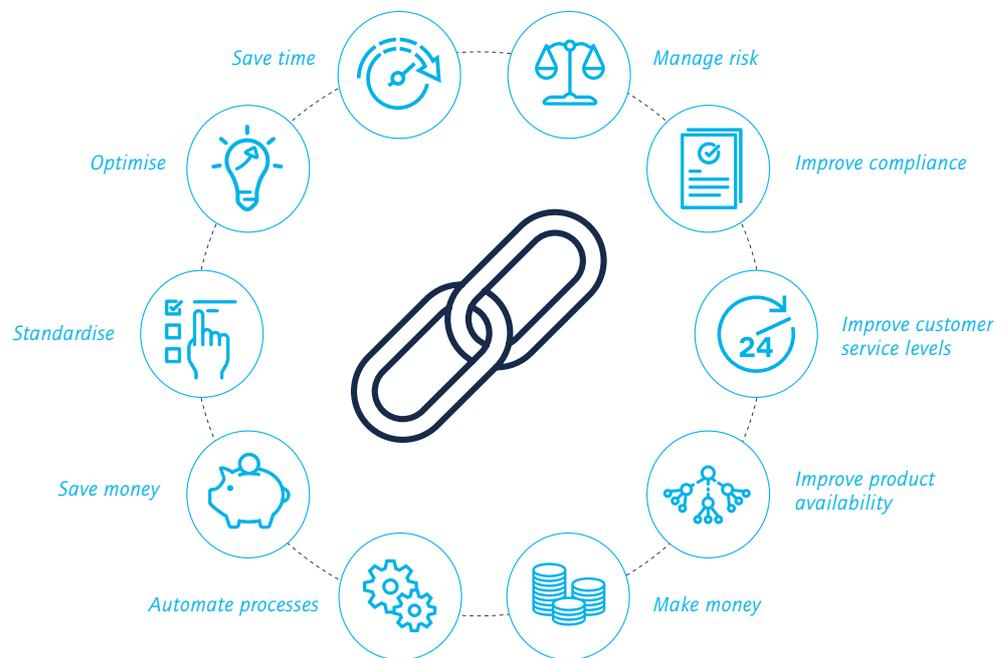
Management Approach

Kuehne + Nagel requires our suppliers to adhere to compliance obligations, relevant regulations, rules, work instructions and safety measures at all times. Therefore, to safeguard our customers' trust, we ensure to work only with authorised and reliable business

partners which comply with global, regional and local legal regulations. Kuehne + Nagel manages its suppliers through the so-called Supplier Management Tool (SMT). The SMT is a web-based application of suppliers across Kuehne + Nagel's business units covering operational, legal and compliance criteria. The SMT helps us to identify the most suitable suppliers and business partners on the basis of individual customer requirements and their unique supply chains.



Key benefits of Kuehne + Nagel's Supply Chain Capabilities



The tool allows all business units to evaluate and qualify their supplier base in order to ensure both compliance and service quality. Reducing the quantity and increasing the quality of Kuehne + Nagel's supplier data results in increased operational efficiency, reduced costs and minimised risk. At the end of 2018, Kuehne + Nagel could identify as much as 50,000 business related suppliers globally; and a few more are to be accounted once the full implementation is concluded.

As of December 2018, a total of 40 percent of the suppliers were approved in SMT; the remaining ones are either in verification status or were rejected due

to lack of evidences when responding the SMT questionnaires, or they did not renew key documents relevant in the evaluation process.

Sustainable Supply Chain GRI 102-9

Kuehne + Nagel's supply chain capabilities enable customers to improve and evolve their own supply chains by leveraging our expertise and network. This supports our customers to manage their risks and improve their global sourcing and manufacturing, while designing and executing supply chain optimisation techniques that have a direct impact on product availability, cost, capital and compliance.



Kuehne + Nagel standards, other than mentioned in Supplier Code of Conduct, are not shared with the Supplier in any SMT questionnaire but e.g. in Terms & Conditions which are attached to transport orders. Kuehne + Nagel standards are agreed in SLAs or contracts between supplier and Kuehne + Nagel, not for all suppliers but only a minority compared to the total number of suppliers we work with.

Supplier Code of Conduct

A significant number of Kuehne + Nagel’s business transactions and activities are performed by business partners; including suppliers or subcontractors that work with us or on our behalf. To protect Kuehne + Nagel from harm caused by such third parties, we expect our business partners and subcontractors to operate within the limits of our Ethics and Compliance Standards. As a minimum they are required to sign the Kuehne + Nagel Supplier Code of Conduct. The Supplier Code of Conduct touches topics such as child labour, forced labour, compensation and working hours, freedom of association and collective bargaining and diversity.

To emphasise our expectations with our business partners, we introduced a policy called “Doing business with integrity – jointly against corruption” which is communicated and shared with all our subcontracted partners.

The total number of business partners evaluated through “Integrity Due Diligence” has grown steadily with an increasing proportion of annual renewals in the recent years. For the past years, the level of annual completion and approval ratio exceeded 50%.

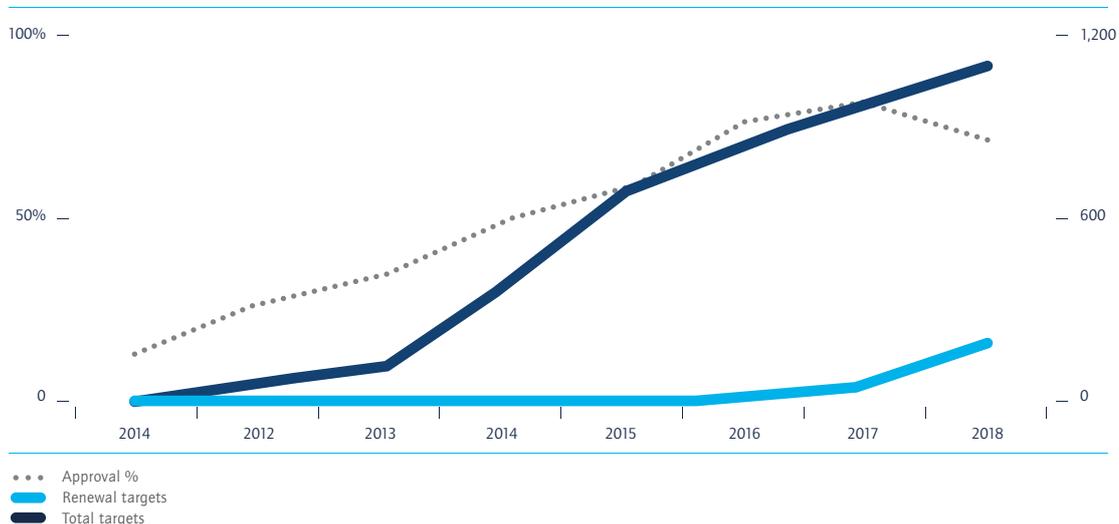
As a minimum requirement suppliers must sign the Kuehne + Nagel Supplier Code of Conduct.

We have issued our own Purchasing Guideline that provides the fundamental regulations for the sourcing of goods and services. The purpose of this guideline is to reach uniformity and transparency regarding the processes and the assignment of purchasing responsibility within Kuehne + Nagel in order to identify costs saving potentials. The procedures are communicated to all participants of the purchasing process and are


25,000
*suppliers signed
 the Suppliers Code
 of Conduct*


45
*languages available
 for the Supplier
 Code of Conduct*

Total number of business partners evaluated through Integrity Due Diligence



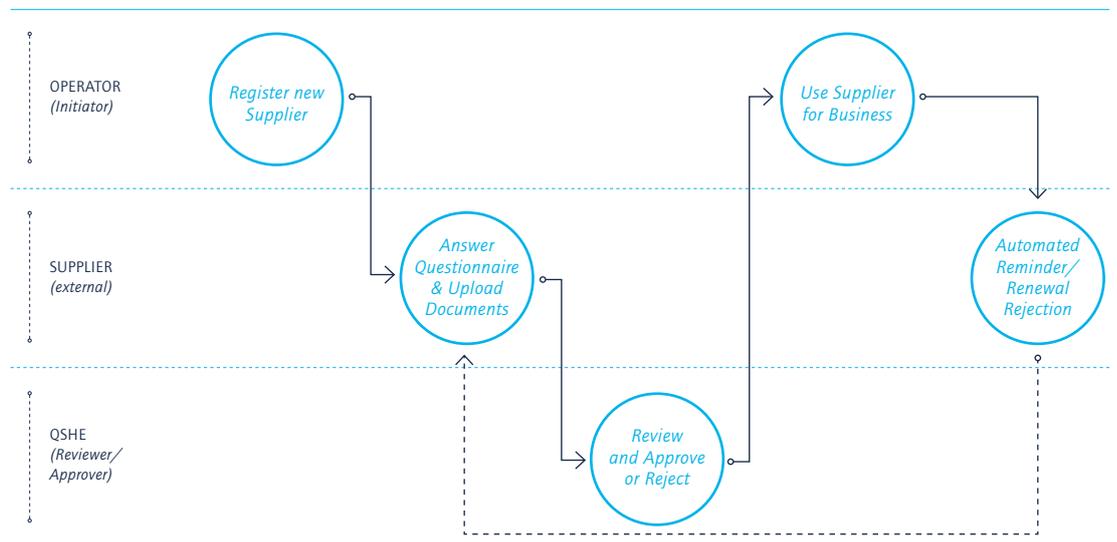


easily understandable and usable in daily business. Our procurement team is responsible for the selection of suppliers, tender process, negotiations, prices, delivery and contractual agreements with suppliers.

Evaluation process GRI 308; GRI 414

On all levels, Kuehne + Nagel monitors and evaluates the performance of suppliers. The evaluation process is conducted by questionnaires which contain relevant criteria for suppliers' selection and evaluation.

Evaluation process





Facility Management



New Technologies

Implementing the LED roadmap is still the main initiative for our facilities including warehouses and offices.

The main focus is to upgrade the existing lighting systems in our facilities to reduce CO₂ emissions. The energy reduced and cost-efficiency differs from site to site. Influencing factors are the local cost of energy, existing lighting system and use of lighting (i.e. number of hours per day, days per week).

Implementing the LED roadmap requires different approaches, depending on whether the facilities are owned or leased (majority). Sometimes assistance is given by the main real estate partners (landlords), but more often we take the initiative ourselves to implement LED by devising a specific roll-out process in each country.

Our target for 2018 was 2,000,000 sqm of LED. 25% of our total buildings and 29% of total warehouses have LED lighting installed which equals 2,173,000 sqm of LED that we have implemented worldwide in 2018, our target for 2019 is: 3,000,000 sqm.

Photovoltaics (PV) Installations

During the implementation process of photovoltaic installations, Kuehne + Nagel carefully considers specific operational conditions such as the legal and regulatory framework, energy costs, subsidies, and hours of sunshine.

Today solar energy still comes at high installation cost, which in turn require long payback periods (20 years and more), for which Kuehne + Nagel uses a detailed "Thinking through Approach" to materialise as many projects as possible in a ratio of 15% increase yearly. Photovoltaic projects' investments lead to binding periods for rental and service models on a similar scale; however, we have decided to continue with investing in more projects as we strive to continue to increase our percentage of renewable energy.



600,000

sqm of building surface provided with PV Systems in 19 locations (7% of current total surface)

Implementing the LED Roadmap





Innovation centers

Our Innovation Centers focus on applying new technologies to lead the digital transformation and to boost our customers' supply chains even more efficiently and effectively. The Singapore Innovation Centre is a joint development with the Economic Development Board of Singapore (EDB), widening Kuehne + Nagel's reach with the startup and tech communities in Singapore and Asia Pacific.

Together we innovate!



An Innovation Centre is an innovation sandbox to test and rapidly roll out new applied physical technologies in the area of contract logistics. We are partnering with customers to accelerate the development and adoption on new technologies and advanced supply chain solutions. The European Innovation Centre in Utrecht, Netherlands, is focusing on major automation and innovating picking technologies while the Innovation Centre in Singapore conducts research activities and deploys new solutions on connected warehouses with a focus on data analytics and Internet of Things. Both Innovation Centres are open to customers who will get a vivid impression of how new technologies and solutions will impact their supply chains.

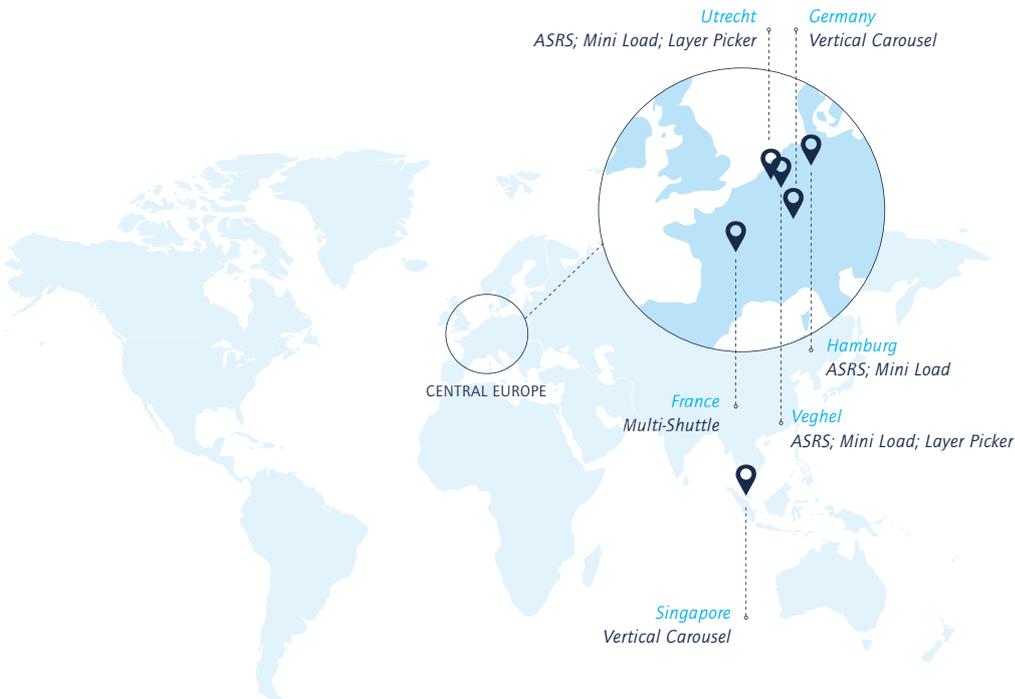


Advantages and Success of Innovation Centres

Implemented thus far to improve our services in warehouses:

- Global Voice Technology
- Global Mobile Computing
- Simple Robotics Solutions
- Drones
- Pick by Vision
- RFID Wrist band
- AGV Technology

Collaborative approach with customers for large scale automations





245
customer audits
were related to
pharma & healthcare

Quality Services



Quality first

Building trust by applying international standards

With the large diversity of services and customer solutions that Kuehne + Nagel offers it has to be ensured that these are according to international standards and requirements such as International Organisation for Standardisation (ISO), Authorised Economic Operator (AEO), Customer Trade Partnership Against Terrorism (C-TPAT), Hazard Analysis and Critical Control Points (HACCP), etc. Applying these standards ensures a harmonised business approach when dealing with supply chain partners.

The main standards applied and certified are ISO 9001 Management (704 sites), ISO 14001 Environment (488 sites) and OHSAS/18001 respectively ISO 45001 Safety & Health (365 sites). ^{GRI 416} Additionally, a number of vertical activities are compliant or certified to various standards such as Global Food Safety Initiative (IFS Food), HACCP, Aerospace Industry (EN9100), GXP pharma/healthcare, Transported Asset Protection Association (TAPA), Safety and Quality Assessment System (SQAS), ISO 13485 Medical Devices, ISO 14064-3 Greenhouse Gas Emission, ISO 22001 Food Safety Management, ISO 22301 Business Continuity Management, and ISO 28001 Supply Chain Management Security.

All of these standards are compliant to a particular business or industry related activities within the Kuehne + Nagel Group.

For 2019, the certification of our IT Security according to ISO 27001 is planned for a large number of sites in Europe as well as full implementation of the new ISO 45001, replacing OHSAS 18001.

Activities that do not comply are being reported in the global non-conformity reporting. This allows to identify potential improvements and to ensure implementation and execution of corrective measures across all business and functional units within the organisation. For 2018, a total number of over 13,400 non-conformities have been reported (2017: 10,000) to progress and improve the area of processes, customer relationship and where needed on investments to satisfy overall customer needs and requirements.

Compliance by verification

For a multinational company, it is important to ensure globally harmonised business processes. This was accomplished by regular quality audits in the countries and business units. In 2018, 790 sites were audited in 90 countries. Due to a risk based approach, the numbers of audits were reduced from the previous year (2017: 883 sites) and audited departments slightly reduced to 4,027 (2017: 4,310).

For the past year, close to 600 audits have been executed by existing or potential customers and governmental bodies in the premises of Kuehne + Nagel. One of the highlights is the stringent and thorough processes Kuehne + Nagel is able to provide as no critical findings were identified.

Added value to the customers supply chain

In line with our corporate strategy we offer our customers tailored solutions based on technological expertise



and the highest service standards as well as full compliance with regulatory requirements. Kuehne + Nagel developed over years industry-specific solutions such as KN PharmaChain for pharma & healthcare, KN EngineChain for aircraft engines, KN BatteryChain for lithium battery shipping etc. In the past year, a total of over 340 sites qualified for these services and based on increasing customer demand this will further increase in the period to come. In case of contaminated goods for pharma and food a recall will ensure withdrawal from market. Upon disposal order from customer goods are kept segregated. ^{GRI 417}

Occupational Health and Safety ^{GRI 403-1; GRI 403-2; GRI 403-4 GRI 403-5; GRI 403-7}

Kuehne + Nagel aims at achieving the highest level of health and safety for all parties involved in all our operations. Our Safety & Health Management System continuously evaluates the status of our work environment while fostering its continuous improvement.

In 2018, the "No harm" campaign has been further rolled out. With the "No harm" campaign, we are committed to maintaining a safe and healthy working environment for our employees, partners, customers and the communities in which we operate. All blue collar workers in our locations have been trained in hazard recognition and reporting of them. Supervisors in warehouses have been trained in keeping their teams motivated to report unsafe situations.

HSE-app



The online reporting tool "HSE-app" is available on desktop, phone and tablet

The next phases of the campaign will focus on management and office workers; in the mean time for operations it has been made easier to report. An online reporting tool has been introduced in the second half of the 2018. The "HSE-app" is being introduced to allow an easy and fast reporting of unsafe acts and unsafe conditions in several countries.

In the reporting period, the number of Lost Time Incidents decreased by 1.2% while the number of (new inexperienced) workers increased by 11%. The number of Lost Work Days decreased by 15% in 2018, implying that the injuries are less severe.

	2018	2017	2016
--	------	------	------

Kuehne + Nagel Group (all Business Units)

Number of Fatalities (FAT)	-	2	-
Lost Time Injury Frequency (LTIF)*	13.94	15.93	14.95
Total Reportable Case Frequency (TRCF)**	19.66	19.30	21.66

* LTIF - The number of LTI's per 1,000,000 working hours

** TRCF - The number of TRC's per 1,000,000 working hours

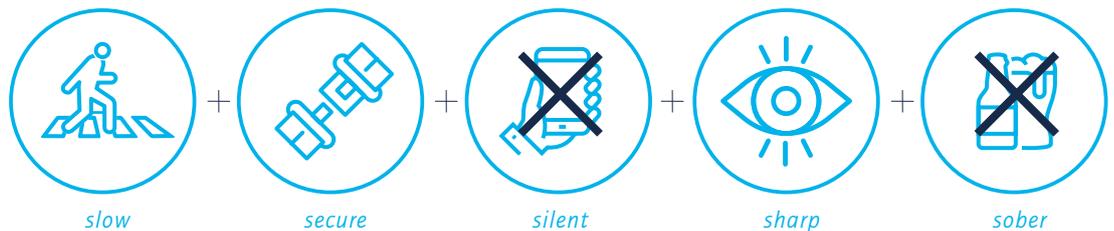
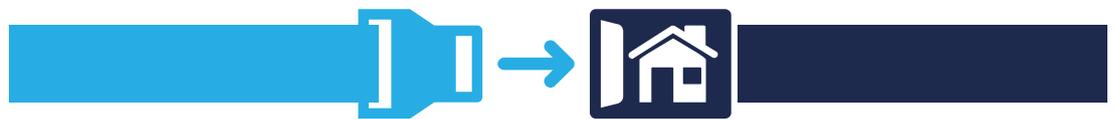


Despite the aim to prevent any harm in 2018, Kuehne + Nagel contracted suppliers incurred fatal accidents. In Germany, a third party employee was fatally injured whilst closing the doors of a trailer. In South Africa, two road traffic accidents led to three fatalities. In USA, a third party employee was fatally crushed between a warehouse and a truck. We deeply regret these incidents and send our heartfelt condolences to the families. As a direct follow-up, supplier management has been increased and a minimum standard for driving and road transport has been developed and communicated to avoid potential future tragedies.

The rollout of the "Get Home Safe" Campaign was continued in the Kuehne + Nagel locations in Middle East and Africa, where all (almost 1,000) employees were trained in Defensive Driving. The campaign was further introduced in North and South Asia Pacific, where the focus is on wearing seat belts.

In 2018, many locations reached 1,000 days without an accident in warehouses (see table right). One location is celebrating 10 years without any working accident!

"Get Home Safe" Campaign



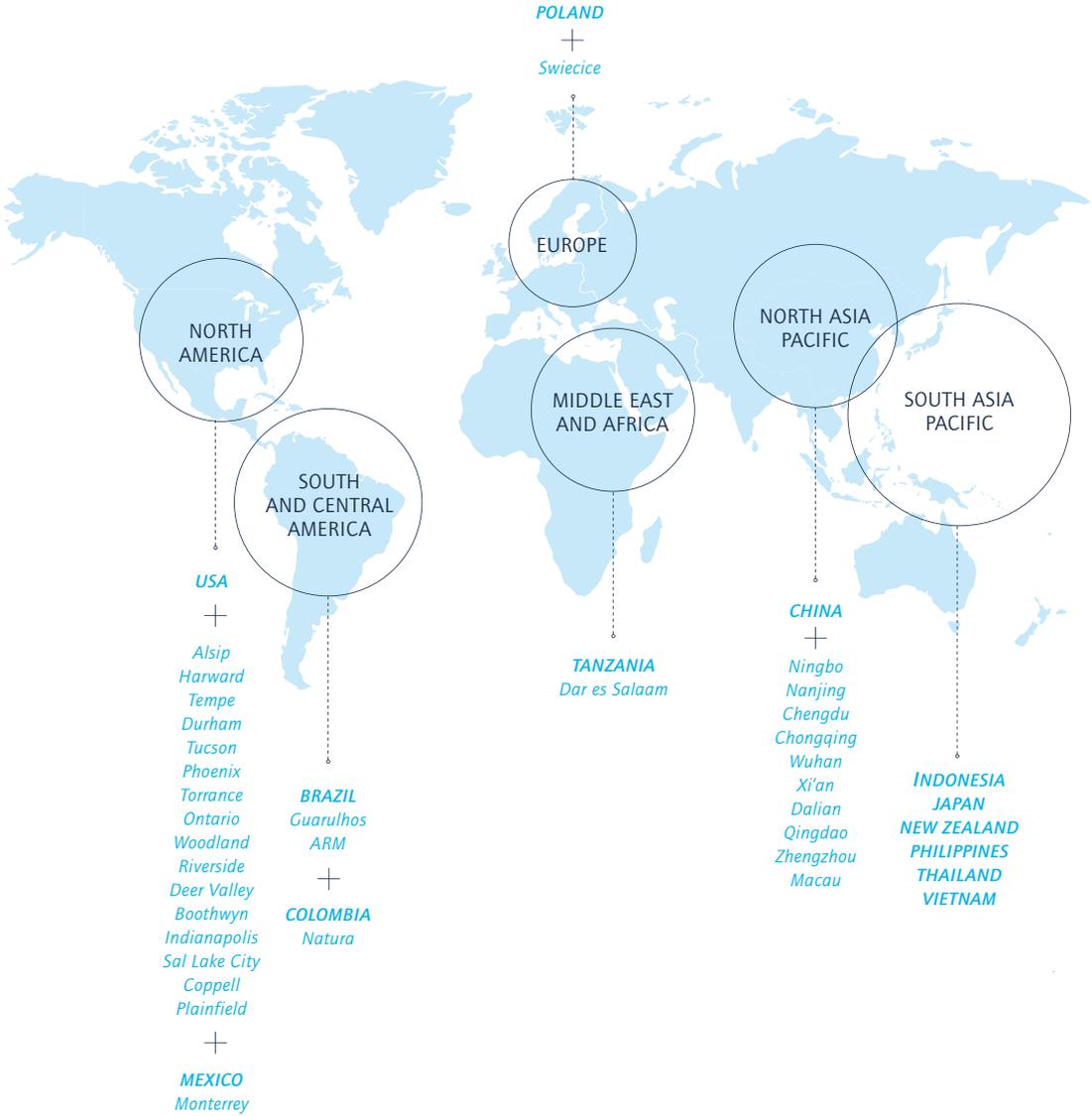


1,000 days without an accident in warehouses around the globe in 2018



3,651

days without an accident in Abbeville/France



We care about people and are successful in doing so

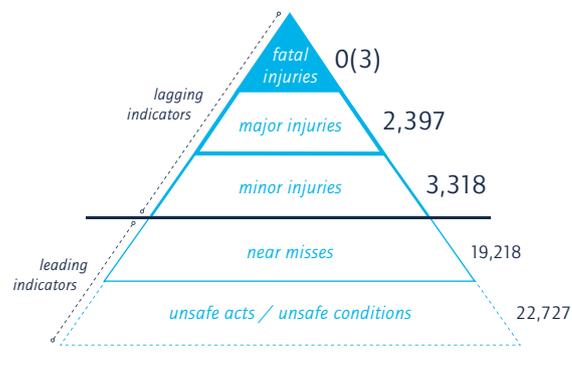




Raising awareness among the staff for near-misses, unsafe acts and unsafe conditions

In 2018, Kuehne + Nagel New Zealand has been fined by the court for non-adherence of regulatory requirements and had to pay a penalty worth \$ 272,000. No other court cases nor fines have been reported. The “No harm” Campaign intends to change the behavioural safety culture of Kuehne + Nagel. Recognising hazards, intervention and reporting are the foundation of it. The “No harm” Campaign, together with the STOP Work Authority Programme and the newly introduced HSE-app have resulted in an increase of almost 300% reported unsafe acts and unsafe conditions. The total number of unsafe acts, unsafe conditions and near-misses reported were 41,945. This provides learning opportunities to further improve safety levels of our workplaces and processes. GRI 403-5

Safety Pyramid



Reporting near - miss, unsafe acts may save a life - The more records on leading indicators, the less injuries and fatalities







Security Moment

Kuehne + Nagel Germany, a major country organisation within the Group, is subject to the German IT Security Act. To meet the regulatory requirements and to mitigate the associated risk exposure, Kuehne + Nagel has introduced a global Information Security Management System (ISMS) with the aim to assess, evaluate and treat information security risks. Additionally, Kuehne + Nagel is aiming to become certified in accordance with the ISO/IEC 27001 standard.

In 2018, the Transported Asset Protection Association (TAPA) Incident Information Service (IIS)

reported a significant increase in security incidents (+38%) and associated commercial loss values (+46%) affecting the industry in EMEA. Despite this challenging development, Kuehne + Nagel Corporate Security managed to stabilise the effects of security incidents encountered at a guarded level. However, Kuehne + Nagel Europe was affected by one major incident in the third quarter of 2018. Following a thorough investigation and root cause analysis of the mentioned case, additional security measures were introduced to mitigate the risk of recurrence.

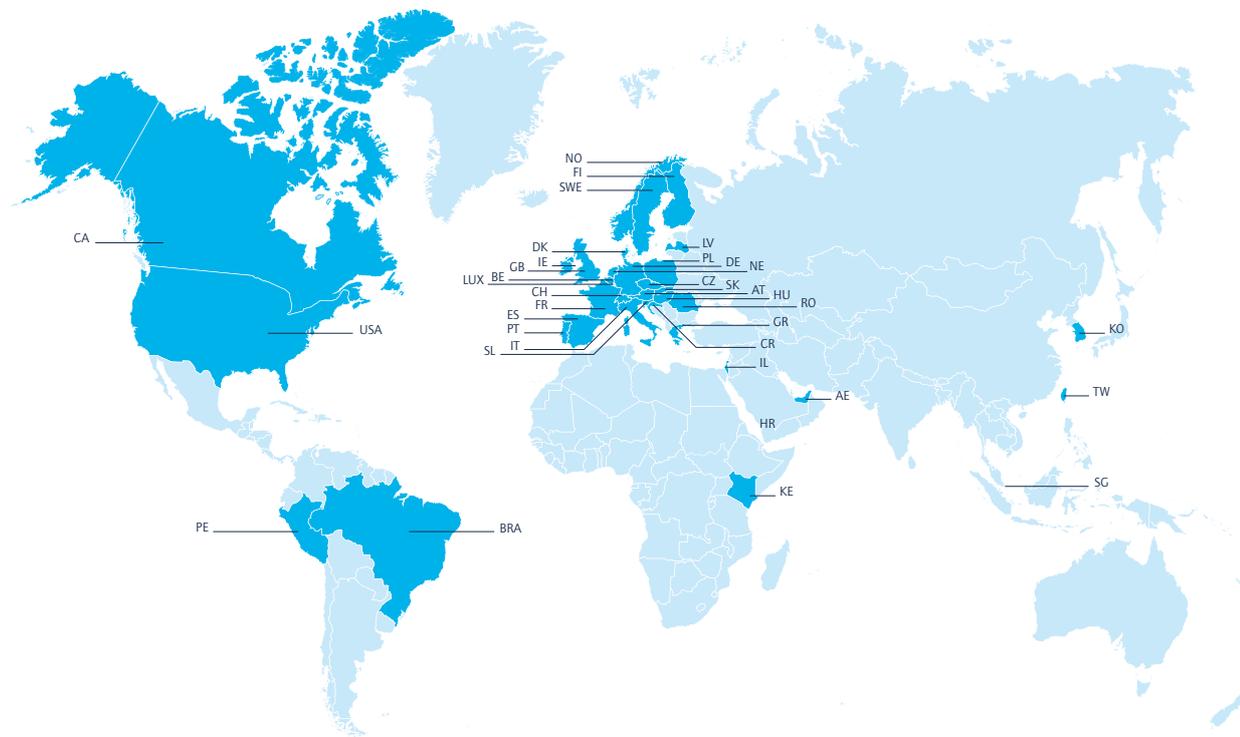


41,000
employees (white & blue collar employees) trained in security awareness

Stable development of loss values despite increasing crime rates



AEO Certifications



Highlights for 2018

- The Czech Republic, Peru and the United Arab Emirates were successfully certified as Authorised Economic Operators.
- Kuehne + Nagel developed an ISO 28001 based business solution for customers with enhanced security requirements. The network of KN SecureChain certified branches expanded to a total number of 50.
- Kuehne + Nagel Australia is the first entity being certified as Regulated Air Cargo Agent (RACA) by the Australian Civil Aviation Authority.
- Kuehne + Nagel is the first company ever achieving a regulated agent certification of a shared service center operation by a European Civil Aviation authority.



23

KN BatteryChain
certified sites

Dangerous Goods

The use of the new internal digital platform myKN has ensured better visibility of our locations able to handle High Consequence Dangerous Goods (DG), our company DG contact network and our policies; such as, for example, those on forbidden DG. Additionally, 2018 saw the implementation of the global online incident reporting tool for DG. Dangerous goods are stored in a defined and separated area as per local regulations. In case of incidents qualified employees will follow defined emergency procedures. ^{GRI 417}

KN BatteryChain, which was launched in 2017, expanded from five to 23 locations in 2018. A positive response from customers clearly indicates that Kuehne + Nagel is supporting the automotive industry by offer-

ing a market-leading service. In particular, the "Batteries to Production Line" and the aftermarket segments offering the return transport of used batteries are receiving scrupulous attention from battery manufacturers and OEMs alike. Kuehne + Nagel certified locations are subject to a comprehensive implementation programme and have to adhere to all applicable DG regulations, but also the relevant elements of ISO 9001:2015 and ISO/IATF 16949:2016; with the latter being the automotive industry quality standard. Hazardous waste batteries are transported fully compliant with national regulations with knowledge concentrated in the KN ControlTower located in Luxemburg. Only fully licensed and accredited carriers are used following vetting via our Supplier Management Tool (SMT).

Making the Difference



81,900

employees in 2018



Number of employees per region





Our company proactively encourages and supports employees to take ownership of their career development. [GRI 102-8](#)

Important material topics related to our employees which are defined in the Materiality Matrix 2017/2018:

Topic	Target 2018	Status	Target 2019
Fair treatment of workers	New Code of Conduct	Published in 43 languages	Implement on a global level
Employee relations and engagement	Survey Employee Satisfaction ("Pulse Check")	Positive feedback and employees' opinions collected	Working on actions to improve and prepare and share the new survey mid of 2019
Occupational Health and Safety	"Get Home Safe" Campaign	Middle East and Africa: 1,000 employees were trained in Defensive Driving. Campaign introduced in North and South Asia Pacific regions	"Get Home Safe" Campaign will be further rolled out to other Kuehne + Nagel regions

Raising Diversity Awareness

In a multinational company operating globally, diversity is substantial. At Kuehne + Nagel, we do not differentiate our employees by their age, gender, religion, race, or sexual orientation. We are committed to continuously building a diverse and inclusive workplace with equal opportunities for all employees.

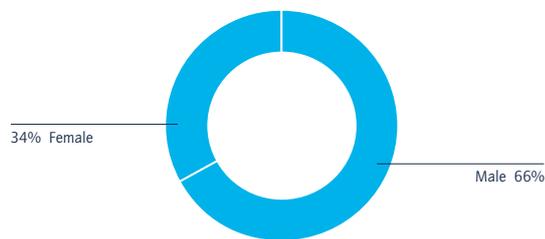
To reinforce our diversity approach, the Equality & Diversity Policy was implemented at a regional and local level. The Policy's purpose is to promote equal treatment for all colleagues or potential candidates, and to ensure that this is managed in such a way that the company complies with the Code of Conduct. Our Human Resources department is responsible for ensuring the implementation, maintenance, review and updating of this policy.

The policy is applicable to all colleagues, including part-time and fixed-term colleagues, contractors, casual

workers and agency staff, as well as all job applicants. The policy has particular relevance to all those concerned with recruitment, training, promotion procedures and/or decisions, disciplinary and grievance procedures, and termination of employment.

The principles of non-discrimination and equality of opportunity also apply to the way in which colleagues treat visitors, clients, customers, suppliers and former colleagues. We are working hard every day to improve relationships between employees and to bring the factor "care" to everyday business. We strive and focus on training our managers. In such trainings we include explanations of what the policy means to the company and its effects on all colleagues, for instance, we explain the different forms discrimination can take (e.g. direct, indirect, victimisation and harassment) and provide guidance on the danger of generalised assumptions and prejudices.

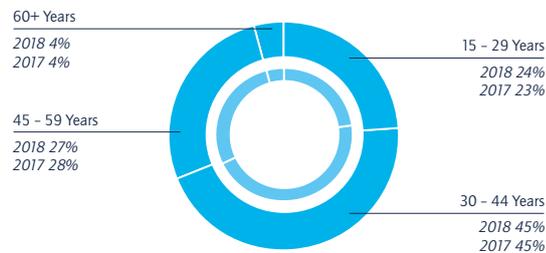
Gender Ratio



For us, diversity means more than recruiting and fostering a diverse workforce. It is a way of thinking differently and making sure we are getting the best ideas, effort and performance from all of our people. [GRI 102-8](#)

Kuehne + Nagel's diversity approach also encourages women to develop into managerial positions. Some of the actions have already begun to be carried out through workshops, mentoring programmes and working on sharing best practices between women.

Age structure





Kuehne + Nagel South Asia Pacific launched a programme called Pathway through the Glass Ceiling – where female colleagues partnered with our Top Management Team in a Mentorship Programme. They discussed practical steps of encouraging diversity at the top to contribute to the strength and success of our company.

Development – “Go to Talent Market” Strategy

In December 2018, we introduced a new career platform with the aim to provide relevant information to job seekers on Kuehne + Nagel, our culture, our colleagues, career opportunities and much more.

We worked with market leading partners and tested with many users across different geographical and cultural areas to develop candidate oriented features and user experience.

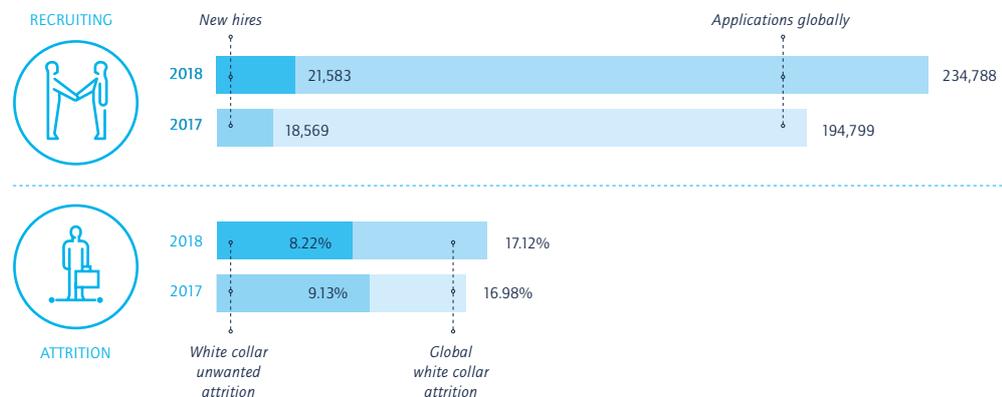
Recruiting

The company's recruitment procedures are reviewed regularly to ensure that individuals are treated on the basis of their relevant merits and abilities. Job advertisements avoid stereotyping or using wording that may discourage groups with a particular characteristic from applying.

Kuehne + Nagel Student Day 2018 in Vietnam, South Asia Pacific
 Held in November 2018, the Student Day is one of our successes in building our brand name in the local market, and moreover it will help us to have more young talents from universities. Colleagues shared experiences at Kuehne + Nagel to students and inspired those seeking knowledge about Kuehne + Nagel and the logistics industry.

Kuehne + Nagel received 234,788 applications globally in 2018, increased by 16,4% when compared to the year before at 194,799. In total there were 21,583 new hires, compared to 2017 with 18,569 new hires.

Recruiting and Attrition Structure





The increase of received applications is associated with our continued efforts in promoting the status of Kuehne + Nagel as an excellent employer, which have been recognised in several countries worldwide; among others, we received the Top Employer Europe award. In Ireland, we were specifically acknowledged for being a great workplace for women.

Employee Relations and Human Rights GRI 412-2; GRI 402

The new Kuehne + Nagel Code of Conduct covers more topics related to the rights of our employees, company property, company books and records and business continuity, all consistent with our values and policies. It demonstrates our commitment to human rights and fair working conditions and presents Kuehne + Nagel as a company of integrity whose members apply clear values and principles in their business activities. The Code of Conduct includes our position and policies for child labour, forced labour, human trafficking, freedom of association, slavery and torture.

Kuehne + Nagel opposes violations or limitations of Human Rights and Dignity of any kind; including but not limited to, any form of discrimination, slavery and torture, human trafficking and child labour.

Our employees are free to join unions or other committees to represent their interests. Over 60% of all Kuehne + Nagel employees are covered by collective bargaining agreements. The primary responsibility for managing local trade unions is at country and local level. GRI 102-41

Pulse Check 2018

With the ambition to promote a culture of transparency and continuous improvement, Kuehne + Nagel has decided to check the pulse of employees globally with a dedicated survey: The Pulse Check is conducted globally and online, with the aim to capture Kuehne + Nagel employee's opinions towards three relevant topics for the company:

- Strategy
- Leadership
- Employee Engagement.

The purpose of Pulse Check is to collect feedback and ideas for improvement, dynamically monitor where we stand regarding strategy implementation, leadership and employee engagement, communicate, align and engage across the organisation.

We encourage our employees to give their honest answers. Employee data is completely anonymised and the responses are assessed by a third party, respecting data protection and privacy policy.

In 2018, the number of invitees for the first wave was 38,799 employees. 21,656 employees participated with a 56% return rate. The questionnaire consisted of 10 questions with four questions related to strategy, three to leadership, and three to engagement.



21,656

employees participated in the Pulse Check with a return rate of 56%



8.2

eNPS* score rate based on answers to question "I would recommend Kuehne + Nagel as a great place to work to friends"

*eNPS (Employee Net Promoter Score) = % Promoters - % Detractors
The number 8.2 indicates that Kuehne + Nagel has more promoters than detractors



Continuous Learning and Knowledge GRI 404-2



2,300

*courses and webinars
have been uploaded and
made available*



22,800

*white collar workers
enrolled in the system
in 2018 and participated
in more than
625,000 sessions*

“Learning at KN” has become the go-to-place for learning and development, and provides effective learning methods that help our employees to develop and grow. Our employees’ skills, experience and commitment are the key to delivering on our business strategy. For our employees, learning and ongoing development has become more important than ever – given the rapid changes we see in our environment.

Kuehne + Nagel provides numerous opportunities for personal and professional development. We are constantly learning and sharing knowledge, and we encourage flexibility and mobility. Our Learning & Development approach significantly contributes to motivation and engagement – and ultimately job satisfaction and retention.

We continue to roll out development programmes and training to specific target groups in order to accelerate their growth in the organisation and put a specific focus on identifying skill requirements for the digital age.

Within one year, more than 2,300 courses and webinars have been uploaded and made available. More than 22,800 white collar workers enrolled in the system in 2018 and participated in more than 625,000 sessions. GRI 404-1

In 2018, the Kuehne + Nagel Human Resources department organised the first global KN Learning Days providing our employees with the opportunity to reflect on their development, improve their capacities and capabilities, and helping them to better understand the strategic direction and initiatives of our company. For three days, employees had access to short online sessions delivered globally, regionally or locally by approximately 40 different trainers / facilitators.

Some of the topics at the KN Learning Days were:

- Learning at Kuehne + Nagel – learn how to learn!
- Innovation + Technology at Kuehne + Nagel
- Taking up the challenge of change
- 6 steps for powerful feedback
- Green Logistics
- Ops to Sales

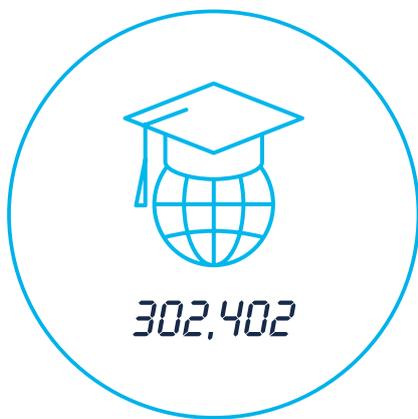
Results

Passion + eagerness to learn shown by more than 6,000 employees who joined online sessions, live events and watched KN Learning Days videos. Collaboration and team work between colleagues around the globe and across the businesses who delivered more than 90 sessions in three days.



Training

COMPLETED TRAINING SESSIONS



ONLINE TRAININGS



230,000

2018

2017

215,000

LIVE TRAINING PROGRAMMES



72,000

2018

2017

28,000

As a result of the KN Learning Days, several learning events were organised in various locations throughout the year.

Training

In 2018, 302,402 completed training sessions took place, from which over 230,000 were online training and nearly 72,000 live training programmes. These numbers have increased significantly from the year before (2017: 215,000 online training programmes, 28,000 live training programmes which shows investing in the education of Kuehne + Nagel employees continues to be important to the company.

International SOS Assistance App - Protect our employees

Kuehne + Nagel has partnered with International SOS (ISOS) to provide employees with medical and security advice and assistance before, during and after business travel or assignments overseas.

ISOS provides health and security solutions for multinational companies that have large numbers of employees globally. ISOS assistance centre services are for everyday assistance as well as any emergency assistance needs or support for travel preparation.

Kuehne + Nagel employees can reach out to ISOS in case of an emergency in a country they are travelling to (i.e. they get information where the closest hospital is, etc.). If our employees travel to certain risk countries, they can get further information of what needs to be considered. Travel alerts and global risk ratings are available to the members.

In 2018, Kuehne + Nagel reported five medical treatments (doctor / hospital) requested via ISOS/.



10,829

registrations to webinars (7,771) and cross knowledge online courses (3,058)

Green Footprint

Management Approach GRI 103



To achieve a more sustainable environment, Kuehne + Nagel not only promotes the responsible use of resources, but also a proactive attitude to diversity conservation and restoration. With our employees and community partners, we advocate for a culture of caring for and protecting the environment, which is key to the sustainable implementation of our multiple initiatives. Setting and implementing global environmental policies, management systems, and tracking and maintaining key performance metrics enable Kuehne + Nagel to continually integrate and drive environmental sustainability throughout the organisation.

Environmental Management System

Kuehne + Nagel believes in the importance of using resources efficiently and preventing environmental pollution in order to pass on a sustainable and healthy planet to future generations. As a company, we have formulated the Kuehne + Nagel Environmental Management Policy based on the ISO 14001 Standard, which includes the following elements:

- Environmental Compliance Management
- Climate Change Management
- Energy Management
- Air Quality Management
- Waste Management
- Water Management
- Biodiversity Management
- Sustainable Packaging

Information and performance data on a majority of these programme elements are tracked and reported through corporate reporting systems such as the Global Facility Carbon Calculator (GFCC) and the Global Transport Carbon Calculator (GTCC). Kuehne + Nagel Quality, Safety, Health & Environmental (QSHE) reports published periodically include environmental performance data at the facility, business unit, and corporate levels, and performance is reviewed by the Executive Management. This enables Kuehne + Nagel to monitor and identify successes, risks, and opportunities for improvements and reductions worldwide.

Sea Explorer, the Digital Seafreight Sustainability Platform

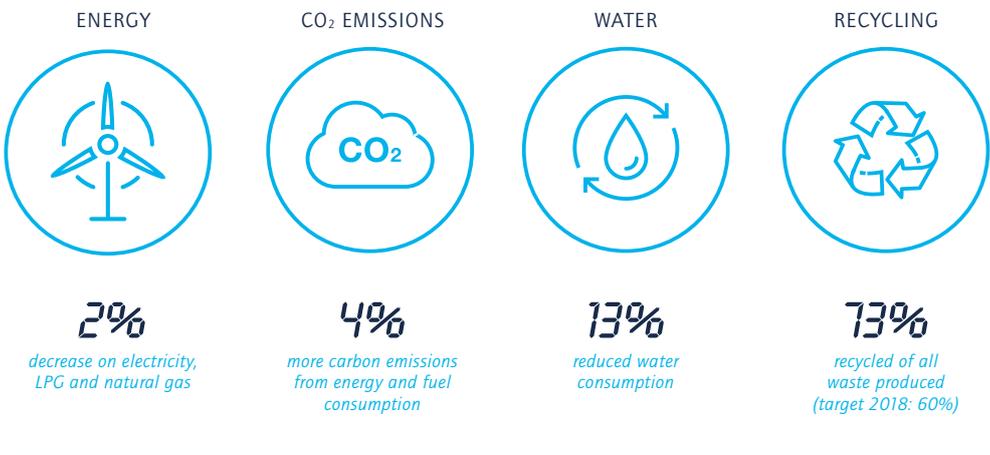
Kuehne + Nagel's Sea Explorer platform provides digitally enabled service insights to the world's largest seafreight service network. Sea Explorer also offers smart connections between more than 1,200 ports around the globe through an advanced pathfinding algorithm. Among other features, Sea Explorer provides full visibility on CO₂ and sulphur emissions across carrier and individual services, which in the light of the upcoming IMO 2020 regulations will enable shippers to contribute towards a green economy and sustainable global maritime transportation. Sea Explorer is an agile project that is continuously enhanced, based on close collaboration with customers.

Performance Review 2018

Kuehne + Nagel continued to improve its performance on environmental activities. 2018 performance is based on the global environmental data system GFCC. Annual sustainability targets support us to track progress. We plan ahead, with objectives set for the period up to 2020, ensuring that we have clear medium to long-term goals.



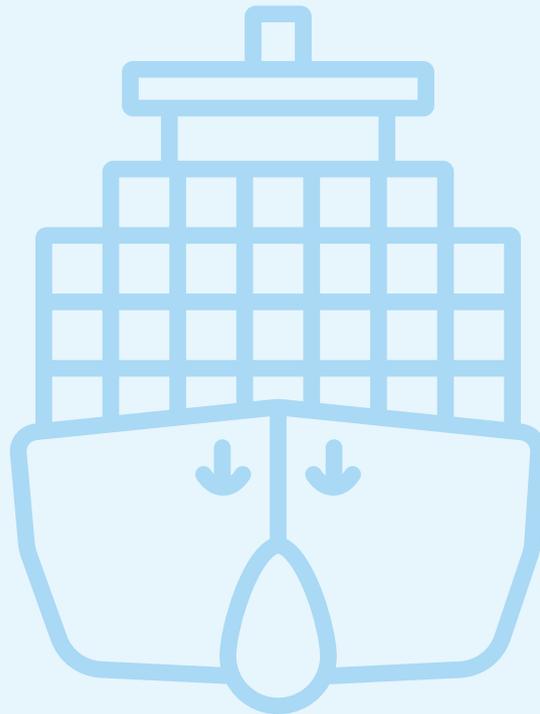
Performance (2018 vs. 2017)



CASE STUDY



Reducing carbon emissions from seafreight operation



OUR STRATEGY TO REDUCE **CO₂** EMISSIONS RESULTS...

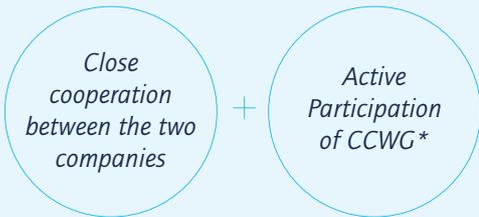
*Kuehne + Nagel Seafreight established an environmental strategy that promotes closer collaboration with our business partners to reduce carbon emissions. Together with one of their biggest seafreight carriers the company saved 67% carbon emissions compared to industry average. The following chart on the right depicts the gradual reductions in a four-year cycle from 2015 to 2018, and is represented in tons of CO₂ per TEU**

*Twenty-foot Equivalent Unit



...SAVING CARBON EMISSIONS OF **67%** OVER A PERIOD OF FOUR YEARS.

The commitment to thrive for a more sustainable future in Ocean transportation derives from



**Clean Cargo Working Group*

Climate Change

Greenhouse Gas (GHG) emission reductions have been a priority for a long time at Kuehne + Nagel. Although the science of global climate change is evolving, Kuehne + Nagel has taken voluntary, responsible action to reduce and control its carbon footprint. In addition to managing direct emissions from our operations, Kuehne + Nagel has a track record of improving energy efficiency at its facilities and offers a wide range of innovative products to support customers improve energy efficiency and reduce the company's carbon footprint.

This includes setting corporate GHG emission reduction goals and policies, which complement the efforts of the company 2020 environmental strategy.

History of Climate Change Reductions GRI 305-1; GRI 305-2

Kuehne + Nagel understands that the impacts and reduction efforts associated with GHG emissions require a long-term commitment as the effects of both cannot be realised in only one year. Therefore, implementing reduction initiatives have been a key priority to Kuehne + Nagel. The company's GHG Management Strategy includes a rigorous accounting system to generate an

Metric Unit	2018	2017	2016	2015	2014	2013	2012
-------------	------	------	------	------	------	------	------

Carbon emissions

CO ₂ total	000' tons	209	202	208	204	201	215	229
CO ₂ per FTE	tons	2,813	2,907	3,134	3,394	3,584	3,808	4,287
CO ₂ per 100 m ²	tons	2,011	1,971	2,420	2,327	2,575	2,652	2,930

Energy

Electricity total	million kWh	435	442	455	436	419	431	449
Electricity per FTE	kWh	5,463	6,114	6,816	7,291	7,456	7,634	8,405
Electricity per 100 m ²	kWh	4,231	4,146	5,298	5,036	5,357	5,317	5,746
Natural gas total	million kWh	213	188	191	189	188	221	229
Natural gas per FTE	kWh	2,681	2,712	2,875	3,159	3,344	3,917	4,296
Natural gas per 100 m ²	kWh	1,917	1,839	2,234	2,166	2,403	2,729	2,937

Waste recycled

Waste total	000' tons	541	394	492	397	364	329	352
Waste recycled	000' tons	394	313	401	300	262	275	278
Waste recovered	000' tons	50	55	59	73	51	11	15
Waste landfill	000' tons	96	26	31	22	51	43	59
Recycling rate	%	73	80	82	76	72	84	78

Water

Water total	cubic meters	897,256	1,030,124	1,033,137	988,943	902,825	957,366	1,068,038
Water per 100 m ²	cubic meters	9,385	10,003	11,998	11,248	12,140	11,196	13,750
Water per FTE	cubic meters	11,256	14,790	15,439	16,244	16,118	16,963	20,029
Water recycled	cubic meters	27,654	31,865	30,994	46,480	31,598	23,838	35,245
Ratio recycled	%	3	3	3	5	4	2	3



annual inventory of worldwide emissions. This process and the associated GHG emissions reported from 2010 to 2018 were validated by an external third-party consultant. Since 2010, the global Kuehne + Nagel inventory has been developed, maintained and third-party verified by Kuehne + Nagel's ISO/BVC accredited party in accordance with GHG Protocol and the European Norm EN 16258. The table below shows the 2012 – 2018 results.

The total GHG inventory encompasses the company's diversity and complexity. A total of approximately 700 sites* including warehouses, offices and distribution centres within Kuehne + Nagel's operational control is accounted for in the current inventory. This includes both Scope 1 (direct) and Scope 2 (indirect) emissions as categorised by the GHG Protocol.

Based on the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard, Kuehne + Nagel has been working on developing a Scope 3 emissions inventory. While emissions could be estimated for most Scope 3 upstream categories, Kuehne + Nagel places a high value on sound science and decision-making. Also, it has elected not to publicly report Scope 3 GHG emissions due to a high, unverifiable level of uncertainty in emissions estimate.

Carbon Emissions Reduction Goals ^{GRI 305-4}

In the area of carbon dioxide (CO₂) emissions, Kuehne + Nagel has met the proposed reduction goals established in 2010, a global target that is part of our 2020 environmental strategy to reduce relative carbon emissions by 15 per cent per FTE and 15 per cent per 100 m² from 2010 – 2020.



3%

reduction of CO₂
per FTE in 2018

	Metric Unit	2018	2017	Change in %
Carbon emissions (CO₂)*				
CO ₂ total	000 ¹ tons	209	202	4
CO ₂ per FTE	tons	2,813	2,907	-3
CO ₂ per 100 m ²	tons	2,011	1,971	2

¹ 19 per cent per 100 m² increase was due to new facilities opened.

* CO₂ is for Scope 1 and 2 emissions (mainly fuel from owned trucks and electricity consumed in our premises).

** A site in Kuehne + Nagel is defined as all operated facilities with >15 employees and floor space > 800 m².

In 2018, Kuehne + Nagel reduced its CO₂ emissions by 3 per cent but increased 2 per cent per 100 m², due to new facilities opened. Reductions were accom-

plished by using effective emissions control technology. Kuehne + Nagel is currently working to establish the next Carbon Emissions Reduction Goal(s).

Energy Efficiency GRI 302-1

At Kuehne + Nagel, energy management is global, comprehensive, and extends beyond energy efficiency efforts in warehouses and buildings. It is a team effort guided by the global environmental policy. Energy management responsibilities are coordinated by the corporate energy team established in 2017. The team involves personnel from purchasing, QSHE, facility management and real estate. Each department provides cross-functional contributions, ensuring that

- energy efficient technology is in use,
- opportunities are identified in the design process,
- renewable energy opportunities are realised and financed, and
- data is tracked routinely and consistently by facilities.

Evaluating Energy Performance

Progress GRI 305-2; GRI 305-5

Kuehne + Nagel collects and analyses data on energy consumption and energy efficiency project metrics to

- track progress toward corporate energy and carbon emissions goals,
- identify opportunities for improvement,
- benchmark against past performance, and
- identify best practices that can be applied across global operations.

All operating locations and other locations larger than 800 sqm report energy consumption and energy costs on the Global Facility Carbon Calculator monthly. Data is analysed quarterly at each facility, business and functional units, and at corporate level. Every six months the data is reported to the Kuehne + Nagel Management.

		Metric Unit	2018	2017	Change in %
Energy					
Electricity total	Million kWh	435	442	-2	
Electricity per FTE	kWh	5,463	6,114	-11	
Electricity per 100 m ²	kWh	4,231	4,146	2	
Natural gas total	Million kWh	213	188	13	
Natural gas per FTE	kWh	2,681	2,712	-1	
Natural gas per 100 m ²	kWh	1,917	1,839	4	

Energy and natural gas per 100 m² increased during the reporting period for different reasons, warehousing and office space substantially grew during the second half of 2018. In addition, cold winter weather in North America and Europe pushed facilities to use electricity and natural gas at higher rates than the previous year.

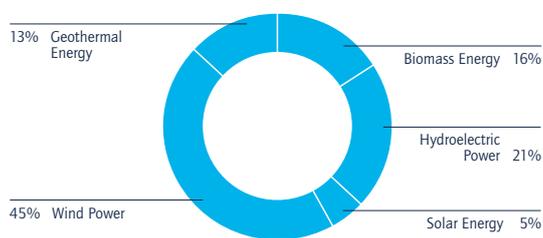
Investing in Renewable Energy

Kuehne + Nagel is investing and installing on-site renewable energy at its own operations and continues to expand and collaborate with external partnerships. In an attempt to be more precise, Kuehne + Nagel this year considers electricity consumption in the definition

of renewable energy as per the GHG Protocol; excluding other energy sources such as Natural Gas and LPG, therefore currently 17 per cent of the energy used in Kuehne + Nagel facilities is from renewable sources. The following examples highlight our sustained effort:



Average Renewable Energy Purchased (globally)



Waste and Recycling

Waste Management is an important component of Kuehne + Nagel's Environmental Programme. Kuehne + Nagel Waste Management Standards apply to all locations. In addition, they fulfil corporate expectations and provide the framework that is required to manage all types of waste from the time when it is produced until it is reused, recycled, treated or disposed of. This standard sets a baseline for several core waste programme elements and encourages waste minimisation and recycling whenever possible.

Recycling, Reuse, Treatment and Disposal GRI 306-2; GRI 306-3

All waste recycling, reuse, treatment, and disposal practices are required to comply with applicable regulations

and the Kuehne + Nagel environmental policy, which also includes establishing profiles of waste streams, content identification, and labelling. Waste management practices and technologies are required to be approved by the QSHE organisation where the emphasis is on using only the most environmentally safe and appropriate waste management practices available.

Ensuring Waste Compliance

The Kuehne + Nagel Waste Management Programme requires each location to assign an Environment Champion who is responsible for ensuring that personnel receive appropriate waste training. Corporate QSHE globally administers the waste training for the coordinators. Compliance with all Kuehne + Nagel facilities and other regulated waste requirements are evaluated by way of the Quality Audit Tool (QAT).

Setting Waste Goals and Evaluating Progress

Kuehne + Nagel has been setting total waste reduction goals since 2010. Using 2010 as a base year, Kuehne + Nagel set a 2020 target to increase total waste recycling to 75 per cent. Kuehne + Nagel's total waste that was recycled in 2018 reached 73 per cent. Specific goal period achievements are highlighted below (numbers in 000' tons).

Total waste is tracked and reported globally by disposal types: waste to landfill, waste recycled and waste recovered.

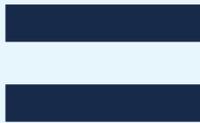
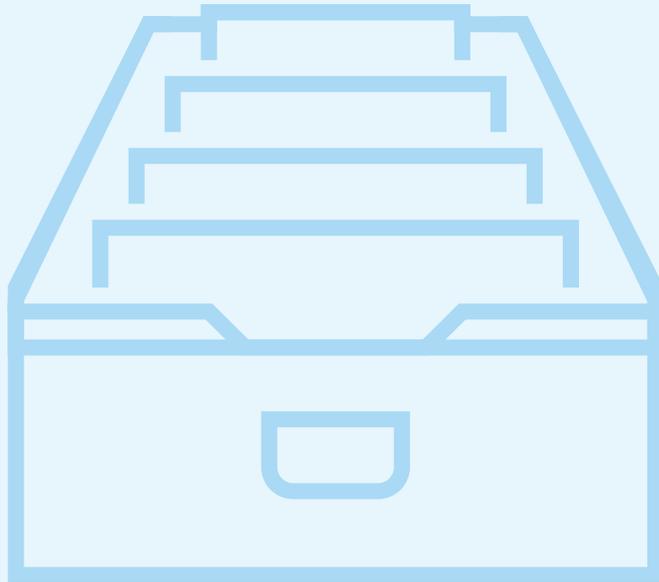
	Metric Unit	2018	2017	Change in %
Waste recycled				
Waste total	000' tons	541	394	37
Waste recycled	000' tons	394	313	26
Waste recovered	000' tons	50	55	-9
Waste landfill	000' tons	96	26	269
Recycling rate	%	73	79	-9

Kuehne + Nagel started with public environmental reporting in 2012.

CASE STUDY

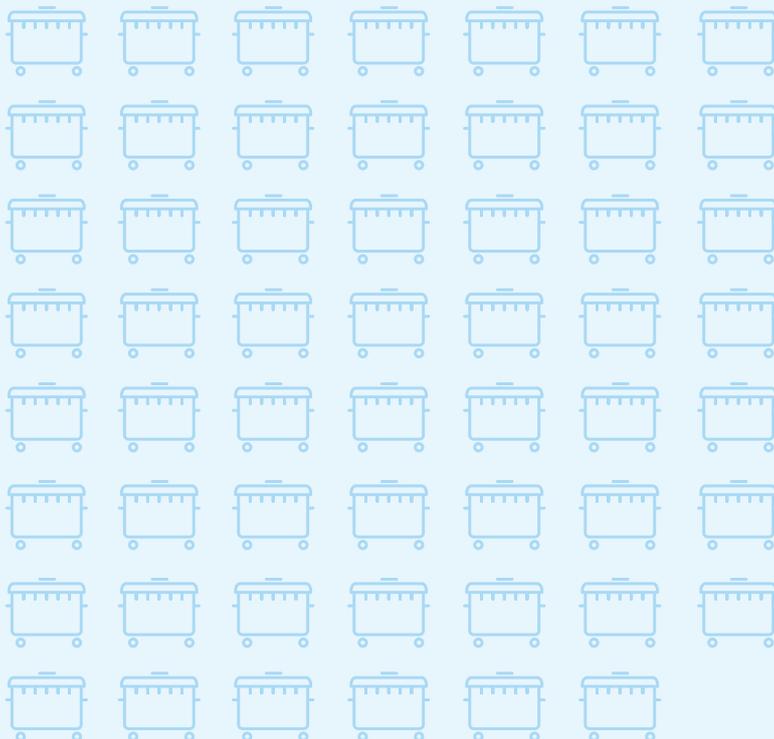


E-file feature aims towards a 100% paperless supply chain



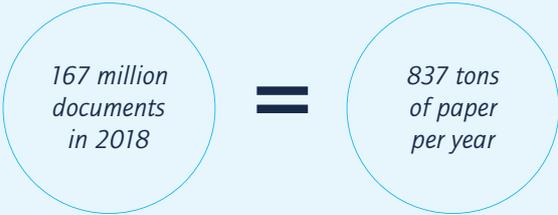
STORING APPROXIMATELY **1.1 BILLION** DOCUMENTS FOR THE
BUSINESS UNITS AIRFREIGHT AND SEAFREIGHT...

One of the best and most sustainable features of our global operational system is the so called e-file feature. This was launched to the organization for all business units back in 2003 and was originally designed to exchange scanned paper documents in a digital form between our entire network of offices. At Kuehne + Nagel we have realised the substantial potential of our "e-file archive" and pursue this vision and approach as an active member of various industry initiatives, such as the IATA ONE Record. We believe that a true impact can only be made when all industry members, such as customs, airlines, ground handlers and other forwarding companies share the same vision and adopt similar working practices towards a 100% paperless supply chain.



= APPROXIMATELY **5,500** TONS OF PAPER SAVED SINCE LAUNCH.

Since 2003 we store and retrieve



167 million documents in 2018

837 tons of paper per year

Water and Conservation GRI 303-1; GRI 303-2; GRI 303-4

Understanding Our Water Footprint

Reducing water consumption and improving water quality are important elements of Kuehne + Nagel's environmental programme. As a result, we continue to actively manage and work toward reducing our corporate water footprint. Kuehne + Nagel's water management provides a global framework including both general and specific elements for water management within the company. The standard requires Kuehne + Nagel operations to manage their water

resources by understanding water consumption, comply with regulatory requirements, reuse water where possible, and report water usage. Water resources include water intake, effluent water discharge, and rainwater. Most of the water used in Kuehne + Nagel is for domestic use such as cleaning, kitchens and bathrooms, as well as washing of vehicles. A mechanism to properly segregate water discharges is currently being developed and will be in place in next year's report.

		Metric Unit	2018	2017	Change in %
Water					
Water total	Cubic meters		897,256	980,124	-8
Water per 100 m ²	Cubic meters		9,385	10,003	-6
Water per FTE	Cubic meters		11,256	14,790	-24
Water recycled	Cubic meters		27,654	31,865	-13
Ratio recycled	%		3	3	-

Kuehne + Nagel started with public environmental reporting in 2012.

Setting Water Performance Goals and Evaluating Progress

All Kuehne + Nagel sites currently track and report water usage. Although Kuehne + Nagel does not have a quantitative goal, conservation efforts indicate an 8 per cent decrease in water consumption globally in 2018. Water conservation efforts have been achieved through recycling, reuse and improvements to our buildings and operating processes. The majority of our water-intensive operations are located in the United States and Europe in areas that are not

subject to water stress or water scarcity. However, they also contribute significantly to our conservation efforts.

Biodiversity and Ecosystem

Enhancing and preserving biodiversity are important values in Kuehne + Nagel's effort to protect its physical environment. We have been working to preserve biodiversity both on our property and through our support and cooperation with local communities.





Biodiversity at Kuehne + Nagel

When developing property, the planning process begins with a thorough evaluation of local soils and geological conditions, ground water and hydrology characteristics, drainage, flora and fauna and items of archaeological or historical significance. The resulting design seeks to comply with all known local, state or federal regulations and to avoid or minimise negative impacts on natural resources.

We have focused on maximising the efficient use of existing space, and, wherever possible, on renovating premises to meet our current and future business needs. This allows the company to grow while minimising its impacts on biodiversity and natural resources.

Progress Review Towards 2020

Our annual sustainability targets help us to track progress. We plan ahead, with objectives set for the period up to 2020, ensuring we have clear medium to long-term goals.

Overall, Kuehne + Nagel has reached steady reductions in all targets. 24 per cent on CO₂ emissions per FTE and 19 per cent per hundred square meters since the implementation of the strategy in 2010. Fuel efficiency progressively improved to reach an 11 per cent increase, while consumption of renewable energy also increased 17 per cent in a period of 8 years. Regarding waste recycled, Kuehne + Nagel has already exceeded the proposed target with an outstanding progress of 82 per cent.



	2020 Target	2018 Progress*
Environmental Issue		
Site** reduction of CO ₂ emissions	15% reduction CO ₂ per FTE; 15% reduction CO ₂ per 100 m ²	24% per FTE reduced 19% per 100 m ² reduced
Improve the fuel efficiency Kuehne + Nagel operated road transport	10% improvement in litres/km where applicable	11% improvement
Increase the % of electricity consumed that is sourced from renewable sources	10% of total electricity consumption by 2020	17% increased
Increase the % of freight moved by low-carbon transport modes	2% increase in freight volume moved per year by rail or inland water (where these modes are commonly available) from 2016 onwards	5% increase
Increase the % of all waste that is recycled	Increase % of all waste that is recycled by 5 percent points per year to achieve 75% by 2020	78% achieved

* This report reflects yearly performance progress from 2012 until 2018 (aggregated).

** Sites are defined as all Kuehne + Nagel operated facilities with >15 employees and floor space >800 m².

Community Engagement

Environmental Day 2018



200

*trees were planted
in a local school in the
UK with the help of
Kuehne + Nagel employees*

From January to December 2018, Kuehne + Nagel held the Environment Day all around the world. The purpose of this day was to promote environmental awareness. Employees and the families were challenged to make a difference; in the workplace and at home. From Singapore to Brazil, from North to South, our employees gave free reign to their imagination and contributed to a better tomorrow.

Bangladesh

The Environment Day in Bangladesh was the first of a year round series of activities targeted to prevent water pollution, carbon emissions reductions, noise, river and air pollution. The day started with a street rally with the slogan "Save the Earth", planting of 300 trees around the city, and a drama performance by our employees with the theme "plant more trees and do not waste water" in the local language Bangla.

United Kingdom

In the United Kingdom the Environment Day was set to promote environmental awareness. Amongst the many initiatives, Kuehne + Nagel fully equipped another three locations with LED lighting and reviewed the use of plastic across all Drinks Logistics operations which resulted in removing plastic cups from drinks machines in many locations. A lot of effort was put in reducing fuel by using telematics to monitor, inform and train drivers to improve their driving styles. Moreover, in a local school Kuehne + Nagel employees helped planting 200 trees.

Saudi Arabia and Bahrain

Kuehne + Nagel employees and their families in Saudi Arabia and Bahrain drew paintings with the theme "Environment Day". Apart from that, the campaign "think before you print" was introduced in all sites together with a paper usage training, and the plastic

free initiative included the distribution of porcelain cups and carry bags to promote reusable items.

Colombia

Kuehne + Nagel Colombia celebrated the Environment Day with the motto "The Earth is our home, let us help to protect her and take care of her because the future of the next generations depends on it". The focus of the campaign was to promote a world free of plastics. Thus, the major goal is to minimise or eliminate the use of plastic bags, cups, food containers, etc.

China

Kuehne + Nagel China initiated several activities in the fight against climate change, multiple activities such as the "give life to a plant" competition, the energy saving training for all employees, the environmental knowledge quiz and the sustainable canvas bag design culminated with the celebration of the Environment Day in the country.

Kuehne + Nagel Partnership in Support of World Water Day

Kuehne + Nagel is partnering with a freight-forwarding customer providing access to clean drinking water to people in need. This access has changed the lives of girls who could otherwise not attend school because of the hours spent and miles walked to source clean water for their community, and of children and families overwhelmed by sickness, spread through dangerously dirty water; caused by poor sanitation and the absence of infrastructure and resources. The Kuehne + Nagel seafreight team in our Dulles office, Virginia, has partnered with our customer on this righteous mission for the past ten years.

Here at Kuehne + Nagel, the partnership with these kind of customers is one we deeply appreciate because it shows the best of business in action, and the power of partnerships born from shared values and complementary skills.



Kuehne + Nagel International AG
Kuehne + Nagel House
P.O. Box 67
CH-8834 Schindellegi
Telephone +41 (0) 44 786 95 11
www.kuehne-nagel.com