



Sustainability Report 2016



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Welcome Message



Dear Reader,

At Kuehne + Nagel, our day-to-day efforts are dedicated to deliver to the progress of people and organisations. Creating long-term sustainable value for our customers and their clients, business partners and employees is deeply rooted in our foundation.

All our business activities focus on driving our customers' value chains through people, expertise and technology. Our sustainability ambition is an essential part of this aspiration.

By leveraging our technological know-how and IT systems, we develop solutions such as the carbon calculators for accounting and monitoring CO₂ emissions. Joint sustainability projects make sure to achieve the ambitious targets of all stakeholders. All our supply chain operations and related innovations support our customers in achieving their sustainability goals.

Our sustainability initiatives are created and implemented by our qualified employees. Extensive certification programmes ensure high quality execution. A comprehensive training concept emphasises our environmental and sustainability targets as well as a safe and secure workplace.

We strive to set high business standards and to ensure that our people receive comprehensive and meaningful trainings to operate in compliance with our policies and guidelines, such as the Code of Conduct. We continuously enhance our Ethics and Compliance Programme with various initiatives including Anti-Trust and Anti-Bribery trainings. It forms an integral part of Kuehne + Nagel's culture and business policy.

We continuously develop our people at all levels. For instance, with the Global Talent Development Programme, we offer intensive training to participants from all regions who we believe do have the potential to become future leaders of Kuehne + Nagel.

We are highly committed to further enhance our sustainability efforts as an integral part of our business activities. We will focus on decreasing the frequency of lost-time incidents, continuously reducing the environmental impact of supply chain operations, and launching sustainable, innovative solutions for the long-term value of our customers.

Sincerely,

*Dr. Detlef Trefzger
CEO*

Kuehne + Nagel Sustainability in 2016

Engaging with Stakeholders

Kuehne + Nagel continually develops tools and programmes to maximise the value of dialogue with its stakeholders, and to better evaluate the impact of our business on the natural environment as well as on the community.

Such communication needs to be:

- Accurate
- Regular
- Diverse
- Directly related to our operations and to the environment.

Customers

Our annual in-depth customer surveys are aimed at identifying potential improvements in service quality and to give customers the opportunity to express their views frankly. Our customers play an important role in raising awareness of sustainability and our operational CO₂ emissions.

Employees

Through 'Pulse Check', an internal review carried out by Human Resources at least once a year, we measure employee satisfaction, from which strategy can be evaluated and refined.

Suppliers

For Kuehne + Nagel high ethical standards, visibility and transparency along the entire supply chain are of utmost importance. We aim for a broader assessment

of our suppliers' impact on society through their labour practices and health and safety standards.

Governments

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

Industry

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.

Shareholders

As a publicly listed company, Kuehne + Nagel provides detailed financial performance figures on a quarterly basis to its investors and the public. At the Annual General Assembly (AGM) our shareholders vote on issues of mutual interest according to statutory requirements; in addition, shareholders can propose topics to be discussed at the AGM.

Associations and Initiatives

Kuehne + Nagel actively seeks information from sustainability related programmes and projects that:

- support setting global sustainability standards
- work towards improving the sustainability related conditions in which the industry operates
- explore innovative ways to contribute to sustainability.



Interaction exists with industry partners in the following global projects and initiatives:

The Carbon Disclosure Project (CDP)

In 2016, Kuehne + Nagel was awarded 98/100, the highest score we have ever received on climate disclosure. Overall performance was rated B.

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, understanding and explanation of legislation, procedures and regulations promoting efficiency in the regulatory framework, supporting the logistics industry.

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

Kuehne + Nagel primarily observes legislation that might negatively affect the logistics industry in Europe, and appreciates initiatives that strive for efficient and streamlined procedures.

Global Logistic Emission Council (GLEC)

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

International Air Transport Association (IATA)

We closely follow IATA's initiatives to support promotion, understanding and proposals for future industry regulation aimed at continued efficiency.

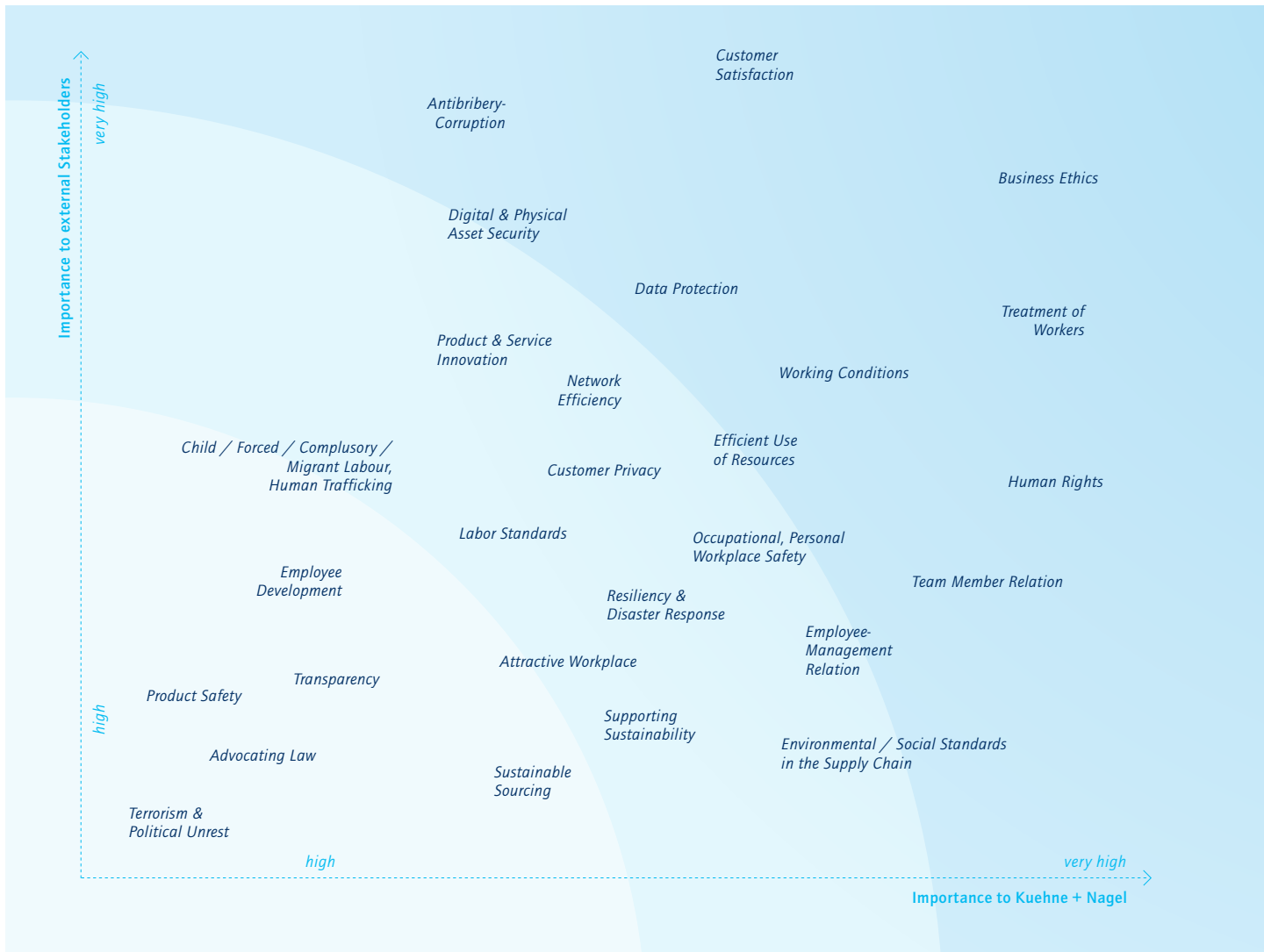
Other initiatives in which Kuehne + Nagel is participating:

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

Materiality Matrix

At Kuehne + Nagel, it is important to analyse the extent of the economic, environmental and social impact of its operations. In order to properly address this, we rely on our experts and also value our external stakeholders' opinions. Thus, we carried out an internal and external assessment identifying the material topics. These are key for us to address both the company's and external

stakeholders' priorities. This graph does not depict all topics covered in the assessment, but shows an extract of the most important items resulting from the survey. Beyond that, we are committed to continuously develop our efforts towards creating long-term value for our operations and a sustainable use of resources.



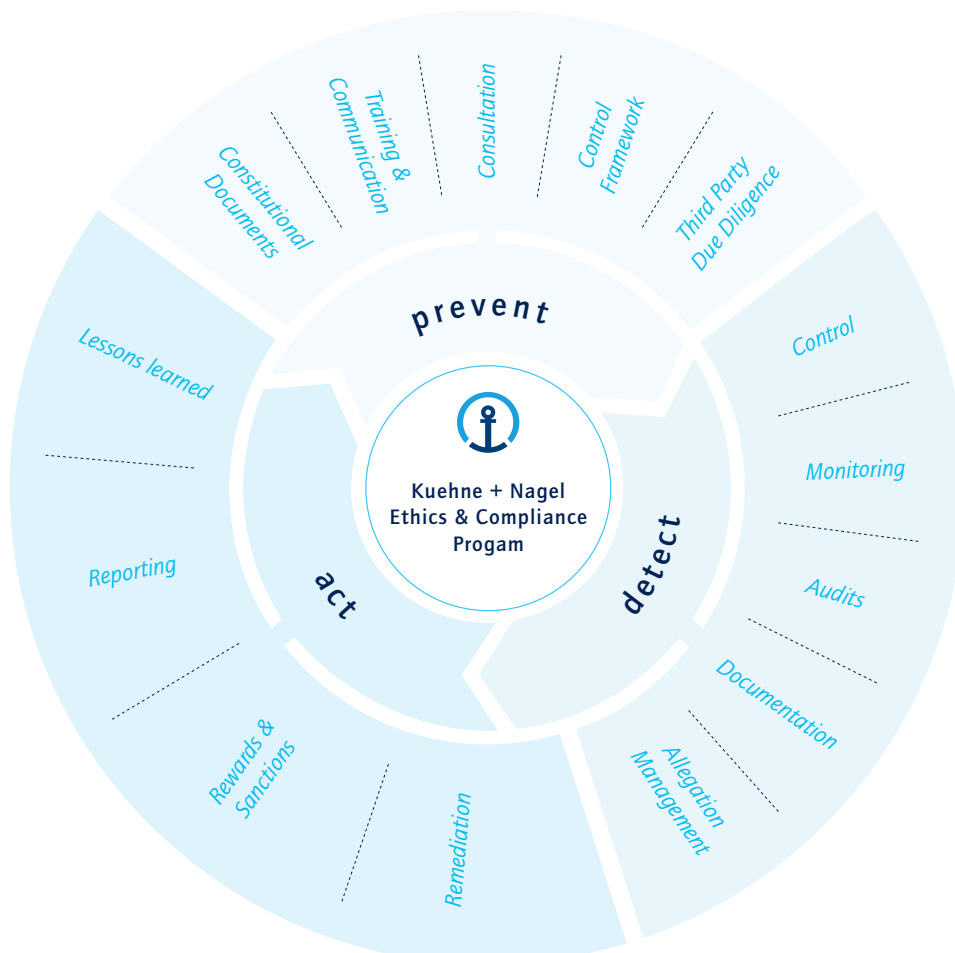
Ethics and Compliance

Compliance with all legal, regulatory and internal regulations as well as the observance of common standards and rules of professional conduct is essential to our business. We are convinced that a comprehensive ethics and compliance programme relies upon our leaders. They are in charge with setting the priorities and personally drive the Kuehne + Nagel culture. Kuehne + Nagel expects its leaders to integrate the compliance culture within their businesses.

Ethics and Compliance Programme

All our business activities must be based upon the highest ethical and legal standards. Only by considering integrity as a key element of our business behavior we are able to foster a sense of trust with all of our stakeholders and meet our responsibility of being a reliable and successful business partner.

Ethics and Compliance Programme



Kuehne + Nagel's Ethics and Compliance Programme is of utmost importance to our business environment that provides guidance and measures to all Kuehne + Nagel members and business partners throughout the entire group, independent of function, geography or business area.

We are convinced that our Ethics and Compliance Programme is an instrument of risk prevention to protect us from negative consequences such as sanctions or reputational damages and a unique opportunity to make the difference in the competitive and global market place. It is essential for our business success to at all times pay highest attention to this programme at every level of our organisation with the best possible support from Kuehne + Nagel's senior executives and all managers around the globe.

Code of Conduct

Kuehne + Nagel's Code of Conduct released by the Chairman of the Board of Directors and the Chief Executive Officer, forms the basis on which the Ethics and Compliance Programme is built upon. The Code of Conduct establishes the general principles of Kuehne + Nagel's business conduct within the entire group. It determines the basic requirements regarding the behaviour of every Kuehne + Nagel member. These principles also clarify prohibited conduct and provide behavioural guidance. The Code of Conduct must be applied consistently and continuously. It extends beyond the legal regulations and builds a standardised cornerstone for integrity.

The Code of Conduct applies to all Kuehne + Nagel members, irrespective of department, country, entity or business unit, each expected to understand the principles and be aware of the meaning and significance of the Code of Conduct and guidelines. Therefore, consistent trainings are being performed to all of the aforesaid persons.

All Kuehne + Nagel members are also expected to propagate the principles of the Kuehne + Nagel Code of Conduct to everyone in their sphere of influence. On a yearly basis, all Kuehne + Nagel members are asked to confirm having received, read and understood the Kuehne + Nagel Code of Conduct.

The Code of Conduct is complemented by additional 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.

Integrity Due Diligence

A significant number of Kuehne + Nagel's business transactions and activities are performed by business partners, including suppliers or subcontractors that work with or on behalf of Kuehne + Nagel. To protect Kuehne + Nagel from any harm caused by such third parties, we expect all our business partners and subcontractors to operate within the limits of our Ethics and Compliance standards.





For that reason amongst others, such as agreeing with the Kuehne + Nagel Supplier Code of Conduct, we have implemented a risk-based Integrity Due Diligence procedure for both new and existing third parties to minimise our compliance related risk exposure. Kuehne + Nagel regularly assesses the integrity of existing or potential business partners following some pre-agreed procedures that address compliance risks or other concerns related to the involvement of such third parties. A key emphasis is to focus Integrity Due Diligence procedures where customs clearance activities are subcontracted to a third party.

In case of doubtful findings we either support the business partner to improve its compliance environment by introducing reasonable safeguards or else consider rejecting collaboration for avoiding harm to our own business environment including our customers.

Confidential Reporting and Allegation Management

All Kuehne + Nagel members are encouraged to raise concerns about potential violations of the Code of Conduct to any person of trust within Kuehne + Nagel. Further, a global Confidential Reporting Line has been implemented in Kuehne + Nagel countries. 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 native language; either by phone, e-mail or a dedicated web based reporting tool. Kuehne + Nagel members are using all means of respective reporting. The Kuehne + Nagel Independent Allegation Management Committee oversees the handling and follow-up of reported allegations received through any channel. The Committee ensures consistent standards and procedures and considers thorough independent investigations as needed. Subject

matter experts are involved to ensure competent and adequate assessments, appropriate decision taking, and related follow-up activities are ensured.

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

Compliance Governance

The President 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, in particular by evaluating the risks of the Kuehne + Nagel Group and taking decisions regarding adequate measures to minimise risks and to safeguard the adherence to external and internal regulations. The Risk and Compliance Committee consists of the Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit, the Group General Counsel and the Chief Compliance Officer. The functional responsibility for the design and implementation of the Ethics and Compliance Program is delegated to the Chief Compliance Officer who has the expertise, independence and authority to implement the program 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 Program 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.

Society

Management Approach

In the 21st century, the challenge for major businesses like Kuehne + Nagel is to reconcile social and environmental responsibility with the commercial needs of its customers and shareholders. The answer is to confidently embrace the role of a good corporate citizen, both to empower employees to give back to their communities, and to articulate the longer-term commercial value of behaving responsibly.

Our People

Despite the relentless advance of technology people remain the lifeblood of a forward-thinking business like Kuehne + Nagel. We work hard to attract and develop talented people, regardless of age, gender, religion, race, physical disability, ethnicity, orientation or experience. Our core business value of continuous improvement applies to our people development as much as it does to our service offerings. The reward for these investments is growing skill levels, greater job satisfaction and a stronger assurance of long-term reliability for our customers.

Organisational changes, when needed, are implemented in cooperation with employee organisations and other stakeholder groups, such as the European works council, trade unions and other employee representatives.

Around 60 per cent of all employees are covered by collective bargaining agreements.

As globalisation and digitalisation increase, new ways to recruit talent are needed. In 2016, we implemented KN Careers, a new global e-recruitment solution, to increase efficiency in our recruitment process. The activities on leading online recruiting portals were expanded and vacancies were filled much faster than before.

Training and Staff Development

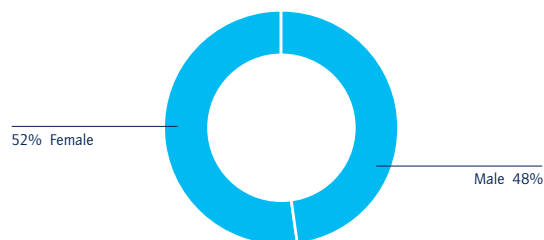
Our Global Talent Development Programme, aimed mainly at young talent from all regions and business units, offers an intensive 2-year professional training to prepare participants for taking on key positions as future leaders of Kuehne + Nagel. In 2016, 44 people took part in this programme, with another 64 joining the Emerging Talent Programme, a regional initiative that aims to identify and develop a broad range of talent at an early stage for national positions.

Depending on individual needs, Kuehne + Nagel offers existing managerial staff globally standardised and sequential training programmes via live and online training sessions.

Employee Indicators



Non-management Functions





In 2016, over 27,000 live trainings were held, with almost a third conducted on QSHE (Quality, Safety and Health, Environment), Security and Dangerous Goods topics including product training, the use of new digital processes and updates of industry-specific knowledge. More than 210,000 individual online training sessions were delivered in Code of Conduct, Security, Sales,

among others. Code of Conduct live training was provided to more than 14,000 employees - mainly new joiners - while more than 6,000 employees additionally participated in Code of Conduct online trainings. All our trainings make no differentiation based on gender or type of employment.

	Americas	EMEA	Asia-Pacific
Number of employees per region	10,418	51,835	7,785

Environment

Kuehne + Nagel's 2020 environmental strategy is a global effort to reducing the company's footprint, improving the environmental performance and supporting its stakeholders to achieve their targets. Therefore, we have implemented a rigorously enforced global environmental policy. The policy embraces the following initiatives:

- Implement an effective carbon management programme throughout all Kuehne + Nagel operations.
- Provide environmentally sensitive product alternatives to our customers.
- Communicate policies and objectives to all employees and subcontractors.

- Include environmental performance as key criteria in supplier selection and promote active participation in sustainability-focused industry groups.

To complement our environmental strategy and our international standard ISO 9001 Quality Management System, Kuehne + Nagel counts on an Environmental Management System (EMS). The EMS is built on a combination of ISO 14001 principles, customer requirements, legislation and industry regulations. Its focus is on reducing CO₂ emissions, managing consumption, preventing pollution and recycling.

Highlights 2016

Low Carbon Energy Installation
Photovoltaic panels installed in our facilities cover up to 700,000 m² of warehouse and office space

Environment Champions
Global network of more than 600 environment champions who next to their daily jobs volunteer to raise awareness of environmental issues, provide guidance to their colleagues and influence site activities to reduce energy, fuel, water and CO₂ emissions

Process Improvement
Managing idle capacities (space consolidation, motion-sensing lighting in common areas, timers on forklift battery chargers) in warehouse operations



Efficient Fleet Management
Extending the use of Telematics and FleetBoard for our own trucks, which decreases fuel consumption and optimises vehicle usage, among other benefits.

Behavioral Change
Environmental awareness trainings provided to all Environment Champions in four key areas: general induction, energy efficiency, fuel efficiency and waste management

Product Design
Over 1,000 CO₂ reports from transport activities recorded in our operational systems, serving up to 937 customers worldwide



Performance Review 2016

Reducing environmental impact on air, water and land was our primary focus in 2016. We made significant improvements throughout our operations, at every

stage of the supply chain, setting measurable goals for specific environmental fields to track our progress each year.

	Metric Unit	2012	2013	2014	2015	2016
Carbon emissions						
CO ₂ total*	Million tons	229	215	201	204	208
CO ₂ per FTE	Tons	4,287	3,808	3,584	3,394	3,134
CO ₂ per 100m ²	Tons	2,930	2,652	2,575	2,327	2,420
Energy						
Electricity total	Million kWh	449	431	419	436	455
Electricity per FTE	kWh	8,405	7,634	7,456	7,291	6,816
Electricity per 100m ²	kWh	5,746	5,317	5,357	5,036	5,298
Natural gas total	Million kWh	229	221	188	189	191
Natural gas per FTE	kWh	4,296	3,917	3,344	3,159	2,875
Natural gas per 100m ²	kWh	2,937	2,729	2,403	2,166	2,234
Waste recycled						
Waste total	000' Tons	352	329	364	397	492
Waste recycled	000' Tons	278	275	262	300	401
Waste recovered	000' Tons	15	11	51	73	59
Waste landfill	000' Tons	59	43	51	22	31
Recycling rate	%	78	84	72	76	82
Water						
Water total	Cubic meters	1,068,038	957,366	902,825	988,943	1,033,137
Water per 100m ²	Cubic meters	13,750	11,196	12,140	11,248	11,998
Water per FTE	Cubic meters	20,029	16,963	16,118	16,244	15,439
Water recycled	Cubic meters	35,245	23,838	31,598	46,480	30,994
Ratio recycled	%	3	2	4	5	3

As of December 31, 2016

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



CO₂ Emissions

Kuehne + Nagel is making progress on CO₂ reduction activities by establishing a global network of experts in its organisational regions EMEA, Americas and Asia-Pacific. Their efforts have greatly contributed to establish and disseminate the 2020 environmental strategy, achieving significant improvements as demonstrated in the table on the left.

In 2016, the Kuehne + Nagel Group has reduced CO₂ emissions per Full Time Equivalent (FTE) by 7 per cent but CO₂ emissions per hundred square meter increased 3 per cent as the Group expanded due to business growth. Emissions from other greenhouse gas (GHG) sources have been negligible compared to overall GHG emissions (less than 0.005 per cent).

Kuehne + Nagel has developed tools that keep track of CO₂ emissions, both from company facilities and operational transport activities:

- *Global Transport Carbon Calculator (GTCC)*

The GTCC is one of the most powerful tools in the forwarding industry for the measurement and reporting of CO₂ emissions triggered by transport activities, whether sea, air or road. Over time, the GTCC will report our external carbon footprint per transaction, transport mode and customer, enabling us to respond to information demands from customers and other stakeholders.

- *Global Facility Carbon Calculator (GFCC)*

The GFCC is a tool for prioritising actions to reduce CO₂ emissions and usage for all company facilities. By enabling us to internally measure electricity, natural gas, propane/LPG and transport fuel usage at each facility, the GFCC keeps track of these movements and supports us to identify trends. We also measure water consumption, waste to landfill and recycling efforts where applicable. Targets for maintenance and/or reduction of our carbon footprint are set at global, regional as well as country levels and communicated annually.

Energy Consumption

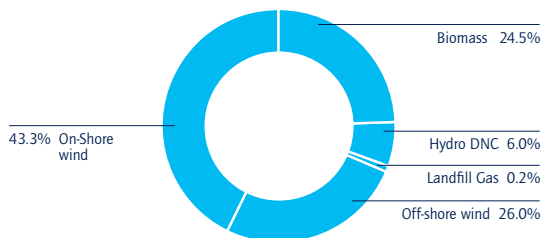
A direct approach to CO₂ emissions is to reduce energy and fuel consumption. From a global perspective, all of our organisational regions reckoned the importance of the 2020 environmental strategy. Through awareness programmes and true commitment to reducing consumption during seasonal peaks, our facilities improved energy and fuel efficiency.

Kuehne + Nagel has seen stable fuel consumption rates over the last five years with an improvement of 7 per cent litres/km consumption since the roll-out of the strategy in 2010. Note that fuel consumption accounted for in this report is solely from Kuehne + Nagel’s owned fleet. Fuel from subcontracted transport operations is not included.

As for electricity and natural gas, consumption in 2016 shows a significant improvement compared to 2015. The target to reduce 2 per cent per FTE in both parameters (electricity and natural gas) was exceeded by 6 and 9 per cent points respectively. However, the goal to reduce 2 per cent per hundred square meters for both electricity and natural gas was below the target and increased 6 and 3 per cent points accordingly.

Furthermore, continuing with our efforts to reduce CO₂ emissions, Kuehne + Nagel is switching to renewable and low carbon energy. Its performance towards the global target of a 10 per cent increase in electricity consumed from renewable sources continues to improve. In 2016, the share of renewable energy in current electricity purchasing stood at 4 per cent from all energy consumed. This refers to a total consumption of 19 million kWh from low carbon energy sources.

Average Renewable Energy purchased



Increasing installation of solar power in our premises supplies energy to many of our warehouses and offices. Currently, our extended solar cells, modules and arrays surpass the 700,000 m² surface, producing an equivalent to 7,500 kWp per year. Our distribution centre in Chapponay, France, is just one example of the advanced technology Kuehne + Nagel deploys to systematically run greener operations around the world.

Recycling and Waste

Waste (including hazardous and electronics) is disposed of in the most environmentally efficient way, including recycling and use of accredited, licensed suppliers who follow all applicable regulations. Certificates verify the correct disposal/recycling of all waste. Kuehne + Nagel recycling rates have consistently improved over the last five years, reaching 82 per cent in 2016.





Water

In our offices and warehouses, we actively seek and implement measures to minimise water wastage through improved management. Our Environment Champions on site review how water is used, and identify efficiencies, while ensuring that employee health and safety is not compromised. Water saving initiatives and products such as installation of water efficient devices in restrooms and canteens, use of water containers to harvest rainwater, setting water usage tar-

gets and raising awareness among our staff have been put in place. Despite these measures, overall water consumption can increase through business expansion and increased recruitment.

No industrial processes involving water take place at our locations. Water usage is 100 per cent for personal, domestic purposes, thus water is directly discharged at the local sewage effluent. Water recycling process includes water harvesting and water treatment.



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 of 25 per cent on CO₂ emissions per FTE and 13 per cent per hundred square meters since the implementation

of the strategy in 2010. Fuel efficiency progressively improved to reach a 7 per cent increase, while consumption of renewable electricity also increased 7 per cent in a period of 5 years. The Group's effort to improve transport efficiency was successfully implemented in 2016. Regarding waste recycled, Kuehne + Nagel has already exceeded the proposed target with a remarkable progress of 82 per cent.

Environmental Issue	2020 Target	2016 Progress *
Site ¹ reduction of CO ₂ emissions	15% reduction CO ₂ per FTE; 15% reduction CO ₂ per 100 m ²	25% per FTE reduced 13% per 100m ² reduced
Improve the fuel efficiency Kuehne + Nagel operated road transport	10% improvement in litres/km where applicable	7% improvement
Increase the % of electricity consumed that is sourced from renewable sources	10% of total electricity consumption by 2020	7% 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	2% 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	82% achieved

* This report reflects yearly performance progress from 2012 until 2016
 1 sites are defined as all Kuehne + Nagel operated facilities with > 15 employees and floor space > 800m²

Quality

Management Approach

Our Quality experts are involved in the product development of the business units, assuring regular compliance, harmonised approaches across countries and regions, with standardised processes. Kuehne + Nagel's management system meets the highest quality standards. Bureau Veritas has certified us in accordance with ISO 9001; a certificate held since 1995, which has positioned us among the few global logistics providers awarded this certification without interruption since the start of certifying logistics companies according to the ISO 9001 standard.

Highlights

With our product solutions, e.g. KN SecureChain, we define standards, systems, structures and processes that provide transparency and visibility of activities conducted. Overall, it gives more confidence for the manufacturing companies to understand how Kuehne + Nagel handles their assets according to their specific needs. Due to our KN EngineChain, a tailor-made solution for aircraft engine manufacturers, one of the leading aviation companies in the world selected Kuehne + Nagel as logistics provider.

Performance

In 2016, over 850 internal site audits were performed in addition to the over 300 customer audits

we welcome each year with the aim of identifying possible weaknesses and improving operational quality. Kuehne + Nagel is using its own software programme that contains automated audit checklists relating to reporting, recording and evaluation of improvement proposals. This continuous control and optimisation process has delivered significant increases in customer satisfaction, confirmed by surveys in all regions. We have increased the number of certified locations to enable ourselves to better respond to tenders and customers' requests in the pharma, automotive, aerospace and PROM (Project Oil & Gas and Marine) areas.

In addition, during the course of 2016, Kuehne + Nagel started the preparation of the audits to become IATA CEIV certified for the entire airfreight network. With this, customers benefit from standardised approaches across regions, reducing lead time and better visibility of temperature monitored shipments. This will lead to less customer audits.

Targets

For 2017, our focus will be on the Group re-certification process of the latest revision 2015 for ISO 9001 and ISO 14001.



Safety and Health

Management Approach

With the initiative 'NO HARM to People' we aim to achieve the highest level of health and safety for all parties involved in our operations: employees, customers, contractors and the general public. To accomplish this, we maintain a Safety & Health Management System supported by global, regional and national QSHE teams.

Our top three goals:

- NO HARM to People; i.e. no accidents or workplace related illnesses caused by our operations.
- Continuous safety and health awareness through training and awareness programmes.
- Reduction of incidents through close monitoring and dissemination of learning from incidents.

Kuehne + Nagel meets all legal, industry and customer requirements through its QSHE risk-based management. We continuously improve by establishing OHSAS 18001 compliant systems and certification across our global operations. Employees are advised both by third parties and professionally certified internal QSHE trainers to adhere to all relevant rules, regulations and working instructions. This facilitates our processes and ensures compliance in every location.

Highlights

In 2016, we continued to see significant improvements in Safety and Health; it was a year without fatal accidents. Furthermore, by the end of the year, we had 53 per cent of our warehouse locations with more than 1,000m² (in over 60 countries) OHSAS 18001 certified and this number is still growing.

The Journey to 'NO HARM to People' started with the establishment of a Global Expert Team Safety & Health. It supports global (safety) initiatives in their respective region, provides input for areas that need improvement or alignment, shares learning from incidents and develops tools needed to improve safety and health performance. Achievements of this team in 2016 encompass a global standard for the use of personal protection equipment (PPE), an updated and better aligned QSHE KPI document and a 'NO HARM' training module to raise hazard awareness of all blue collar employees.

Progress and Goals

Due to stricter rules for reporting of incidents, better alignment of classification of incidents across the regions and the support of the Global Expert Team Safety & Health, more work related incidents have been reported than in previous years. The number of First Aid Cases and Medical Treatment Cases increased to a reported number of 23,873 work related injuries. The newly introduced Lost Time Incident Frequency (LTIF)¹ for the year 2016 was 14.95.

Employees and Third Parties

Every reasonable precaution is taken to protect the health and safety of all employees. Policy and procedures are under constant review to help guard against accidents and injuries.

Employees are enrolled in online trainings for work procedures and practical training for correctly operating equipment. Daily, supervisory and team leaders make sure that rules, regulations and prescribed work procedures are followed by their staff. Along with daily visual checks, monthly inspections of the workplace

¹ LTIF = (#LTI x 1,000,000) / working hours – over a 12 month period. An incident is considered to be a Lost Time Incident if the Injured Person is not able to return to work the day after the incident happened.



are conducted to identify hazards and potential risks and to inform employees accordingly. Employees working in warehouse locations are subject to mandatory requirements for using/wearing designated personal protective equipment. Fire drills are performed regularly to verify safety procedures at all facilities. Furthermore, every location is issued with a business continuity plan and disaster recovery guidelines.

All contractors and subcontractors working in our facilities are made aware of the health and safety policy prior to any activities. We are in good standing with the applicable Workers' Compensation Board and provide third parties with verification from the Board. Visitors are required to check in with our reception desk or gate upon arrival and departure; they are always accompanied by an employee to minimise risk of injury or incident.

Facilities

Facilities hold regular safety committee meetings at which any health and safety issues are recorded. In addition, regular inspections are conducted, which include, but are not limited to checking:

- first aid kits
- fire extinguishing equipment
- safety and tripping hazards
- emergency exits
- lighting

Safety procedures are made available in both written as well as online training formats. Additionally, internal audits are conducted in a systematic manner to ensure a high level of compliance with our Safety and Health guidelines.

Security and Dangerous Goods

Management Approach

Kuehne + Nagel focuses on the following:

- Establishing a secure and stable environment for its staff, customers and assets entrusted to us.
- Reducing security vulnerabilities by monitoring and analysing incidents followed by the implementation of appropriate counter-measures.
- Developing, in cooperation with IT Security, appropriate measures to protect information data assets against unlawful interference.

In international trade, security along the supply chain and risk mitigation are top priorities. Kuehne + Nagel has developed a security management system compliant to the ISO 28001 standard which is applied worldwide. This security management system also meets the 'Framework of Standards to Secure and Facilitate Trade (SAFE)' regulatory norms of the World Customs Organisation as well as the 'Customs-Trade Partnership Against Terrorism' (C-TPAT) of the US customs and border protection authorities. Our Global Quality Expert Team Security (QUEST) is responsible for permanently reviewing the security policy, updating and/or adjusting the standards, analysing security incidents and specifying appropriate countermeasures. Audits carried out by QSHE also ensure that the standards are implemented in the national subsidiaries of Kuehne + Nagel.

Highlights

- The number of security incidents at global level has significantly decreased by more than a third over the past two years.
- The loss of commercial value of commodities has decreased by over 20 per cent within the same time range.

Furthermore, in 2016, 31,985 employees in 98 countries were trained in security awareness.

Security Initiatives

Kuehne + Nagel is globally certificated according to C-TPAT and holds 35 Authorised Economic Operator (AEO) certifications in 26 countries. Also, we had 11 re-certifications in accordance with the BASC standard (Business Alliance for Secure Commerce). Further, 13 Kuehne + Nagel logistics centres had been certified in accordance with the Facility Security Requirements (FSR) of TAPA (Transported Asset Protection Association) and sites in accordance with the Trucking Security Requirements (TSR).

For industries with extended security requirements across the entire supply chain, e.g. high-tech, pharmaceutical and luxury goods sectors, Kuehne + Nagel developed the transport solution KN SecureChain which is based on the requirements of the ISO 28001 standard and ensuring compliance with industry requirements.

Performance Indicators

Kuehne + Nagel constantly measures the robustness and performance of its supply chain security management system by means of the following criteria:

- Total number of security incidents within defined time intervals.
- Total affected commercial value of assets within defined time intervals.
- Comparison against industry trends with renowned international organisations and initiatives.
- Affected commercial value of assets rate to gross profit.



Targets

For 2017, we have set the following targets:

- Introduction of web-based security incident reporting scheme
- Expansion of KN SecureChain network
- Continuation of global security awareness training campaign

Driving Change

Kuehne + Nagel started working with the International Road Transportation Union (IRU) with the purpose of developing innovative industry solutions that contribute to increasing security conditions for road transportation. Currently, the participants also collaborate by providing information on where to find secure parking locations. Kuehne + Nagel's further efforts consist of carrying out a risk assessment of various routes in order to provide the drivers the best and most safe route based on available information.

Dangerous Goods

Kuehne + Nagel has developed and rolled out a global dangerous goods policy which combines the regulatory framework for dangerous goods with the ISO 9001 and OHSAS 18001 standards and follows their continuous improvement cycle of Plan-Do-Check-Act (PDCA). Also included are Kuehne + Nagel values and procedures, such as information on finding hidden dangerous goods, restricted dangerous goods and the internal approval process.

The internal approval process works along the 'four eye principle' and ensures that all dangerous goods consignments are checked over by at least two qualified employees. To achieve this, a global network of Dangerous Goods safety advisors in all business units supports the operational teams. In 2016, this network was expanded to include all business units and all regions with nearly 200 new safety advisors trained.

As part of the internal policy, local inventory lists, local legal register and local dangerous goods risk assessment were created and each site has implemented the control measures identified, to ensure that all regulatory and internal requirements are met.

Through rigorous auditing gaps and procedural weak spots in documentation and training were identified and closed. Legal compliance in Airfreight and Seafreight went up to 95 and 92 per cent, respectively, and in Overland and Contract Logistics, compliance levels were in the high 80s, based on a sample of 151 audit reports.

To support operational staff to retain an overview of the ever more complex regulations surrounding lithium batteries, internal guidance was released and updated in line with the regulatory framework. For 2017, the audit questionnaire for dangerous goods will be completely reviewed and updated, allowing the use of a substantially increased sample.



Supplier Management

Management Approach

QSHE is an integral part in all our operations and in our way of thinking. The QSHE community works alongside all Kuehne + Nagel business units to ensure alignment. However, our responsibility does not end here; we extend it to our suppliers. Inter alia for this purpose, we have set up a Supplier Management Tool (SMT), an online application, where all suppliers across Kuehne + Nagel's business units are captured based on operational, legal and compliance criteria.

The immediate goal of the SMT product is to:

- Provide a standardised solution allowing all business units to evaluate and qualify their supplier base in order to ensure both compliance and service quality.
- Reduce the quantity and increase the quality of Kuehne + Nagel's supplier base which results in improved operational efficiency, reduced costs and minimised risk.

In the hazardous materials, pharmaceutical and high-value goods sectors in particular, this database can

be used to identify the most suitable suppliers and business partners on the basis of individual customer requirements, helping to optimise the customers' supply chains.

Every three years, we evaluate our suppliers. The SMT provides automated reminders of when to carry out these assessments. Based on these evaluations, the supplier's contract will be either renewed or rejected.

Performance

During 2016, we had 30,000 registered suppliers in the United States and Europe. Out of these, 19,000 (49 per cent) were evaluated.

Targets

Furthermore, as part of our efforts to continuously improve, in 2017 we plan to finalise the global rollout of the Supplier Management Tool. Customers will benefit from an improved SMT, creating transparency, reducing risks and better compliance with customer requirements and regulations.

GRI Index

This Sustainability Report 2016 is GRI-referenced. In this table you will find references to specific sections in all Kuehne + Nagel reports 2016, with the corres-

ponding links. This report has not been externally assured. However, we are committed to continuously improving our sustainability reporting.

General Standard Disclosures

Strategy and Analysis		
Profile Disclosure	Description	Reference
G4 - 1	CEO Statement	Sustainability Report 2016, Welcome Message (page 3)
Organisational Profile		
G4 - 3	Name of the organisation	Consolidated Financial Statements 2016 Report , Notes to the Consolidated Financial Statements (page 43)
G4 - 4	Primary brands, products, and/or services	Business Units
G4 - 5	Location of organisation's headquarters	Consolidated Financial Statements 2016 Report , Notes to the Consolidated Financial Statements (page 43)
G4 - 6	Countries where the organisation operates	Locations
G4 - 7	Nature of ownership and legal form	Annual Report 2016 (pages 13, 14)
G4 - 8	Markets served	Locations Your Industry
G4 - 9	Scale of the reporting organisation by number of employees, operations, net sales, total capitalisation by debt and equity, and quantity of services provided	2016 in Focus, (pages 1, 5, 9, 10, 14, 17) Consolidated Financial Statements Report (page 35) Status Report 2016
G4 - 10	Total workforce by employment type, employment contract, and region broken down by gender	Sustainability Report 2016, Society (page 12)
G4 - 11	Percentage of employees covered by collective bargaining agreements	Sustainability Report 2016, Society (page 12)
G4 - 12	Organisation's supply chain	Sustainability Report 2016, Supplier Management (page 29)
G4 - 13	Significant changes during the reporting period regarding size, structure, ownership, or supply chain	There have been no significant changes regarding size, structure, ownership, or supply chain during 2016.
G4 - 14	Precautionary approach	Annual Report 2016 (pages 94 and following)

G4 - 15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	Sustainability Report 2016, Engaging with Stakeholders (page 4)
G4 - 16	Membership in associations	Sustainability Report 2016, Engaging with Stakeholders (page 4)
Identified Material Aspects and Boundaries		
G4 - 17	List entities included in the organisation's consolidated financial statements or equivalent documents	Annual Report 2016, Listed Companies of the Group (page 103)
G4 - 18	Process for defining report content	The process for defining the report content was done in three stages. The first one was an internal assessment of the information available along with the corresponding sources. The second phase was the preparation of the data platform and collection of data. The last phase was the elaboration of the report, followed by a diligent internal review and approval process.
G4 - 19	Material aspects identified	Sustainability Report 2016, Engaging with Stakeholders (page 4) Sustainability Report 2016, Materiality Matrix (page 6) Sustainability Report 2016, Ethics and Compliance (page 7)
G4 - 20	For each material aspect, aspect boundary within the organisation	Sustainability Report 2016, Materiality Matrix (page 6). No further information available.
G4 - 21	For each material aspect, aspect boundary outside the organisation	Sustainability Report 2016, Materiality Matrix (page 6). No further information available.
G4 - 22	Effect of any restatements of information provided in previous reports	Not applicable. This is our first Sustainability Report.
G4 - 23	Changes from previous reports in the scope and aspect boundaries	Not applicable. This is our first Sustainability Report.
Stakeholder Engagement		
G4 - 24	Stakeholder groups	Sustainability Report 2016, Engaging with Stakeholders (page 4)
G4 - 25	Identification of stakeholders	Sustainability Report 2016, Engaging with Stakeholders (page 4)
G4 - 26	Approach to stakeholder engagement	Sustainability Report 2016, Engaging with Stakeholders (page 4)
G4 - 27	Key topics and concerns raised through stakeholder engagement	Sustainability Report 2016, Engaging with Stakeholders (page 4)
Report Profile		
G4 - 28	Reporting period	The information provided is for the reporting period 1 January to 31 December 2016.

Report Profile		
G4 - 29	Date of most recent previous report	Not applicable. This is our first Sustainability Report.
G4 - 30	Reporting cycle	Annually reported.
G4 - 31	Contact Point	Juerg Meier (Juerg.Meier@Kuehne-Nagel.com), Edgar Uribe (Edgar.Uribe@Kuehne-Nagel.com) Kuehne + Nagel Management AG Dorfstrasse 50, PO Box 67, CH-58834 Schindellegi
G4 - 32	GRI Content Index	This report is G4 referenced
G4 - 33	External Assurance Policy	There has been no external assurance for this report.
Governance		
G4 - 34	Governance structure	Corporate Governance Report (page 18)
Ethics and Integrity		
G4 - 56	Company's values, principles, standards of behavior	Sustainability Report 2016, Ethics and Compliance (page 7) Code of Conduct

Specific Standard Disclosures

Economic		
Disclosure of Management Approach		
Profile Disclosure	Description	Reference
G4 - DMA	General disclosure of management approach	Sustainability Report 2016, Ethics and Compliance (page 4) Sustainability Report 2016, Society (page 12) Sustainability Report 2016, Environment (page 14) Sustainability Report 2016, Quality (page 22) Sustainability Report 2016, Safety and Health (page 24) Sustainability Report 2016, Security and Dangerous Goods (page 26) Sustainability Report 2016, Supplier Management (page 29)
Economic Performance		
G4 - EC 1	Direct economic value generated and distributed	Consolidated Financial Statements 2016 Report (page 35) Remuneration Report 2016
Environmental		
Energy		
G4 - EN 3	Energy consumption within the organisation	Sustainability Report 2016, Environment (page 18)

G4 - EN 5	Energy intensity	Sustainability Report 2016, Environment (page 18)
G4 - EN 7	Reductions in energy requirements of products and services	This information is not publicly available.
Water		
G4 - EN 8	Total water withdrawal by source	Sustainability Report 2016, Environment (page 20). We are consolidating the information for the next sustainability report.
G4 - EN 10	Water recycled and reused	Sustainability Report 2016, Environment (page 16)
Emissions		
G4 - EN 15	Direct greenhouse gas (GHG) Emissions (Scope 1)	Sustainability Report 2016, Environment (page 16)
G4 - EN 16	Energy indirect greenhouse gas (GHG) Emissions (Scope 2)	Sustainability Report 2016, Environment (page 16)
G4 - EN 18	Greenhouse gas (GHG) emissions intensity	Sustainability Report 2016, Environment (page 16)
Effluents and Waste		
G4 - EN 23	Total weight of waste by type and disposal method	Sustainability Report 2016, Environment (page 16)
G4 - EN 24	Total number and volume of significant spills	There have been no significant spills in 2016
Compliance		
G4 - EN 29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Kuehne + Nagel does not identify fines or any other form of sanction regarding non-compliance with environmental laws and environmental regulations during 2016.
Transport		
G4 - EN 30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations	Sustainability Report 2016, Environment (page 16)
Environmental Grievance Mechanisms		
G4 - EN 34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	No grievances reported in 2016.

Social		
Occupational Safety and Health		
G4 - LA 6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Sustainability at Kuehne + Nagel 2016, Safety and Health (page 24). No further information available.
Training and Education		
G4 - LA 9	Average hours of training per year per employee by gender, and by employee category	Sustainability Report 2016, Society (page 12)
Diversity and Equal Opportunity		
G4 - LA 12	Composition of Governance bodies and breakdown of employees	Corporate Governance 2016 Report 2016 In Focus, (pages 3, 4)
Child Labor		
G4 - HR 5	Operations and suppliers identified as having significant risk for incidents of child labor	Kuehne + Nagel's Code of Conduct does not explicitly comment but refers under "employment practices" to "Kuehne + Nagel Values", and "Core Principles", whereas, in addition Kuehne + Nagel's Supplier Code of Conduct explicitly covers the topic "freely chosen employment". As a basic principle, all Kuehne + Nagel suppliers are expected to sign the Kuehne + Nagel Supplier Code of Conduct.
Forced or Compulsory Labor		
G4 - HR 6	Operations and suppliers identified as having significant risk for forced or compulsory labor	Kuehne + Nagel's Code of Conduct does not explicitly comment but refers under "employment practices" to "Kuehne + Nagel Values", and "Core Principles", whereas, in addition Kuehne + Nagel's Supplier Code of Conduct explicitly covers the topic "freely chosen employment". As a basic principle, all Kuehne + Nagel suppliers are expected to sign the Kuehne + Nagel Supplier Code of Conduct.
Supplier Human Rights Assessment		
G4 - HR 10	Percentage of new suppliers screened using human rights criteria	Kuehne + Nagel's Code of Conduct does not explicitly comment but refers under "employment practices" to "Kuehne + Nagel Values", and "Core Principles", whereas, in addition Kuehne + Nagel's Supplier Code of Conduct explicitly covers the topic "freely chosen employment". As a basic principle, all Kuehne + Nagel suppliers are expected to sign the Kuehne + Nagel Supplier Code of Conduct.

Anti-Corruption		
G4 - SO 3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Kuehne + Nagel regularly overlooks its Claims & Compliance Programme in consideration of risks related to anti-bribery and compliance with respect to countries where Kuehne + Nagel operates.
G4 - SO 4	Communication and training on anti-corruption policies and procedures	Sustainability Report 2016, Ethics and Compliance (page 7)
Public Policy		
G4 - SO 6	Total value of political contributions by country and recipient/beneficiary	As per the Kuehne + Nagel Code of Conduct: "Kuehne + Nagel companies do not make any political contributions, whether in monetary payments or other donations in kind to any political party or their institutions, agencies or representatives anywhere in the world."
Anti-competitive Behavior		
G4 - SO 7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Annual Report 2016, Provisions note 1 (page 89)
Compliance		
G4 - SO 8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Annual Report 2016, Provisions note 1 (page 89)
Product and Service Labelling		
G4 - PR 5	Results of surveys measuring customer satisfaction	A total of 10,704 customers participated in our annual customer survey and reported an average satisfaction rate of 74 per cent. As a follow-up from the survey a set of action items have been defined to continuously improve our service performance, globally, regionally and on a country level.
Customer Privacy		
G4 - PR 8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Kuehne + Nagel has not received any complaints about data breaches, leaks or any other data losses for 2016.
Compliance		
G4 - PR 9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	There were no significant fines or nonmonetary sanctions for noncompliance with laws or regulations relating to product and services in 2016.

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