

November 2017

To our stakeholders:

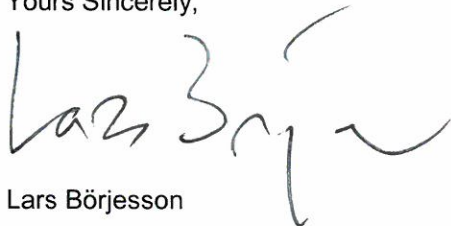
I am pleased to confirm that KGH Customs Services AB reaffirms its' support to the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress we describe our actions for continuous improvement of the integration of the Global Compact principles into our overall KGH Group business strategy, culture and daily operations.

The main focus in 2017 has been the startup of networks in the areas, HR, Finance and Compliance. These groups contain members from all our regions and will strive for united procedures and integration of the principles of UN Global Compact.

Our COP has been monitored and followed up by our HR department together with Risk & Compliance and initiatives in the areas of Environment and Labor are communicated through our Annual Report. We also commit to share this information with our stakeholders using our primary channels of communication.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Lars Börjesson', written in a cursive style.

Lars Börjesson
CEO, KGH Group

November 2017

Human rights principle

Assessment, Policy and Goals

KGH actively supports the Universal Declaration of Human Rights. KGH has implemented a Staff Policy and is committed to ensuring that all our employees are treated fairly and with respect. In the ongoing work related to further integration of the words of the Declaration of Human Rights into all of our different policies in order to fulfill our commitment to the principles of the UN Global Compact.

Implementation

We have a Diversity and Equality Work Policy that supports the human rights and have also implemented a grievance mechanism to handle problems experienced in the work place. These work place policies are communicated directly to all new employees when they are hired from their nearest manager and also through an internal module-based education program to set the tone for our organizational culture.

KGH Group facilitates the combination of employees' employment and parental responsibilities. Employees' on parental leave have the option to remain updated on KGH's operations and to join work related activities.

An updated version of this year's KGH Code of Conduct was reviewed and published both on our intranet and website.

We have started a HR Network consisting of representatives from our different Business Areas and Business Regions with the goal of developing a united way to handle staff-related questions within the whole group. As an example of action we have implemented Manager Guidelines, an umbrella for sharing our overall policies, on our intranet.

To strengthen the leadership in our organization, we arranged a leadership conference for managers in October. Discussions and information about core values, strategy and sustainability was on the agenda.

Measurement of Outcomes

KGH monitors the outcome of the working groups in each location/office and addresses their suggestions for improvement regarding human rights related issues. In the past year KGH has not been subject to any investigations, legal cases or incidents involving Human Rights violations.

Labour

Assessment, Policy and Goals

KGH supports the ILO Core Conventions and will not do business with any organization that uses forced or child labor. Of the UN Global Compact principles, Labor and Anti-Corruption are, in particular, the most important to the operations for KGH. All KGH employees are issued with a contract of employment which clearly states their terms and conditions including pay rates and other issues related to the employment. The relevant national legislation on Freedom of Association in the workplace is enforced and monitored by HR for continued compliance. Staff is given access to information about KGHs work policies as well as to protocols and minutes of the cooperation and interaction between the union(s) and the company. The members of our Management Team regularly post information on our Intranet for increased transparency and continued employee inclusion.



KGH Group has a common intranet for all employees, all countries and companies which gives us a platform for the communication concerning the 10 principles of the UN Global Compact. In addition our Compliance department is continuously auditing program where one part in the program ensures that the actual site complies to our policies and principles.

Implementation

Staff is encouraged to prioritize their well-being. KGH employees receives an annually amount to use on wellness related services including massage, activity memberships and registration fees for charity runs and similar. The actual amount differs slightly between countries due to national tax regulations.

Since 2016, we have been sharing the monthly number of UN Global Compact Bulletin via our intranet to make it available for all employees.

A new dedicated group, with members from all our business areas, will focus on our sustainability work and our targets, based on the 17 principles in the UN Global Sustainability goals.

Measurement of Outcomes

Every year our Diversity and Gender Plan is revised and the efforts made evaluated. The gender balance has improved during 2017 with 55 % women (2016 – 57%, 2015 – 58 %) as a result of active implementation of the plan. The latest review also showed no differences in pay based on gender. KGH has not been involved in any investigations, legal cases or other relevant events related to the contravention of the UN Global Compact Labor principles.

Environment

Assessment, Policy and Goals

KGH is committed to improving the environment in which it operates by implementing policies on sustainability. The work with an Environmental Policy containing measureable targets that focusses on the implementation of the Global Compact environmental principles continues. We continue to improve our Environmental, Social and Corporate Governance (ESG-initiative) with Key Performance Index (KPIs) that are presented in quarterly reports. The KPIs that we monitor are within the areas: governance, health and well-being of staff, community program and use of office material.

Implementation

The local working groups are initiatives that bring sustainability and the focus on the environment to an everyday practical level. In some offices employees are participating in recycling schemes involving office material and the promotion of these initiatives continues.

Most workplaces have a double computer screen system in order to reduce the number of printed documents.

We have reduced our carbon footprint by using teleconferencing instead of travelling.

We are auditing our energy consumption continuously, trying to find ways to reduce consumption.

We buy organic fruit for our offices when possible.

Measurement of Outcomes

KGH conducts an annual survey which addresses areas related to environment and employee satisfaction. The results of the survey is communicated transparently and potential improvement



suggestions are discussed with the trade unions and at senior management level prior to implementation.

Internal auditors and controllers continuously monitor key performance indexes related to environment such as paper consumption and energy consumption and the results are addressed on management as well as on employee level.

Human Resources monitor and follow up sickness absence on a monthly basis and as a part of that process seek to identify any correlations to environment that can be addressed. During 2017 no such correlations have been identified.

We have contributed with an amount to The Save the Children fund, voluntary work at a home for disabled persons and have supported local charity initiatives.

Anti Corruption

Assessment, Policy and Goals

KGH actively supports the UN Global Convention against Corruption and will not participate in any corruption, bribery or extortion. The Policy of Business Ethics as well as the Entertainment and Sponsor Policies are tools in place to further advance transparency and the zero tolerance on bribery, extortion and corruption. KGH actively cooperates with Customs Agencies in countries of operation and implements a Customs Policy guiding the interaction between KGH Customs and the Clients in order to fight crime and corrupt behavior. KGH actively cooperates with Customs Agencies using MoUs in countries where this is possible.

Implementation

Policies on Ethics and Anti-Corruption, related to the UN Global Compact principles, are part of the welcoming package to new employees and should be signed by the employee when read. External consultants that are to work with KGH are introduced with a welcome package including our stand and measures on Anti-Corruption. Our internal e-learning about Anti Bribery & Corruption is mandatory for all new employees to prevent any undesired or even criminal behavior.

KGH has zero tolerance on bribery, extortion and corruption and to be able to support this work we have started a Compliance Network consisting of representatives from our different regions.

Authorized Economic Operator, AEO, is an authorization designed to increase the security in the world as well as to harmonize the customs related operations. KGH has AEO status in all countries where we have business and during 2017 some of our certificates have been renewed.

We have a whistleblower function in our intranet. Via this function is it possible to anonymously report suspicions of crime.

New external partners get a Due Diligence and all partners get a yearly summary of their DD where it is possible to update with new information,

Measurement of Outcomes

KGH uses the Internal Auditors and Controllers to identify any spurious payments that could be related to bribery or corrupt behavior. KGH Group has not been involved in any legal cases, rulings or other events related to corruption and bribery.

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