

COMMUNICATION ON PROGRESS

November 2019

17 GOALS TO TRANSFORM OUR WORLD

- Governments, businesses and civil society together with the UN have started to mobilise efforts to achieve the Sustainable Development Agenda by 2030. The Agenda calls for action by all countries to improve the lives of people everywhere.
- In 2015, countries adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals. All 193 member states have approved the resolution.
- We at KGH have decided to focus on following Sustainable Development Goals - no 5, 8, 13, 16 and 17.



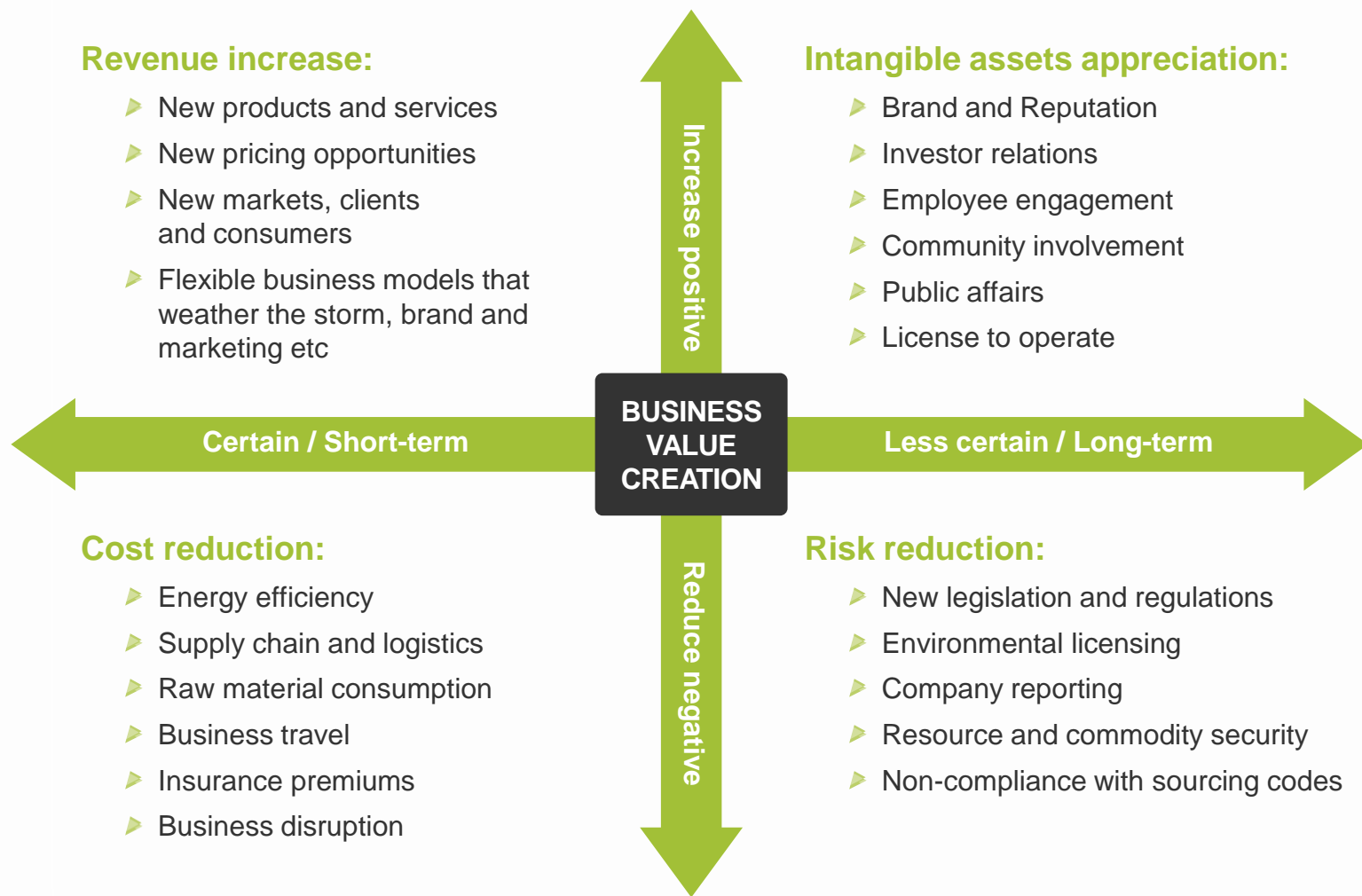
THE STAKEHOLDERS OF A COMPANY HAVE EXPECTATIONS ON ITS BEHAVIOURS



- Corporate sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments.
- Corporate sustainability stems from the Triple Bottom Line concept which proposed that business goals are inseparable from the societies and environments within which they operate. While short-term economic gain could be chased, a failure to account for social and environmental impacts would make those business practices unsustainable.



CREATE VALUE THROUGH SUSTAINABILITY IN FOUR DIFFERENT LEVERS



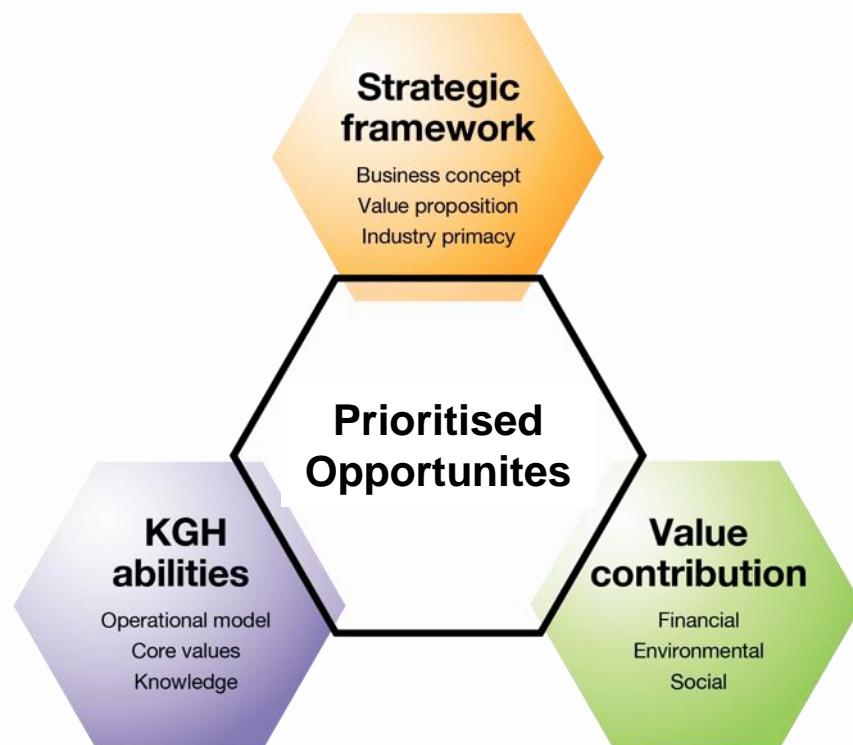
KGH MISSION: FACILITATING TRADE FOR SUSTAINABLE GROWTH

- Facilitating trade for sustainable growth is KGH's mission. We help our customers prosper in a responsible, sustainable way by aiding them in accessing new markets and improving performance in existing ones. As we grow, so does our ability to improve our services, to enable us to work together for sustainable growth. Markets are a place where goods and services are traded, but also a place where different values and beliefs meet. Not only does this drive labour productivity and investments across nationalities, contributing to stable growth in markets and economies, new jobs and innovation, it also improves our understanding of our different beliefs and world views, contributing to open discussions and even peace.



PRIORITISING OPPORTUNITIES AND ACTIONS FOR SUSTAINABLE DEVELOPMENT

- Integrated part of KGH and our business
- Financially sound in combination with a positive environmental and social impact



- We@KGH believe everyone bears a responsibility to contribute towards a sustainable future. KGH has a history of having a facilitator role in the world of international trade, and we know from experience how ideas, engagement and action have a domino effect. That is why all action starts with the individual.
- However engagement also creates a circle where societal change triggers individual engagement, which is why we see sustainability as a self strengthening circle moving towards the future.
- KGH Sustainability Board, with representatives from each area in the model, meets regularly to follow up on actions and to make sure that we have progress. This applies both internal and external efforts.



Contributing to increased well-being by stimulating employees to engage in sustainability work and the development of new initiatives.

■ Facilitate sustainability initiatives through the KGH Sustainability Foundation

By forming a KGH Sustainability Foundation, all initiatives are centralised within the KGH Group. The foundation consists of many voluntary members from different countries who manage and coordinate initiatives like donations and free access to customs consultancy and declarations for our charity partners such as UNICEF and Red Cross.

■ Engage employees

Our people are the greatest asset within the KGH Group. By training and encouraging them to support sustainability efforts, we create engagement at a much broader level. Training can cover anything from anti-bribery & corruption to business ethics. Employees will be able to participate through low-level entries like special mailboxes or the Zone.

■ Communication via common intranet

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

■ Engaged Management Team

The members of our Management Team regularly post information on our Intranet for increased transparency and continued employee inclusion.



Creating and maintaining an inclusive and attractive workplace culture that delivers sustainability for the organisation into the future.

■ Promote equality

It is our fundamental belief that all employees shall be treated equally, fairly and with respect. Irrespective of gender, age, religion, ethnicity, cultural and social background, birthplace, disability, gender identity, gender expression, sexual orientation, political view or union representation.

■ Promote diversity

A true international company has an inclusive mindset where diversity is appreciated – and we strive to take full advantage of all the knowledge and experience we have in the organisation. Our diversity and equality work supports the human rights and are communicated to all new employees.

■ Create a positive work environment

Working at KGH means working in an international environment together with passionate and highly competent colleagues. Our focus is to create a positive work environment to attract, recruit, develop, engage and retain our talents. Offering good working conditions and work environment (#greatjobsforgreatpeople) is as important as supporting a good balance of private and professional life.



Creating and maintaining an inclusive and attractive workplace culture that delivers sustainability for the organisation into the future.

■ Labour

We support the ILO Core Conventions and will not do business with any organisation that uses forced or child labor. All 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.

■ Including work environment

We facilitate 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.



Considering the environmental impact is a key aspect in the actions and decisions we take to drive our business.

■ Invest in digitalisation

In the world of customs, it is all about documents. A lot of these documents need to be archived for legal purposes, which is still done using paper archives in a lot of cases. By changing to digital archiving, a lot of savings can be achieved in paper resources and printing. Also, with current Internet speeds and streaming services, investing in digital meeting rooms allows seamless interaction but without the environmental burden of travel.

■ Create sustainable operation

Sustainable operation can be achieved by many small and large changes in day-to-day operations. These can vary from ecological printing (only when necessary and double sided) and separating waste for recycling to using green suppliers (green energy, recycled toner cartridges) and low energy devices (LED lights, thin client computers). In green IT, we strive to choose equipment as well as design data centres in ways that maximise energy efficiency during their lifetime and with as little environmental footprint as possible (e.g. use of hazardous materials, biodegradability of unused and outdated products).



Creating efficient, sustainable and scalable customs processes to ensure international trade is a facilitator for business growth.

■ Automate our customs processes

The increased development of digital automation in the world affects us all. Within customs services, digital automation helps us achieve fully scalable customs processes that minimise paper waste and lead times. It also allows our customs experts to free up more time to continuously improve customs processes ensuring international trade continues to be a facilitator for business growth.

■ Digitalise our customers' customs processes

Our software endeavour has one single purpose in mind; facilitating trade through efficient, scalable and digitised customs processes. With our Customs Trade Digital Solution suite (CTDS), we are confident that we are reaching our goal. As trade is based on supply and demand, volumes fluctuate and routes change, and we want to contribute with digital customs processes that handle the flexibility and complexity of the real world, while eliminating waste paper and cutting lead times.

■ Bring businesses' concerns to governments

Governments are core stakeholders – as partners, controllers and customers. They are also forums to which we always want to bring the voice of the traders and businesses involved in international supply chains. As international trade and customs compliance gets ever more complex, we want to contribute with a real-world perspective, working towards processes that are efficient, scalable and sustainable for businesses.



Supporting governments in implementing trade-facilitating systems and programmes, while helping the private sector use them for better trade.

■ **Bring AEO/Trusted trader programmes to the world**

The WTO- and WCO-based Customs-to-Business partnership known as the Authorised Economic Operator (AEO) or Trusted Trader programme is central to the international standardisation of processes, simplifications and security related to customs. KGH is world leading in implementing AEO programmes and AEO Mutual Recognition Agreement (MRA) models on a government level, with successful project implementations in Australia, Brazil, CEFTA, EU, Iceland, Saudi Arabia, UAE and many others. We are also supporting the private sector in achieving, maintaining and utilising AEO status. Standardisation is one of the main tools to reduce trade barriers and facilitate trade.

■ **Optimise borders across the world**

Using WCO and UN standards, our expert teams in border management are helping governments across the world to optimise their processes and technology for border crossings. We are also involved in BPR and technology projects with governments to fully digitalise border crossings and further optimise processing time thanks to the implementation of Single Window, One-Stop-Shop and advanced Risk Management solutions. In addition to improving the flow of goods and countries' export capabilities, optimised borders also reduce queues and waiting time, which in turn reduces CO₂ emissions and waste. Our Customs Academy, providing digital and classroom training through blended learning, educates supply chain professionals all over the world in how to cross borders in the most sustainable way.



Contributing to a more sustainable future through close partnerships with both public authorities and businesses.

■ **Promote and support businesses in tariff-free imports from GSP countries**

Generalised Scheme of Preferences (GSP) is a system allowing developing countries to pay fewer or no duties on exports to the EU, providing access to EU markets and facilitating growth through trade. As this is in line with our beliefs, we are constantly promoting and supporting our customers to utilise GSP solutions and start importing from developing countries to extend partnerships in trade – and facilitate growth where it is needed the most.

■ **Maintain sustainability network with customs service providers**

We have acquired a wide network of customs service providers to provide our services throughout Europe. This network is a continuous forum for identifying how customs service providers can contribute to a sustainable future.

■ **Strengthen and share our competences in networks with mutual values**

With a special role in the market as specialists in international customs legislation and management, we are actively participating in many interest and competence networks to help improve competences and develop international trade. These networks include European Liaison Committee of Common Market Forwarders, Trade Contact Group in the EU Commission, several Chambers of Commerce as well as many other national and international forums, committees and projects. We believe these networks are an important foundation in sustainable growth



GOVERNANCE MODEL BUILT INTO THE ONGOING BUSINESS

- Natural extension of existing areas of responsibility
- Ownership
- Agility



Policy decisions
Follow-up of progress
ESG reporting
UN Global Compact

Execution
Policy development

Contributing to fight corruption through close partnerships with both public authorities and businesses.

■ **Supports the UN Global Convention**

KGH actively supports the UN Global Convention against Corruption and will not participate in any corruption, bribery or extortion. There are several internal policies in place to further advance transparency and the zero tolerance on bribery, extortion and corruption.

■ **Fight crime and corrupt behavior**

We actively cooperates with Customs Agencies in countries of operation and implements a Customs Policy guiding the interaction between KGH Customs Services 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.

■ **Harmonised customs related operations**

Authorised Economic Operator, AEO, is an permit designed to increase the security in the world as well as to harmonise the customs related operations. In KGH we strive to hold the permit AEO wherever we operate.

■ **Compliance awareness e-learning**

We are on a yearly basis conducting an Compliance awareness e-learning which is mandatory for all employees to take.



ONGOING ACTIONS AND MEASUREMENTS

- KGH actively supports the Universal Declaration of Human Rights and is committed to ensuring that all employees are treated fairly and with respect.
- We monitor the outcome of the working groups in each location/office and addresses their suggestions for improvement regarding human rights related issues.
- Policies are implemented to support the Human Rights and also a grievance mechanism is in place to handle problems experienced in the work place.
- Explicitly mentioned is that KGH facilitate for employees to combine their employment and parental responsibilities.
- Our diversity and equality work supports the Human Rights and are communicated to all employees.
- The members of our Management Team regularly post information on our intranet for increased transparency and continued employee inclusion.
- Yearly review of Code of Conduct, which is launched both on intranet and website.



- 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.
- A yearly employee survey covering areas as team, leadership and employer attractiveness, is run by an external supplier to secure full anonymity.
- Every year our Diversity and Gender Plan is revised and the efforts made evaluated and the gender balance for the last years is at an even level.
 - ▶ 2019 – 57% women / 43% men
 - ▶ 2018 – 55% women / 45% men
 - ▶ 2017 – 55% women / 45% men



- 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 we monitor are within the areas: governance, health and well-being of staff, community program and use of office material.
- Local working groups are initiatives that bring sustainability and focus on the environment, based on the 17 principles in the UN Global Sustainability goals, to an everyday practical level.
 - ▶ **Example of activities:**
 - ▶ Offices participate in recycling schemes involving office material.
 - ▶ Buy organic fruit when possible.
 - ▶ Workplaces have a double computer screen system in order to reduce the number of printed documents.
 - ▶ Reduce our carbon footprint by using teleconferencing and video instead of travelling.
- A KGH office standard has been launched and an mapping of our offices have been conducted.
- Our KGH Sustainability Foundation coordinate initiatives like donations and free access to customs declarations for our charity partners such as UNICEF and Red Cross.



- KGH has zero tolerance on bribery, extortion and corruption and to be able to support this work we have a Compliance Network who meet regularly for follow up and actions.
- KGH uses internal auditors and controllers to identify any spurious payments that could be related to bribery or corrupt behavior.
- Internal e-learning about Compliance Awareness is mandatory for all employees and are renewed yearly for all staff to prevent undesired or even criminal behavior.
- Via a whistleblower function on our intranet, everyone can report suspicion of crime.
- KGH actively cooperates with Customs Agencies using MoUs in countries where this is possible. The MoU guides the interactions between KGH, Customs and the Clients in order to fight crime and corrupt behaviour.
- We strive to hold the permit AEO wherever we operate. AEO is a permit to increase the security in the world as well as to harmonise customs related operations.





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