

# Sustainable trade

-a driver for sustainable development



Sustainability report 2018

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Words from our CEO – Trade is vital to sustainable growth

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## UN Sustainability Goals



No poverty



Zero hunger



Good Health & well-being



Quality education



Gender equality



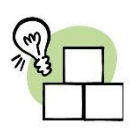
Clean water



Affordable & clean energy



Decent work & economic growth



Industry, innovation & infrastructure



Reduced inequalities



Sustainable cities & communities



Responsible consumption & production



Climate action



Life below water



Life on land



Peace, justice & strong institutions



Partnerships for the goals

# Trade is vital to sustainable growth

Facilitating trade for sustainable growth is KGH's mission. It lies in our legacy and our basis for existence. Through our knowledge, solutions, and the efforts of our employees, KGH creates value for our stakeholders.

However, the view of value creation is changing. Economic growth based on increased international trade is a prerequisite for many of the UN's 17 Sustainable Development Goals. While at the same time, it is necessary to consider social and environmental development. That is what corporate sustainability is about – an exciting opportunity and responsibility that can make us more attractive as a company, partner and employer.

To summarise what we already do and to set a clear direction for the future, we have formulated a KGH Sustainability Strategy and Action Programme. This programme defines our focus areas, the sustainability goals we want to contribute to, and how these results are achieved.

Based on the role that we play in international trade, we acknowledge the challenge and are humble to what degree a professional services company could contribute to the SDG's. In addition we are determined to continue contributing towards sustainable growth – for our stakeholders, for ourselves and for the society.



Lars Börjesson  
President and CEO



## **About the sustainability report**

*This is KGH Customs Services' first sustainability report and no external audit has been carried out. However, we intend in the long term to review the sustainability report. The content of the report is based on KGH's most important issues given the business and how this affects the environment. The sustainability report covers the entire KGH business; KGH Customs Services and all subsidiaries. This report covers the period from 1 January to 31 December 2018.*



## This is KGH

KGH has been providing customs brokerage services since 1963. Today, we offer a comprehensive range of border-related services to customers across Europe, catering their customs needs 24 hours a day, seven days a week at our operational offices, which are strategically located in key ports and border crossings.

We help our customers prosper in a responsible, sustainable way by aiding them in accessing new markets and improving their 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 places where goods and services are traded, but are also places 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 sustainable relationships.

*“Facilitating trade for sustainable growth”*

### Key figures:



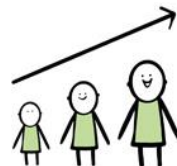
European leadership  
with global reach  
**13** countries



Dedicated experts  
**750** employees



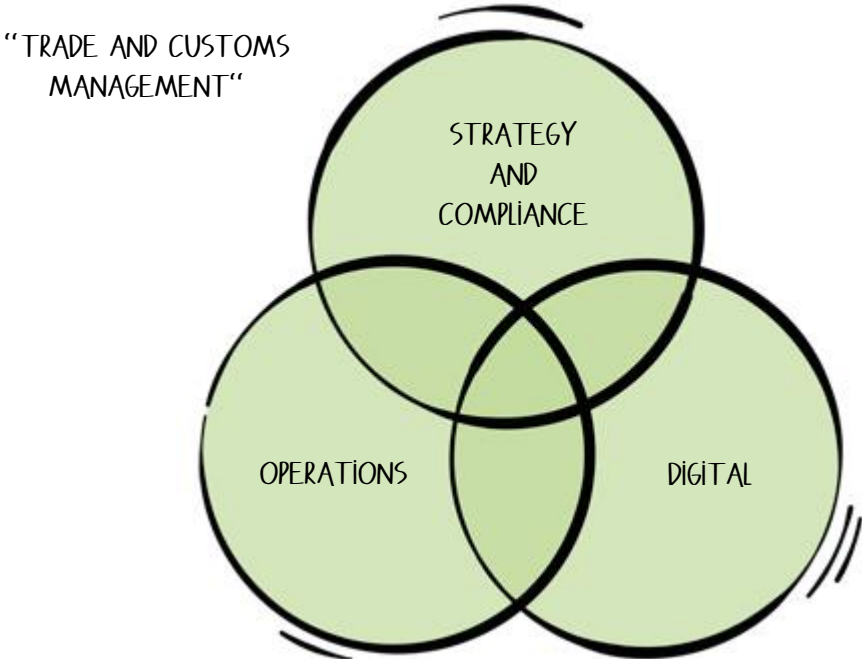
Customer portfolio  
**27 000**  
active customers



Growing company  
**80M €** revenue  
at >10% growth rate

# Business concept

In KGH we offer and deliver innovative Strategy and Compliance, Operations and Digital Services, ensuring optimized Trade and Customs Management.



### Trade Performance

Predictable, speedy and effective customs processes give customers competitive advantages – reducing working capital, ensuring delivery certainty and enabling just-in-time business processes.

### Control and Risk Mitigation

Being involved in international trade means dealing with risks on a daily basis – compliance risks as well as risks with direct economic impact. These risks must be controlled and mitigated through a thorough and a structured approach.

### Duty Optimization

The several hundred free trade agreements for goods in force have to be utilized in an optimized way. And for goods without FTAs, customs duties must be calculated and paid correctly according to the relevant legislation.

### Operational Efficiency

Operational customs issues haven't been top of the agenda for most companies. This can result in lower quality, higher risks and costs. Today, coordination, centralization, harmonization and, ultimately, automation of the processes are the way forward.

*“Our vision is to be the leading provider of Trade and Customs Management in Europe – with global reach.”*

# Corporate sustainability

The stakeholders of a company have expectations on it's behaviors.



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.

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.

Corporate sustainability stems from the Triple Bottom Line concept which proposed that



“Creating sustainable trade is our mission and our challenge. Trade on equal and fair terms is something that is intensely debated and also contested. I am convinced that we have the people and the tools that can play an increasingly important role in promoting international and sustainable trade. The board very much looks forward to following and contributing to this important work.”

Magnus Sjöqvist, Chairman of the board

# KGH Sustainability Programme

-Creating sustainable trade

KGH plays an important role in international trade and we are determined to continue contributing to sustainable growth – for our stakeholders, for ourselves and for the society we are a part of. Our sustainability programme expresses our focus areas, the sustainability goals we want to contribute to, and the steps taken in achieving these results.

## Trade is vital to sustainable growth

Economic growth based on increased international trade is a prerequisite for many of the UN's 17 Sustainable Development Goals. Facilitating trade is also KGH's mission. It lies in our legacy for 50 years and is our driving force forward. The solutions we provide help our customers prosper in a responsible and sustainable way by aiding them in accessing new markets and improving their performance in existing ones. As we grow, so does our ability to improve our services, to enable us to work together for sustainable growth.

## A self-strengthening circle

We@KGH believe everyone bears a responsibility to contribute towards a sustainable future. KGH has a history of having a prominent/leading 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. Engagement also creates a circle where societal change triggers individual engagement, which is why we see sustainability as a self-strengthening circle moving toward the future.

## Contributing to the UN goals through six focus areas

KGH pursues the sustainability work through six focus areas to reach set goals. They are divided into external and internal efforts.

We focus on five UN Goals:



Gender equality



Decent work & economic growth



Climate action



Peace, justice & strong institutions



Partnerships for the goals

# Internal Efforts

## Engagement



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 centralized 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 Save the Children 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 are continuously auditing programs, ensuring that our site complies with our policies and principles.

### **Engaged Management Team**

The members of our Management Team regularly posts information on our intranet for increased transparency and continued employee inclusion. Facilitate sustainability initiatives through the KGH Sustainability Foundation.





## Employee workplace

Creating and maintaining an inclusive and attractive workplace culture that delivers sustainability for the organization 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.

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.

### 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 organization. Our diversity and equality work supports the human rights and are communicated to all new employees.

### Labour

We supports the ILO Core Conventions and will not do business with any organization 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.

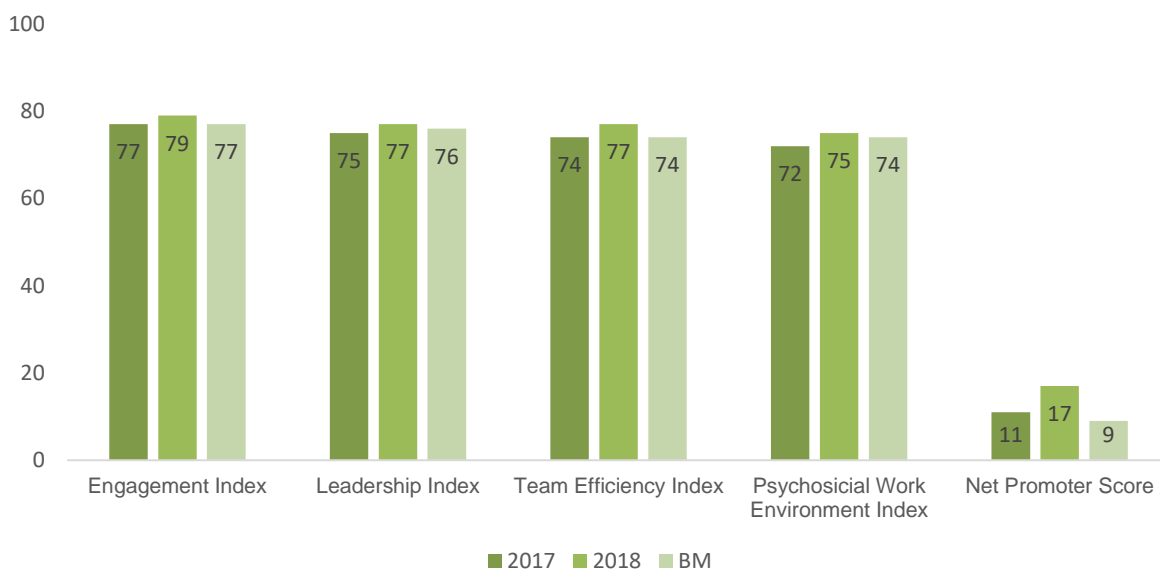
### Create a positive work environment

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

### Including work environment

We 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.

## WE@KGH - employee survey



BM – Benchmark is based on about 500 000 responses from over 200 organisations (Nordic and international)



## Green Operations

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



### Invest in digitalization

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 by paper means 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 without the environmental burden of travel.

### Create sustainable operation

Sustainable operation can be achieved by many small and large changes on 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 maximize 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).

## Anti-corruption

### Fight crime and corrupt behavior

We actively cooperate with Customs Agencies in countries of operation and implement a Customs Policy guiding the interaction between KGH and our clients in order to fight crime and corrupt behavior. KGH actively cooperates with Customs Agencies using MoUs in countries where this is possible.

### Harmonized customs related operations

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.

### Anti-Bribery and Corruption e-learning

We conduct an annual Anti-Bribery and Corruption e-learning which is mandatory for all employees to take.

## Summary internal efforts

<i>Vision statement/focus areas</i>	<i>Long term target</i>	<i>Achievement 2018</i>	<i>Plan 2019</i>
<b>Engagement</b> - <i>To engage employees in internal as well as external initiatives with NGO support</i>			
WE@KGH	85	79	All employees to answer the survey and all teams to work on improvement plans.
Sustainability foundation		Established	Increase awareness in the organisation and promote engagement.
External & internal collaboration partners	To be defined 2019	Potential organisations identified	1) Initiate external cooperation. 2) Initiate internal project for employees.
<b>Employee workplace</b> - <i>To be a company in the top quartile compared with benchmark companies</i>			
Gender diversity	50/50	Men 45%, women 55%	Monitor and take actions if needed.
Zero tolerance against discrimination	100%	94%	Continue implementation of core values.
Trainee programs	10/year	4 trainees	Launch pilot in Sweden "Jobbsprånget".
Sick leave	<3,5%	4,7%	Monitor and take actions if needed.
Equal pay for equal jobs	Zero difference		Salary structure mapping analysis based on gender and by country.
Psychosocial Work Environment Index	Yearly +2 on current	71	Improvement plans on team level where needed.
<b>Green operations</b> - <i>To constantly increase our resource efficiency</i>			
Role model office	To be defined 2019	Office guideline has been developed	Mapping, analysis and setting target.
Increase resource efficiency	-5% annually*	N/A	Increase usage of video conference, e-archive, digital tools etc.
<b>Anti-corruption</b> – <i>To further advance transparency and zero tolerance on crime</i>			
E-learning anti bribery and corruption	100%	99,9%	All employees to read and understand.
Code of conduct	100%	99,9%	All employees to read and understand.

\*Energy, water, office consumables, travel / total FTE's

# External efforts



## Sustainable Customs Process

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 minimize 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.

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.

### Digitalize our customers' customs processes

Our software endeavor has one single purpose in mind; facilitating trade through efficient, scalable and digitized customs processes. With our coming CTDS suite, we are confident that we are reaching our goal. As trade is based on supply

## Reducing Trade Barriers



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 Authorized Economic Operator (AEO) or Trusted Trader Programme is central to the international standardization 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 utilizing AEO status. Standardization is one of the main tools to reduce trade barriers and facilitate trade.

### Optimize borders across the world

Using WCO and UN standards, our expert teams in border management are helping governments across the world to optimize their processes and technology for border crossings. We are also involved in BPR and technology projects with governments to fully digitalize border crossings and further optimize 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, optimized borders also reduce queues and waiting time, which in turn reduces CO<sub>2</sub> 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. Bring AEO/Trusted trader programs to the world

## Collaborating



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 utilize 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 interests and networks to help improve competence 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

## Summary external efforts

<i>Vision statement/focus areas</i>	<i>Long term target</i>	<i>Achievement 2018</i>	<i>Plan 2019</i>
<b>Customs Processes</b> – <i>Digitalize and automate customs processes in line with governmental vision and customer needs</i>			
Automate our customs processes	5% annually	~4%	Implementation and roll out of our digital solutions.
CO <sub>2</sub> reduction at border crossing	-50% in countries where KGH has implemented AEO	Designed and under implementation in Saudi Arabia	New control processes in implementation of AEO schedules will reduce waiting times at the border.
<b>Trade Barriers</b> – <i>To support and facilitate bilateral negotiations on Mutual Recognition Agreement between countries</i>			
Support MRA negotiations	Two MRA´s on annual basis	-MRA Saudi/UAE -MRA Brazil/USA	Two MRA´s
<b>Collaborating</b> – <i>Get everyone together to mobilize actions</i>			
Promote KGH Sustainability initiatives	Inspire others to sustainability actions	N/A	1) Establish sustainability section in the KGH Network Partner portal. 2) Establish sustainability section on the KGH external web. 3) Have a speech slot at the yearly KGH Partner Network conference. 4) Have a speech slot at the yearly ETN (Euro Trade Net) conference. 5) Introduce a sustainability section in the KGH Customer presentation.
Learn from others sustainability initiatives	Inspire KGH to evolve into next level of sustainability actions	N/A	1) KGH Network Partners input to sustainability portal. 2) Carry out a KGH Sustainability round-table among stakeholders in Sweden (Sweden first out)
Collaborative sustainability projects	Make a difference through joint sustainability actions	N/A	1) Establish one joint project among the participants in the KGH sustainability round-table.

“Trade has always been a way to connect the world’s people and create wealth. It’s based on cooperation, communication and an exchange of ideas, and the economic value of trade is spread to the people, businesses and nations involved. Overall, these new ideas will challenge old ways of doing business and creating change for the benefit of the future.

To succeed long-term, and to give our sustainability program the attention it requires, it must build on our core business. That allow us to focus our efforts and resources in one direction, and the outcome becomes a part of the total value creation.

It is about credibility, persistence, and sound profitability.”

Lars Börjesson, CEO



