



Global Transport and Logistics

2016

CSR Report



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THIS CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORT IS A COMMUNICATION ON PROGRESS (COP) OF THE DSV GROUP under the United Nations Global Compact, which DSV signed in 2009. The CSR Report gives information and data on the CSR activities of the Parent and of subsidiaries of the DSV Group in which the Parent has an ownership interest of more than 50%. The CSR Report covers the twelve-month period ending 31 December 2016. The CSR Report also covers the statutory reporting on corporate social responsibility and the gender composition of senior management as prescribed by sections 99a and 99b of the Danish Financial Statements Act. This CSR report has not been externally audited.

With this progress report, we would like to express its continued support to the United Nations Global Compact initiative and its ten fundamental principles as well as its efforts to achieve the Sustainability Development Goals. We also encourage all our business partners to support the Global Compact initiative.

Performance highlights for 2016

EMPLOYEES

22%

reduction in **occupational accidents** since **2014**

ENVIRONMENT

1,141

reports were provided on **carbon footprint data** to customers, corresponding to 4.9% of DSV's total **carbon emissions**

CHARITY

DSV is **donating** warehouse services for **Danish Red Cross** base camp equipment used at **disaster sites** around the world



ENVIRONMENT

In 2016, we developed 400,000m² **energy efficient warehouse** and **office space**



ENVIRONMENT

In Sweden, we are transitioning to **renewable bio-diesel** for all **domestic groupage** transports

EMPLOYEES

We **doubled** in both number of **employees and locations** in 2016



DSV – at a glance

WE SUPPORT OUR CUSTOMERS' ENTIRE SUPPLY CHAIN

DSV – Global transport and logistics

DSV was founded in Denmark by 10 independent hauliers in 1976. Since then, DSV has evolved to become the world's 5th largest freight forwarder with more than 40,000 employees and offices in more than 80 countries.

The acquisition of UTi Worldwide Inc. in January 2016 doubled our number of employees and significantly increased our global footprint.

Through our three divisions, we offer a full range of transport and logistics services, supporting our customers' entire supply chain.

DSV is listed on Nasdaq Copenhagen (DSV.CO).

DSV Air & Sea

Transportation of all types of cargo by air and sea. We offer standard and industry-specific logistics solutions through our global network supplemented by a Project Department, which handles exceptionally large or complex projects.

DSV Road

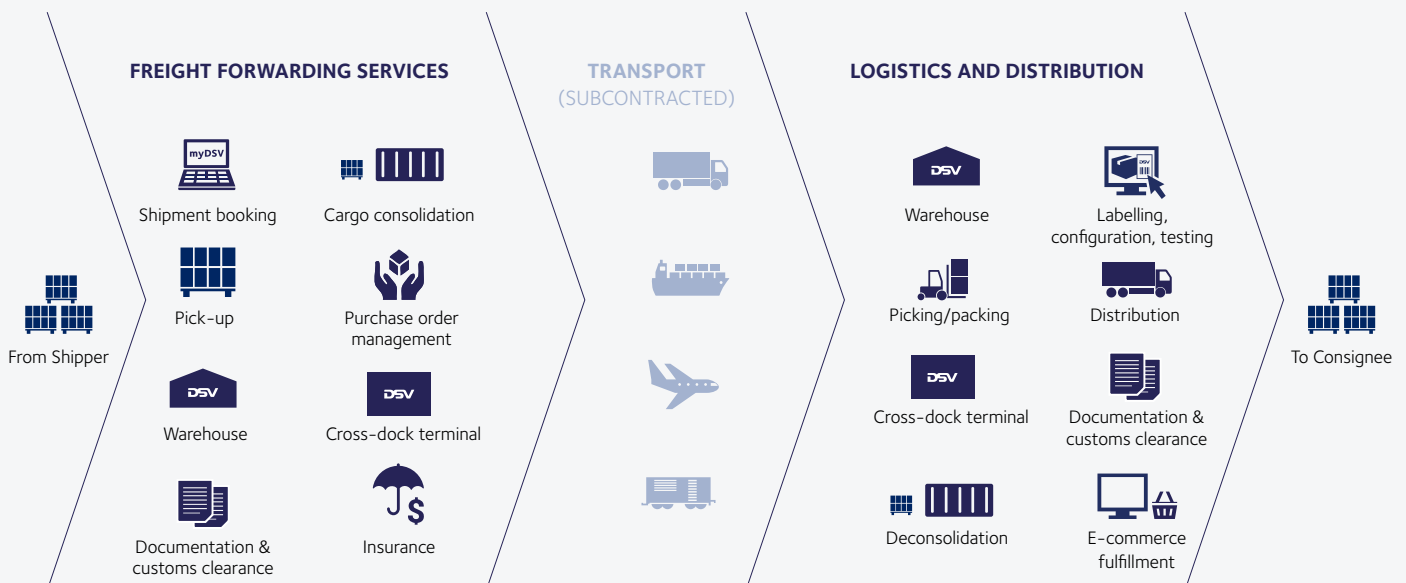
One of Europe's leading providers of road freight. Furthermore, we offer distribution services in North America and South Africa. We offer both groupage, part loads and full loads as well as more specialised services, including temperature-controlled transportation.

DSV Solutions

Specialised logistics solutions, including warehousing and distribution, packaging, freight management, customs clearance, e-commerce and e-business support.

People IT systems Industry knowhow Standardised global workflows Carrier relations Global network with local presence

KEY RESOURCES AND PERFORMANCE DRIVERS



SUPPLY CHAIN VISIBILITY

Alerts Exception management Track and Trace Proof of delivery KPI reporting

GLOBAL PRESENCE

AMERICAS

- North, Central and South America

92 offices
49 logistics & cross-dock facilities
7,100 employees

EMEA

- Europe, Middle East and Africa

452 offices
383 logistics & cross-dock facilities
31,900 employees

APAC

- Asia, Australia and the Pacific

108 offices
59 logistics & cross-dock facilities
5,700 employees

FINANCIAL HIGHLIGHTS 2016

NET REVENUE

67,747

DKK million

↑ 33.2%

GROSS PROFIT

15,838

DKK million

↑ 41.4%

OPERATING PROFIT BEFORE SPECIAL ITEMS

3,475

DKK million

↑ 13.9%

ROIC

21.5%

(2015: 26.8%)

CONVERSION RATIO

21.9%

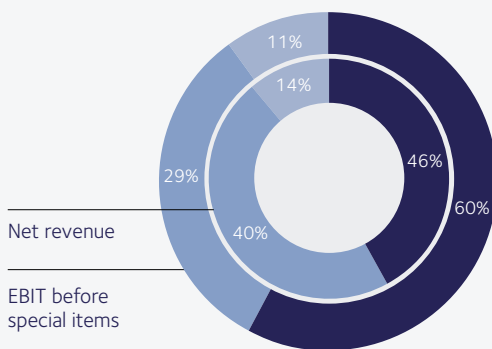
(2015: 27.2%)

OPERATING MARGIN

5.1%

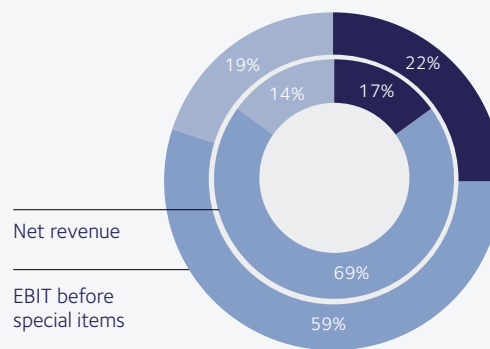
(2015: 6.0%)

GROUP SEGMENTATION BY DIVISION



■ Air & Sea ■ Road ■ Solutions

GROUP SEGMENTATION BY REGION



■ Americas ■ EMEA ■ APAC



The environment is the single most important CSR issue for the transport sector

We need help to achieve our common climate goals. From customers who are willing to reduce emissions through smarter planning and implementation of technological innovations to legislators who are willing to enact market-wide rules and regulations that we all must follow.

At DSV we have a solid CSR foundation. We work systematically to improve safety for our employees and by educating our managers in business ethics and monitoring activities to ensure that we follow the rules. This work is all part of running an ethical business that interacts with employees, partners and society in a fair and decent manner.

But, the transport sector is one of the major sources of greenhouse gas and particle emissions. That puts a special responsibility on our shoulders.

Our initial approach was to set up goals for the reduction of emissions from our transport brokerage services. And we did in fact measure a great improvement in our energy efficiency, the consequence being lower carbon emissions from every shipment whether transported by road, air or sea.

However, we also discovered that we have very little direct influence on the emissions generated by our transport subcontractors and that we could not really distinguish whether improvements were attributable to an optimisation of filling rates or our subcontractors' ability to optimise fuel consumption.

That is why we are now focusing on collaboration with customers to bring down emissions. This collaboration can take many forms, from working on alternative transportation routes to implementing new technology like the technology used in Sweden where our trucks for domestic

distribution now run exclusively on hydro-treated vegetable oil (HVO) biodiesel.

We need help to achieve our common climate goals. From customers who are willing to reduce emissions through smarter planning and implementation of technological innovations to legislators who are willing to enact market-wide rules and regulations that we all must follow. Such willingness is important to achieve a global and sustainable conversion to replace the use of fossil fuels in the transport sector. A great change will come if we make a collaborative effort and we are very eager to be part of that change.

In this CSR Report you will find descriptions and examples of how we work with CSR in accordance with the UN Global Compact. You can also read about the obstacles and challenges that we meet and how we are trying to overcome them. We are a business, and we work in the context defined by our markets, but we have a choice not to use tax shelters, to measure emissions and to be ready to implement new technologies and ideas together with our customers.

Jens Bjørn Andersen

CEO
DSV A/S

Managing impacts of our business operations

At DSV we strive to integrate environmental performance, business ethics and social responsibility with business management and processes. We believe that this is the most effective way to ensure changes when working with corporate social responsibility.

Since 2009, we have actively supported the UN Global Compact initiative and its focus on advancing key principles of anti-corruption, environment, human rights and labour, and during this period we have made regular reports on our progress. The initiative continues to provide the framework for our efforts to change and shape practices towards increased sustainability and higher ethical business standards.

Governance structure

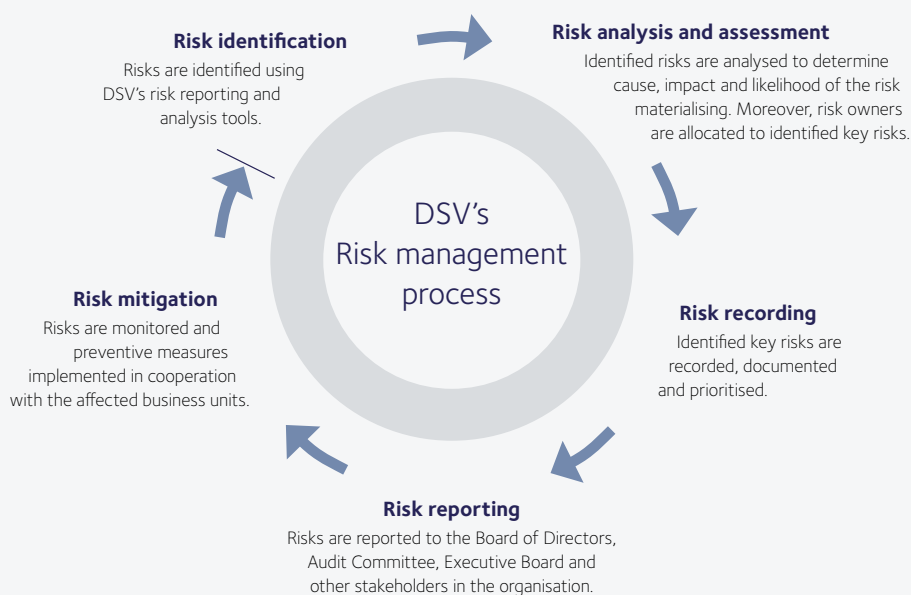
Our CSR activities follow the directions given by the Board of Directors. The Board determines the CSR strategy, targets and group policies together with the Executive Board, and our corporate CSR Department follows up on these initiatives through annual evaluations. The day-to-day CSR activities are managed by the Executive Board and the

corporate CSR Department and implemented through local initiatives in the individual subsidiaries.

CSR as risk management

Risks management is an integral part of our business. Using a structured risk management approach, we strive to engage the right amount of resources for risk mitigation while leaving enough capital for business development. CSR can also be viewed as a series of risks to the environment and our stakeholders that must be minimised while still allowing us to do business. By using the same structure and tools for the risk management processes, we gain the added benefit of integrating CSR directly into our business processes.

RISK ASSESSMENT METHOD



Risk management at DSV is structured as two parallel processes: ongoing reporting and a follow-up on identified risks in our day-to-day operations and a more extensive risk analysis addressing the overall strategic risk scenario of the Group.

Every week, the Executive Board makes a report to the Board of Directors and the Audit Committee about any risks notified by Group entities. At the same time, the Executive Board notifies the Board of Directors of any actions taken to mitigate the identified risks. In addition to the regular reports, the Audit Committee also receives status reports on significant key risks at all Committee meetings.

Every two years, an extensive Group-wide risk analysis is carried out in which risks are assessed and quantified by key employees from all levels and areas of the organisation. Based on this work, a Group key risk analysis is finalised and considered by the Executive Board, the Board of Directors and the Audit Committee.

Dynamic risk adaption

As our business and the world around us continue to change, our internal risk management procedures are designed to adapt accordingly. This process is spelled out in figure at page 8.

Risk analysis

The latest Group-wide analysis of internal and external strategic risks was carried out in Q4 2015. The analysis

identified six key risk factors, which may have a significant impact on the Group's earnings, financial position and achievement of other strategic objectives. The risks identified were re-evaluated at the end of 2016, and this re-evaluation led to minor adjustments to the risk assessment shown in the figure below.

CSR goals: risk and materiality

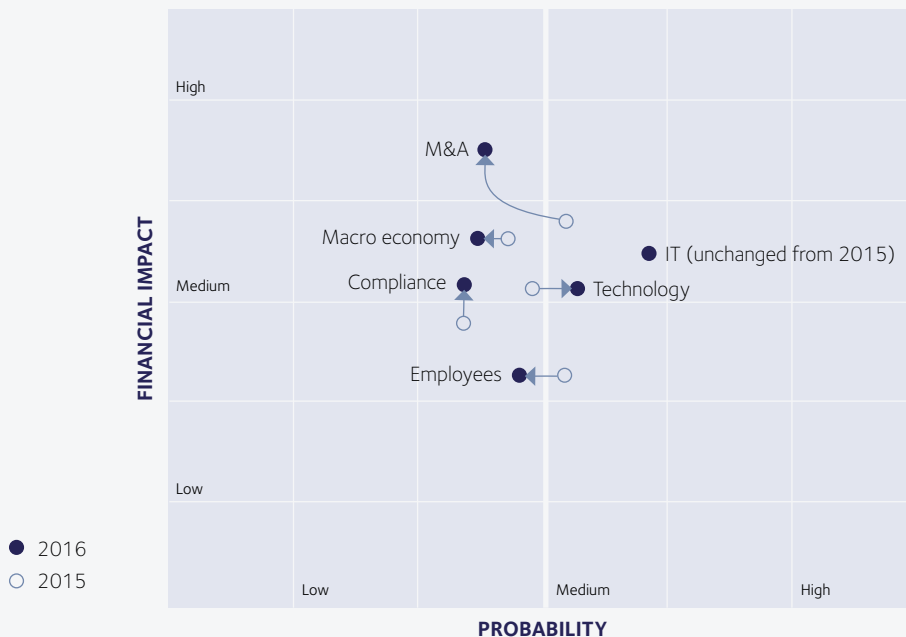
In order to find the most important goals for CSR at DSV, we combine our general risk assessment with a CSR materiality assessment.

In the context of our CSR work and reporting process, we define materiality as issues having a direct or indirect impact on the DSV group's ability to create, preserve or affect economic, environmental and/or social value for the organisation, our stakeholders and society in general.

Issues of materiality affecting the corporate social responsibility are not limited to elements of the Group-wide risk analysis, which are defined by having a significant financial impact on the organisation. They also include environmental matters, social matters and business ethics elements, which are identified by internal and external stakeholders as elements potentially having an impact on our position as a responsible global organisation.

The materiality issues that we consider the most essential are those that have the greatest impact on our business

RISK ANALYSIS



activities and our most important stakeholders both in the short and long run.

Ongoing assessment of materiality

Materiality is assessed at Group level. The process is an iterative process for collecting, analysing and evaluating input from operational units and external stakeholders, such as selected customers and investors. Another element in the assessment is the insight that we gain from external evaluations performed by various sustainability-rating agencies.

As stakeholders' priorities not only change over time but also differ, for example across customers in different industries, the assessment of materiality issues is a constant process. With this constant process in place, we make regular adjustments and can include new themes whenever identified.

Accordingly, the materiality assessment is also an operational tool supporting both current and future business activities that clarifies our largest operating risks and the potential for contributing to a positive development in the communities in which we operate.

Finally, the materiality assessment advances our current stakeholder engagement and provides an opportunity for Group management to discuss sustainable development issues – risks and opportunities – in an objective manner



Major integration project in 2016

On 22 January 2016, DSV closed the acquisition of UTi Worldwide Inc., a global asset-light supply chain and logistics service provider headquartered in the USA. The acquisition gave rise to a comprehensive integration project. More than 20,000 employees across approximately 450 offices and logistic centres in 58 countries are being merged into DSV.

An acquisition of this size puts a strain on company resources while the acquired company is integrated into existing frameworks that often also have to adapt to accommodate the larger organisation. During this process, some of the focus areas of the CSR Department have been to implement business ethic policies among employees, to maintain the pre-merger service level of carbon emission reporting and to establish procedures for data collection in the new company structure.

THE DSV BUSINESS MODEL AND CSR AREAS



This figure shows the DSV business model and the material impact of the CSR areas on business activities. The figure also shows the steps of the value chain in which DSV has the potential of having the greatest impact. Obviously, the greatest impact can be made in connection with activities carried out by DSV enterprises, while the potential impact on transport subcontractors is lower.

that can then be used to create operational goals for CSR initiatives and reporting.

United Nation's Sustainable Development Goals

In 2015, the United Nations launched the Sustainable Development Goals (SDGs), which have now been adopted by 194 countries. The 17 goals with 169 targets are meant to give directions to the participating nations on sustainability initiatives.

As these goals are targeted primarily at national states, they only indirectly involve commercial enterprises like DSV. However, since they will probably lead to more mandatory sustainability reporting requirements targeting large enterprises in the various national states as seen recently in the European Union, it makes sense for DSV to integrate the SDGs into our CSR work. Going forward, we will use the goals to improve and guide our CSR activities and use our CSR reports to show how we connect our strategic activities to each relevant SDG and target.

To do this, we have assessed our CSR strategy and our own targets against the SDGs. We found that there are several direct connections between our CSR targets and the SDGs,

but also connections that are more indirect and where government policies may have an impact on our ability to contribute.

The Sustainable Development Goals give us a shared language



In addition to the concrete work of relating our CSR activities to the context of the SDGs, we also see the goals and targets as a common language that can be used to build bridges to stakeholders.

As is emphasised in this report, we believe that partnerships and collaboration are paramount to pursue a sustainable agenda. Using the SDGs we will be able to collaborate in a more efficient manner. To this end, we use the SDGs both as a communication tool and as a framework for collaboration whenever possible.

Bringing it all together

DSV uses a combination of risks and materiality assessments to determine key CSR initiatives. Those initiatives are put into the context of the SDGs for both reporting and collaborative purposes. The overview below shows our key CSR issues for 2016.

MATERIALITY, MAJOR BUSINESS RISK AND KEY CSR AREAS

MATERIALITY ISSUE	MAJOR BUSINESS RISK	KEY CSR AREAS	2016 CSR REPORT	SUSTAINABLE DEVELOPMENT GOALS
CUSTOMER CARBON EMISSION REPORTING AND CARBON FOOTPRINT		Environment and climate	Page 12 - 18	  
COMPLIANCE (COMPETITION AND ANTI-CORRUPTION LEGISLATION)	X	Business ethics and anti-corruption	Page 19 - 23	
EMPLOYEE SAFETY	X	Employees and working environment	Page 24 - 28	   
SUPPLIER CONDUCT		Subcontractors	Page 29 - 33	  

Environment and climate



The main environmental impact from our activities is the CO₂ emissions our transports generate. This is one of the greatest CSR issues we face.

CO₂ is a substance that is not toxic to humans, but as a so-called greenhouse gas it contributes to global warming, which has major consequences for the daily lives of all people. Carbon emissions from transportation in particular and from the burning of fossil fuels in general have proven very difficult to regulate sufficiently to avoid the global warming potential, while the toxic and hazardous parts of fossil fuel emissions are better regulated and have been reduced significantly over the past decades.

The simplest way to work with sustainability, in this case carbon emissions, is to put one's own house in order. This is what we do: We construct energy-efficient buildings, we improve our trucks and trailers to reduce fuel consumption, and we consolidate the cargo shipped to make the movement of goods as efficient as possible to reduce the overall environmental impact from our activities.

Due to our asset-light business model, the two first initiatives only have a modest effect on the carbon footprint of transportation.

Consolidation is, on the other hand, our main contribution to reducing the environmental impact of transport emissions. It is in many ways the core of our business model: by consolidating cargo, we lower costs and reduce the environmental impact because we eliminate 'empty' space on trucks, trains, planes and ships.

Our own efforts are, however, only a start as they do not make a sufficient contribution to the overall reduction in the use of fossil fuels. We must also engage upstream and downstream with our customers and subcontractors. However, it poses some challenges when we try to influence customers and subcontractors.

Structural challenges to the attainment of sustainability in the transport sector

When working with customers, or upstream, we face two main structural challenges to the attainment of sustainability in logistics and freight transportation. The first challenge

is that to most of our customers, transportation represents a low commercial risk, as transport is only a minor part of their costs and a relatively small part of their individual environmental impact. The second challenge is that the freight market is characterised by highly volatile prices and many unstable customer relations. Short-term or price-sensitive business relationships are a barrier to an ongoing dialogue that is needed at this point for a sustainable transition from the use of fossil fuels.

Most customers with a large transport budget do perform some sort of due diligence process that also includes a range of CSR-related issues before inviting DSV to tender. However, transportation costs and quality are usually the decisive factors in being awarded the contract.

To counter those challenges, we systematically engage in a dialogue about the potential reduction of carbon emissions from our transport activities with some of our large long-standing customers.

Changing our own and subcontractors' conduct

Downstream, we are challenged by how much we can directly change the conduct of our subcontractors. Since the same applies to our customers, it is important to consider how to include our partners in the environmental agenda that is outside our direct control.

Influence and education

Our partners can be influenced to change their conduct in a variety of ways, for example through education, dialogue and campaigns. We can educate our subcontractors to operate their vehicles and vessels more economically or show our customers their environmental footprint and the benefits of shipping in a more environmentally friendly manner. Such 'soft' involvement, which can also be characterised as 'nudging', can have an effect in the long run and work well with the global dialogue about the environment that we are currently experiencing.

Many of these efforts are described in this report.

Supporting customers ready to invest in change

However, 'soft' intervention does not immediately lead to significant improvements. Most large-scale or technology-driven changes require investment, which in turn leads to increased costs. If a customer wants to use biodiesel-fuelled trucks or other alternative methods and modes of transport, DSV is always happy to cooperate in reaching that goal.

But in a low-margin and commoditised business like transportation, most of this extra cost must be borne by the customer. If we were to find and monitor subcontractors having only the newest trucks or to book cargo only with airlines having the most fuel-efficient airplanes on the shortest routes, we would not be able to offer competitive prices, not even a complete global network. This would in turn lead to less business for us and no benefits to the environment. This narrows the space for the environmental efforts we can make unilaterally, and that is why collaboration with and support of customers is so important when they wish to make a substantive change in their respective supply chains.

In support of legislation

Somewhere between 'soft' intervention and 'hard' investments in environmentally sound transportation lie mandatory changes caused by legislation. When legislation is adopted, the playing field of the entire market is improved while still remaining level. This is positive for DSV, since we are adept at adjusting to new market conditions and have the infrastructure and capital to invest in new technologies and procedures.

It seems obvious that we need to deal with the industry's dependence on fossil-fuelled modes of transport in order to influence the transportation industry's contribution to global warming. Today there is a mixture of alternative energy sources for heavy transport modes, including electrically powered, hybrid-powered and biodiesel-fuelled vehicles. However, the trend is that these different solutions are supported only at national level, leaving cross-border and global transport dependent on fossil fuel modes of transport.

DSV supports legislation that clearly outlines, at least at regional but preferably at global level, the future of a non-fossil-fuelled transportation industry. We also support higher emission standards on a multinational level.

Customer cooperation and CO₂ reduction

As an asset-light company, DSV is not in a position to make large-scale changes to the carbon footprint of the transports that we organise simply because most of them are physically carried out by subcontractors on market terms.

As described above, this still leaves us with the potential of facilitating two kinds of significant environmental improvements to transports: efficient consolidation and specific initiatives launched in cooperation with customers. Here are a few examples:

Consolidation, travel distance and modes of transport

CO₂ reduction by consolidation is part of our core business. In simple terms, we are always interested in lowering the cost of transportation, and one way is to consolidate freight: when vehicles and containers are fully loaded, fewer transports are needed. This leads to lower overall costs and reduced fuel consumption and thus to a reduction in carbon emissions. Efficiency through consolidation is crucial to our business and a main element of our contribution to an overall CO₂ reduction.

In addition to this business optimisation, we are now actively enhancing our cooperation with customers to improve the efficiency of their respective supply chains even further. The two most important means of doing that is to improve freight consolidation even further and to reduce travel distances by re-routing cargo. Both initiatives will normally lead to cost savings, but they may also lead to less flexible delivery schedules, for example fewer consolidated shipments instead of more frequent, but smaller shipments or a route with less frequent departures. When a customer is open to such changes, significant reductions in carbon emissions are feasible.

Emissions reduced by one third

An example is a joint initiative with Givaudan, the world's largest manufacturer of flavours, fragrances and active cosmetic ingredients. By re-routing regular container shipments from China to Hungary, so that the freight arrives in the port of Koper in Slovenia rather than in the major port of Rotterdam in the Netherlands, we have reduced both the sea and the road transportation distance. Over a 7-month period, Givaudan's carbon emissions were reduced by 36%, or 18,254 kg CO₂, on this transport route alone.

The example is based purely on the re-routing of freight. Another important supply chain innovation entails a change to less polluting modes of transport.

To put it simply, there is a correlation between transportation time and fuel consumption. In other words, transportation by container ship produces the lowest emissions while air freight produces the highest emissions per transported volume of cargo. Train and road transportation falls between those modes of transport. Through better planning, cargo can be re-allocated from fast modes of transport to slower ones, which will in turn lead to a reduction in costs and carbon emissions.

Innovative customer requests

Some customers are willing to invest in new technology or more sustainable transport as part of their corporate policy. The projects are often on a smaller scale than consolidation and other general initiatives, but both the symbolic value and the potential future benefits can be significant. Two such projects from 2016 were especially noteworthy:



Electric trucks for inner-city delivery

We are currently testing the first electric truck for inner-city delivery for dm drogeriemarkt, a very large drugstore chain in Germany. If the test is successful, it may lead to large-scale implementation of electric vehicles for urban delivery in Germany. We will also gain a valuable insight into this kind of delivery services that can benefit other customers across the world. It may be a significant step towards reducing inner-city pollution in future.

Nationwide use of alternative diesel

In Sweden, a large customer asked us to set up alternative-fuel delivery to their supermarket chain, which we did. The initiative made DSV Sweden realise that the use of the renewable biodiesel HVO 100 (hydro-treated vegetable oil) could be feasible on a countrywide basis.

DSV Sweden's domestic groupage loads are handled in a closed system that already ensures maximum utilisation of cargo capacity and thus reduces the number of vehicles on the roads. These transports consume approximately 9 million litres of diesel per year, which is equivalent to 20,000 tonnes of carbon emissions. It is our estimate that the introduction of HVO 100 fuel will reduce carbon emissions by up to 90%.

This initiative has been recognised by CNH Industrial, a large multinational organisation and the parent company of the truck manufacturer Iveco, which named DSV 'Sustainability Logistics Supplier' of the year as a result.

DSV Group's carbon footprint results

While our initiatives to reduce the Group's carbon footprint focus mainly on collaboration with customers and subcontractors, we continue to monitor our total carbon footprint and energy efficiency for each mode of transport. Over the years, we have seen a positive trend where subcontractors make investments in new ships, planes and vehicles to reduce fuel consumption and DSV improves capacity utilisation to contribute to increased energy efficiency and consequently to lower carbon emissions per transport unit.

Due to the business activities acquired in the year under review, we see quite an impact on our carbon footprint. This is an expected consequence as there is correlation between revenue and transport activities. DSV gained a large amount of air transport activities with the UTi acquisition and also attracted new business. The result was a doubling in carbon emissions from air transport compared to 2015.

With increased activity in all transport divisions, the DSV Groups' total carbon footprint grew by more than 75% compared to 2015.

Energy efficiency affected

The substantial increase in transport activities combined with differences in customer segments and many new subcontractors have affected our energy efficiency. The main consequence is slightly lower efficiency, with air transport as a notable exception. Within air transport, we managed to transfer most of the new cargo consignments to existing

core carriers. As our core carriers again managed to reduce their fuel consumption per transported unit during the period, the energy efficiency increased by more than 3% compared with 2015. Since 2010, the energy efficiency of our air transport activities has increased by nearly 22%.

In 2016, we saw a decrease in energy efficiency in both sea and road transport activities. For sea transport activities, energy efficiency is mainly a measure of weight per container. If customers ship lighter goods, our energy efficiency will fall, and this is what has happened due to the profile of our new customers.

Road transport follows this pattern and traditionally fluctuates as customers demand change. Road transport is a very flexible means of transportation where customers often ask for immediate delivery of even minor shipments, which may result in lower capacity utilisation. We continually work to improve the utilisation rate to offset the increasing number of small shipments.

Improvement in engine standards

We also monitor the Euro engine standards of our own and our European subcontractors' fleets of trucks. For several years, the European Union has stipulated maximum limits for toxic and hazardous emissions from trucks. However, truck fuel efficiency, and accordingly carbon emissions from road transport, is not governed by those regulations. As from 2014, all trucks first registered in an EU Member State must be Euro 6, the most recent norm.

In 2016, nearly 75% of our own and our subcontractors' trucks met the highest European standards. This means that toxic and hazardous emissions from our trucking operations continue to fall. Emissions of harmful particles from DSV's road transport activities have been reduced by almost 47% since 2010.

The average fuel efficiency of trucks, whether owned by DSV or subcontractors, also improved a bit compared with last year. Since 2010, the average fuel consumption of our trucks has improved by almost 7%.

Reporting carbon emissions to customers

In 2016, DSV prepared more than 1,100 reports on carbon footprint data to customers relating to our transport services. Total carbon emissions reported to our customers corresponded to nearly 5% of total carbon emissions from our activities in 2016.

This is a slight decrease in the number of reports, which has mainly two different reasons: The first reason is that a minor portion of our customers did not repeat their request for reports in the year under review and the second that some of the customers that we served have a less frequent reporting cycle, for example they have changed from monthly to quarterly reporting.

It should also be mentioned that we continue to include links to carbon-reporting figures in our Track & Trace sys-

tem for customers. Further, we have launched a website to help customers get started with reporting transport-related emissions based on these figures.

Trailers and tyres – an example of practical improvements benefitting the environment

All large businesses have many different departments that support the core product. In our organisation, DSV Equipment handles the purchase and maintenance of trailers, forklifts and other heavy equipment used to move and store goods.

Most of the trailers, some 8,700 units, used for road transport are leased and maintained by DSV, while the remaining ones are owned by subcontractors. Each trailer travels approximately 75,000 km per year by road.

To maintain the fleet, DSV runs a network of European garages to which every trailer in the fleet must make a yearly visit for a full check-up. DSV also operates mobile workshops, 'trailer ambulances' that are taken to large road and ferry terminals to repair trailers on site.

Tyre maintenance and the environment

It is perhaps surprising, but the most important part of trailer maintenance from an environmental perspective is to make sure that tyres always have the optimal pressure. Tyres loose pressure over time, and if tyres are underinflated, the rolling resistance increases, which leads to increased tyre wear and fuel consumption: 25% underinflation means a 25% reduction in tyre life and an increase in fuel consumption by approximately 5%.

To reduce tyre wear and fuel consumption caused by underinflated tyres, DSV has started to use Ultra-Seal in all trailer tyres. Ultra-Seal is a tyre sealant that reduces pressure loss considerably and at the same time minimises punctures and breakdowns. DSV also offers the product to the market – particularly to our subcontractors.

The decision to use Ultra-Seal was made after conducting a large-scale test with 1,000 trailers over a one-year period. During the year, 500 trailers with Ultra-Seal and 500 without were used in our regular traffic. The results were clear: with Ultra-Seal tyre deflation was reduced from 10-15% to less than 5%. This alone reduces fuel consumption by 3% on average. A 1% reduction amounts to 500 litres/year for the truck pulling the trailer.

The fluid also leads heat away from the tyre, which reduces wear even further. These factors lead to an extension of tyre life by approximately 20%.

Finally, and this is actually the main selling point of Ultra-Seal, punctures and blowouts are reduced dramatically. A reduction in the risk of this type of road-side breakdowns means that fewer tyres need to be discarded and, more importantly, results in improved road safety and less traffic congestion.



The Ultra-Seal liquid is water solvent and has no environmental impact, so the net environmental gain is significant and an example of the kind of practical initiatives that are sometimes overlooked in the big picture.

Property development

In 2016, DSV developed 400,000m² warehouse and office space, and in 2017 we will develop more than 500,000m². This consolidation and upgrading is done to improve our business efficiency. Part of this efficiency gain is reached by reducing our energy consumption and minimising the environmental impact.

Energy efficiency forms an integral part of the entire process. Before deciding on a location, a so-called centre of gravity calculation is made to determine which location will give rise to the lowest total transportation costs, which is the same as the lowest carbon emissions.

Our new locations are built to some of the most demanding national and international building standards. This improves the resale value of the buildings, but also ensures lower maintenance costs due to low energy consumption. Costs are further reduced by our strategy of investing in more expensive materials with longer lifecycles.

When we develop a new site, there is always a business case process to determine what energy-saving initiatives are appropriate for a given location. This can be solar panels, fresh air ventilation, kitchen waste recycling, automated illumination and low energy light bulbs, low energy windows, water saving fixtures etc.

Finally, our buildings are developed to enhance working conditions for employees. High priority is given to natural light penetration and fresh air ventilation.

All this is codified in an internal property development manual that specifies all parts of the process from determining the location of the site to plumbing specifications. Our Group Property Department handles the entire development process.







Reuse of natural resources

It is an essential aspect of our environmental and climate change initiatives to reduce emissions from all our transport activities. However, the impact that we make on the use of natural resources like wood and water also affects our aggregate environmental impact.

Materials like paper, wooden pallets, plastic and cardboard are indispensable in the logistics industry. These materials make it easier to handle and protect goods, but they are also a source of waste. Optimisation of the use of those resources and efficient recycling help reduce this environmental impact.

That is why we aim to increase the proportion of locations having recycling schemes for paper, cardboard and/or plastic in place. We nearly doubled our number of locations in 2016, but still maintained a satisfactory proportion of locations that have implemented recyclable waste collection procedures. In 2015, we had implemented such procedures at 85% of our locations. In the year under review, this was the case at 76% of all locations due to the UTi acquisition.

2016 performance environment and climate

	TARGET	RESULT	
	We wish to increase collaboration with interested strategic customers and suppliers in order to find transport solutions focusing on the reduction of carbon emissions and general environmental impacts.	Prepared more than 1,100 CO ₂ reports to our customers and collaborated with customers and subcontractors on reducing CO ₂ emissions from our transports.	
	We will report on climate parameters such as group carbon emissions, energy efficiency from transport modes and energy and water consumption from buildings.	Development in carbon emissions reported and numbers explained in this report.	
	We will establish and overview of waste recycling (paper, plastic and cardboard) procedures in all DSV locations. This is to be able to set annual waste reduction targets for DSV buildings.	We have established an overview in 2016 and will work on establishing an annual reduction target.	

2017 targets environment and climate

	TARGET	
	We wish to increase collaboration with interested strategic customers and suppliers in order to find transport solutions focusing on the reduction of carbon emissions and general environmental impacts.	
CO₂	We will assess our customer CO ₂ reporting methodology in collaboration with a third party.	
	We will report on climate parameters such as group carbon emissions, energy efficiency from transport modes and energy and water consumption from buildings.	
	We will establish targets for annual waste reduction per square metre in our locations.	

Business ethics and anti-corruption



Compliance is a fundamental part of our value proposition. Therefore, we naturally comply with both national and international legislation and specific requirements for our industry.

Focus on our business ethics and conduct continues to increase. Responsible conduct and a good reputation are already essential to maintain a strong presence in the global transport market and will continue to be so in the future.

Business ethics and risks

Trade thrives in a transparent market with equal opportunities for all parties. Historically, the transportation industry has witnessed cases of cartel activities encompassing price fixing between competitors, thereby harming price mechanisms in the free market. Through some of the companies acquired, DSV has become a party to ongoing cartel investigations. This has underpinned the relevance of our Group-wide business ethical standards.

In addition to cartelisation, DSV and other global enterprises also face other challenges. As part of our activities, we have to tackle ethical issues like corruption and circumvention of rules and regulations.

In the global business environment in which we trade, we find it essential that all employees share the same business ethical conduct regardless of local business cultures. To achieve this goal, we have created our Code of Conduct that presents both information and guidance to employees on ethical conduct towards customers, competitors and subcontractors.

The Code of Conduct is our foundation, and we are constantly working to raise the level of awareness of business ethics across the organisation and among suppliers.

Internal guidelines

Our internal procedures and IT systems are designed to support and ensure compliance with relevant legislation and our Code of Conduct. Our manuals and employee training also incorporate clear guidelines on how employees should act on particularly risky issues or in particularly risky situations.

Our global Compliance Department is responsible for monitoring and managing areas of risk, including those related

to unethical business practices. Group Compliance also oversees compliance with new legislation and ensures that employees receive training in DSV's internal guidelines and relevant national and international legislation.

Further, we encourage our employees to discuss any suspicions of non-compliance with our Code of Conduct with their immediate superior. Employees can also report such suspicions through the global Whistleblower Programme.

Roll-out of the Code of Conduct and continued training efforts

In 2016, our high growth rates outside of the European and North American markets and our latest acquisitions generated a need for training of all employees at managerial levels in order to maintain a strong compliance culture across DSV.

During 2016, the Code of Conduct was made available to all our new employees. However, we decided to postpone the scheduled training of our managers in the DSV Code of Conduct due to the many other activities generated by the acquisition of UTi Worldwide Inc. and the pressure faced by the organisation in the period. We believe that it will be more effective to complete the training in a more settled and less stressed organisation rather than to achieve one of our 2016 CSR targets in an unsatisfactory manner. The training will be completed during the first six months of 2017.

Global Whistleblower Programme

Reports made under our global Whistleblower Programme are received by an independent service provider. Reports can be made around the clock in more than 150 different languages by telephone or online. Of course, there are no reprisals against employees using the service in good faith.

Due to this year's acquisition activities, we found it important to communicate the existence of the programme to new employees. Local managements have been asked to continually inform about the programme in their organisations, and the programme has been mentioned in articles

on our global Intranet and in our corporate magazine. The target of running a more comprehensive information campaign has therefore been achieved.

2016 whistleblower reports

In 2016, we received 24 reports through the Whistleblower Programme. All reports were examined and subsequently presented to the Audit Committee established by the Board of Directors. Whistleblower reports are divided into three categories according to the severity of the reported issues.

None of the reports received fell within the most serious category. The large majority of the reports fell outside the scope of the Whistleblower Programme as they were minor employee issues that had to be clarified with the local managements. All relevant cases have been investigated and appropriate action has been taken to solve the issues.

The complex challenge of facilitation payments

In recent years, we have seen increasing global focus from authorities and customers on the prohibition of facilitation payments. Facilitation payments are minor additional payments to an external party, often a public official, to expedite a routine matter where all criteria have been met, such as customs clearance or the issuance of visas.

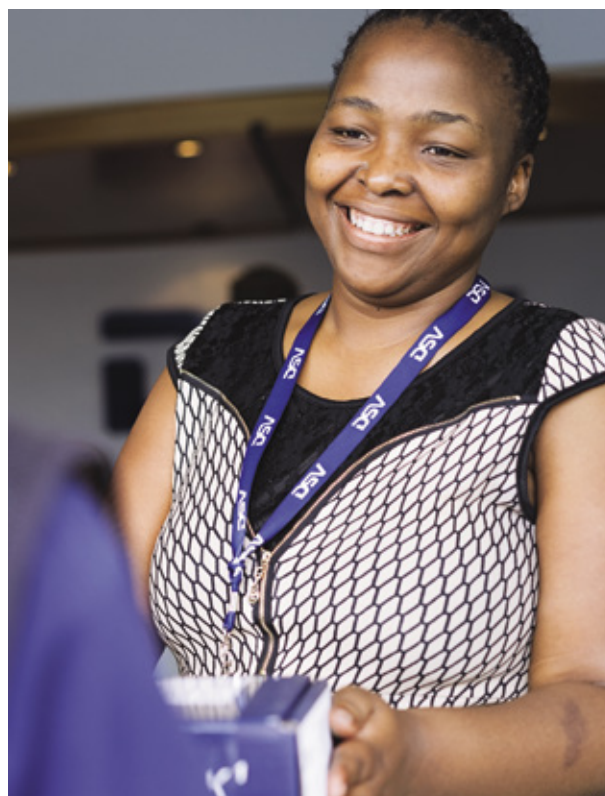
Unfortunately, facilitation payments remain common practice in certain areas of the world. In our experience, the practice cannot be fully eliminated from one day to the next unless there is a concerted effort by both the public and private sectors, but a significant reduction is still possible by unilateral efforts. That is why DSV actively opposes the use of facilitation payments in all our activities, the final aim being to eliminate such payments entirely.

Manual of useful methods to alleviate the problem

On a practical level, employees who are met with demands for facilitation payments – often in connection with the customs clearance on importation to and exportation from certain countries – face a dilemma. Local officials cash in on the fact that timely customs clearance is often an essential service to our customers. If an employee refuses to pay, there is a considerable risk that the goods will be detained for no obvious reason. The detaining of goods causes delays, which affects our ability to meet our obligations to customers.

To help our employees cope with such situations, we have made and distributed a best-practice manual. In addition to offering general guidelines, the manual also describes specific methods to eliminate payments to facilitate procedures with public authorities.

One of the recommendations is to speak openly with major customers in particular about the issue and involve them in the decision of whether a slightly later time of delivery would be acceptable. It is also recommended to avoid



Corporate reporting of anti-corruption

For some years, Transparency International has assessed how the world's largest multinational companies report on issues related to transparency and anti-corruption. The yearly study is based on an assessment of publicly available information collected from those companies' websites on their anti-corruption programmes and ownership of subsidiaries as well as country-by-country reporting.

Since 2014, Transparency International has made an annual assessment of DSV against other larger listed and unlisted companies in Denmark. In the 2016 assessment, DSV had improved significantly when it comes to anti-corruption programmes, scoring 92%, and maintained a perfect score in organisational transparency.

situations requiring urgent handling as that increases the vulnerability to delays. We also have to be very clear when communicating with officials asking for facilitation payments that we will follow up if they do not deliver without payment. Flawless paperwork is also a protection against facilitation payments as errors or omissions are often used as an excuse for demanding payment.

2016 performance business ethics and anti-corruption

	TARGET	RESULT	
	A global campaign on the Group's Whistle-blower Programme to raise awareness of the programme will be rolled out in 2016.	The Whistleblower tool has been highlighted on our global intranet and local management has informed employees about the programme.	
	We will establish a procedure to ensure that all new employees at management level receive training in the DSV Code of Conduct by the end of 2016.	Training was postponed due to many acquisition generated activities.	
	All other employees at management level must have completed training in the DSV Code of Conduct by the end of 2016.	Also this target was postponed due to many acquisition generated activities.	
	We must explore the possibilities of and carry out training programmes on the DSV Code of Conduct for employees below management level within selected fields in 2016 and 2017.	As we move along with training activities in 2017 this target will also be in scope.	

2017 targets business ethics and anti-corruption

	TARGET	
	All employees at management level must have completed training in the DSV Code of Conduct by the end of 2017.	
	We will establish a procedure to ensure that all new employees at management level receive training in the DSV Code of Conduct by the end of 2017.	
	We will carry out training programmes on the DSV Code of Conduct for employees below management level within selected fields in 2017.	

Tax payments in an increasingly complex tax world

Globally, there is increasing focus on the willingness of large enterprises to pay company taxes. The principle of the DSV Group is that we pay both direct and indirect taxes in the countries in which we do business. We believe taxes are part of a well-ordered society and appreciate that they fund, among other things, infrastructure for the benefit of both DSV and trade in general.

To ensure that we always follow international and national tax legislation, DSV spends considerable resources and maintains a strict governance structure both at Group level and in our subsidiaries.

The Board of Directors has the ultimate responsibility for DSV's compliance with tax legislation. The Chief Financial Officer is responsible, in collaboration with the Group Tax Department, for ensuring that tax rules are observed in and across all countries. At national level, the management in charge of the subsidiaries in a country is responsible for ensuring compliance with national rules. This work is prepared in accordance with Group policies and procedures at all levels.

The challenge of multinational taxation

DSV has activities in more than 80 countries, and each country has its own tax legislation that, to a large extent, is different from that of other countries. Tax laws may be construed in contradictory ways by different national state administrations, and there is a constant flow of both new acts and amendment acts. The various countries may also interpret international tax law differently.

The result is a very complex situation, which leads to tax disputes from time to time. In such cases, we seek to establish a positive dialogue with the tax authorities, while taking the view that we only want to be taxed once and not twice because rules are interpreted differently by tax authorities in different countries.

It is the overall policy of the DSV Group to carry out its business activities in a sound manner, which also applies to taxes. The overall tax policy of the DSV Group is to pay tax where profits are earned according to international transfer pricing rules, not to be engaged in tax-avoidance activities, to have a balanced tax risk profile and to be in compliance with local tax legislation.

This approach is, however, aggravated by the trend that, on the one hand, governments lower corporate taxes to compete for international business while on the other they still need to generate revenue for their countries. This leads to a more aggressive application of rules and in some cases bartering over tax law interpretation in order to meet tax revenue targets, which again leads to an unnecessary complex tax filing process without increasing the final tax revenue.

Payment of taxes where business is conducted

DSV has companies in both the shipping and receiving end of the transport chain in order to have the strongest possible network and global coverage.

DSV works with a straightforward tax structure according to which tax payments follow the business and offices are established based on business opportunities. At DSV we do not move revenue from high to low-tax countries in order to minimize tax payments. This is both a moral and practical choice since we believe that complex and aggressive tax planning is costly, impractical and unfair.

This approach can, however, be challenged when we acquire other companies with a more complex corporate structure. In those cases, our approach is to unwind the existing structures as soon as possible. It is normally possible to eliminate those structures within a short timeframe, but the final closing may take years because of the high interdependency of companies within the structure, and lengthy and persistent efforts are necessary to reach the end goal.

Tax payments for 2016

DSV had an effective tax rate of 26.8% in 2016 (23.5% in 2015). Compared with an average tax rate of 25.0% (2015 figures) for Danish non-financial peers in the Nasdaq OMXC20 index, DSV paid above average.

In addition to the direct company tax included in the above taxes, the DSV Group contributes at global level by paying indirect taxes in the form of value added tax, levies, stamp duties, withholding tax and property tax.

Employees and working environment



Employees are a vital resource to DSV. Our business operations depend on highly qualified management teams and employees with technical and operational qualifications at all organisational levels.

That is why we must attract new talents, retain experienced key employees and provide them with a safe and attractive place to work.

An attractive place to work

To make DSV an attractive place to work, several individual initiatives are undertaken locally or by our global HR Department. Focus areas include internal training programmes targeted at all organisational levels, from trainee programmes to executive training.

We also emphasise our corporate culture, which focuses on employee empowerment and the ability to influence one's own workday and on offering career-advancing opportunities to talented employees.

A changed employee landscape

The acquisition of UTi Worldwide Inc. not only doubled our number of employees, but also significantly changed our presence in many countries and regions. After being primarily a European company with a strong presence in the USA and Asia, we now have large operations in all parts of the world. Today, nearly half of our employees work outside of Europe compared with only 17% a year ago, and the DSV country with the most employees is South Africa followed by the USA and Germany.

Successful retention strategy

An integration of businesses of the magnitude experienced in 2016 will inevitably lead to uncertainties among the employees of the new, combined Group because of the re-organisations and restructurings taking place. Furthermore, the organisation has been under significant pressure over a long period to implement the integration plan within the agreed timeframe. Such factors have the potential risk of affecting key employee retention.

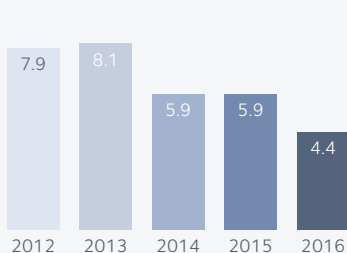
After nearly a year of integration efforts, we are not seeing any significant increase in turnover of key staff, which we believe confirms the success of our retention strategy.

Increased employee turnover

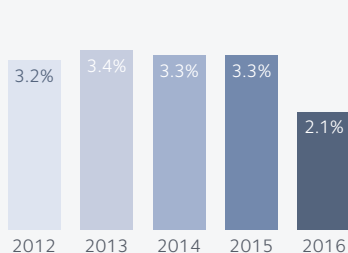
However, among employees not comprised by our retention programme, the employee turnover has increased in all divisions; both among salaried employees, who include freight forwarders, and among hourly workers, most of whom work at terminals and warehouses. At Group level, the rate increased from 17.6% in 2015 to 25.5% in 2016. Part of this increase is attributable to the integration efforts, which include restructuring initiatives. DSV has both laid off and hired a significant number of employees in this process.

OCCUPATIONAL ACCIDENTS

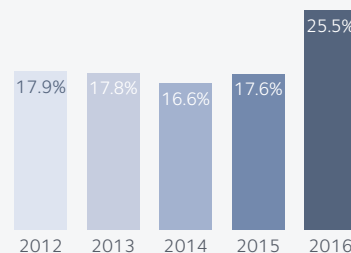
per million working hours



ABSENCE DUE TO ILLNESS



EMPLOYEE TURNOVER





Community engagement

Up until now, charity work at DSV has largely been done locally and in many different forms. Some examples include donations to orphanages in India and Nigeria, to children's cancer treatment and research in Denmark and to Doctors Without Borders in Germany.

We have now decided to add a more global approach to charity at DSV and have selected the Red Cross as our primary humanitarian aid partner. This initiative will not replace local initiatives, but will add to the existing ones.

DSV has undertaken to store equipment used by the Danish Red Cross to set up International Red Cross base camps at disaster sites around the world. The equipment and a training and workshop area occupy 2,000 m² warehouse space near Copenhagen. When base camps need to be established at international Red Cross disaster sites, we will also transport the equipment by road to Billund Airport as part of the agreement.

In addition, we have committed an additional sum to projects around the world to be allocated as the need arises. Focus will be on emergency aid and on rebuilding and development projects for children and will involve the use of local DSV transport and logistics expertise.

The rate of absence due to illness among employees has remained constant at a low level for several years. This year we saw quite a decrease in absence rates in all divisions and employee groups. An average DSV employee was absent 4.9 days in 2016 due to illness. The rate of absence due to illness was somewhat lower than those of our competitors.

Falling age and seniority

The average age of DSV employees decreased from 2015 to 2016. Especially the proportion of employees aged between 25 and 34 increased, and the proportion of employees older than 45 years decreased. The proportion of employees with high seniority (more than 10 years)

decreased from 31.2% last year to 24.8% in 2016, which supports the age composition data. The proportion of new employees increased somewhat, and so did the proportion of employees having worked for DSV for 1-5 years.

This indicates that the acquisition of UTi Worldwide Inc. contributed to a mixture of slightly younger employees at DSV. DSV still considers the mixture of employees in terms of age and seniority to be at a satisfactory level.

Very stable gender distribution

Last year we concluded that the gender distribution had remained stable for some years with about 60% men and 40% women. This could be expected to change after our acquisition of UTi Worldwide Inc. This has actually not been the case as apparently this gender distribution is typical within the freight forwarding industry. During the period under review, the gender distribution was 38% women and 62% men as it has been for the past years.

Our Board of Directors has two female and four male members. The Board of Directors thereby meets the gender-related composition requirement according to the Danish Companies Act.

However, the gender distribution among managerial employees at DSV has changed. The proportion of female managers has grown to 31%, up from 26% in 2015. Some of the increase is due to a larger proportion of female managers at UTi Worldwide Inc. and some to policies implemented at national level in certain Group enterprises. Those policies have given rise to various initiatives, including a survey among female managers and a recruitment process taking into account the need for sufficient diversity. DSV now has a higher proportion of female managers than our peers.

Prevention of occupational accidents

Dangerous situations may occur in particular at terminals and warehouses where cargo is handled. Local procedures are therefore in place to prevent such situations. Incidents or accidents are registered and examined to clarify the cause of the incidents. In this manner, it is assessed at local level whether there is a need for adjusting procedures to prevent similar situations in future.

Since 2010, DSV has focused on preventing and avoiding occupational accidents. Incident reports have been collected at Group level from all subsidiaries. Good practices are then spread around the Group, focusing particularly on countries with a relatively high frequency of occupational accidents.

Decrease in number of accidents

In 2016, we had no fatal workplace accidents among our employees, and the rate of all occupational accidents has declined by more than 20% since 2015. During this period, the number of employees doubled, but the total number of occupational accidents only grew by half.

As reporting procedures in some of the companies acquired were not of the same standard as our old companies, we will have a closer look at the reporting practices of those companies in 2017. However, we did not identify any numerical issues in the follow-up process at year-end and we welcome the continued positive development.

Management will maintain focus on the potential of reducing the number of occupational accidents throughout the Group.

Absence due to occupational injury

The rate of lost work days also declined considerably compared with 2015. The rate of lost work days is an indicator of the seriousness of the occupational accidents. We assume that serious injuries lead to longer periods of absence than less serious injuries. The results indicate the same story as the one outlined above. Activities to improve internal reporting of these figures will also be part of the aforementioned activities.







Respecting human rights

In line with our values and Code of Conduct, DSV wants to ensure that we support, respect and protect internationally recognised human rights, including labour rights, in our operations and through our business relations with third parties. This commitment to human rights is framed by the UN Global Compact and made operational with the UN's Guiding Principles on Business and Human Rights (UNGPs). The UNGPs are a global standard intended to address the potential negative impact of commercial operations on human rights. The UNGPs stipulate that enterprises must observe human rights, and DSV fully supports these principles.

Our commitment covers areas such as equal rights and discrimination, forced employment and working conditions, child labour and the right to collective bargaining. It is codified in our Code of Conduct available on our corporate website at www.dsv.com.

In 2017, we intend to map the risks and potential impact that we may have on human rights as defined by the United Nations. First, we will determine which human rights are most affected by our business, then we will evaluate how they are affected, and finally we will plan how we can remediate any impact we might discover.

2016 performance employees and working environment

	TARGET	RESULT	
	The rate of occupational accidents must be reduced every year.	The rate decreased by nearly 22% this year.	
	Lost work days due to occupational injury must be reduced every year.	The rate decreased by more than 40% this year.	
	We will complete a project before the end of 2016 to raise the corporate awareness of any consequences and risks relating to the activities of DSV to comply with the UN Guiding Principles on Business and Human Rights (UNGP). The purpose is to observe universal human rights, including national standards on labour rights.	The task is initiated and we continue to work towards fulfilling the target in 2017.	

2017 targets employees and working environment

	TARGET		
	The rate of occupational accidents must be reduced every year.		
	Lost work days due to occupational injury must be reduced every year.		
	We will complete a project before the end of 2017 to raise the corporate awareness of any consequences and risks relating to the activities of DSV to comply with the UN Guiding Principles on Business and Human Rights (UNGP). The purpose is to observe universal human rights, including national standards on labour rights.		

Subcontractors



DSV offers transport and logistics services based on an asset-light business model. In practise, this implies that in most cases the actual transportation is performed by external hauliers, shipping companies and airlines. The proportion of transport services delivered by subcontractors exceeds 95%.

DSV operates a limited amount of its own vehicles in certain markets and owns no aircraft or container ships. This flexible business model enables us to adapt our capacity to the fluctuating market conditions in the transport industry. On the other hand, it makes us highly dependent on our network of transport subcontractors.

Our subcontractors represent several different types of enterprises. Air and sea freight providers generally belong to a small group of large, well-established, global organisations with regular departure times and route networks on which DSV has purchased room for a certain quantity of freight.

In our road freight operations, subcontractor management poses other challenges. This is a much more fragmented group consisting of thousands of enterprises from many different countries, usually very small enterprises with few vehicles and employees. We collaborate closely with a large proportion of these subcontractors, while at the same time a significant number of the road transport providers are more loosely associated with DSV.

Criteria for business conduct

We find it important to mitigate the risk of irresponsible business conduct in our supply chain as it affects our ability to conduct business as well as our relations with customers, the communities in which we operate and the public opinion in general.

DSV uses clear criteria when selecting the most qualified subcontractors for sea, air and road transport contracts, focusing on quality of service, pricing, performance level and legal compliance. In addition to excelling on those criteria, subcontractors must be willing to accept close collaboration on the agreed service level and to observe the rules and policies of DSV.

Further, in many cases various key performance indicators are agreed with customers and are also implemented with our subcontractors. They can include security, safety and environmental and operational performance. In this way, we offer customers an opportunity to influence our subcontractors' business conduct to a very high degree.



On tour for road safety

In 2016, DSV visited schools in Norway and Denmark. At the visits, both young people who were new road users and older pupils came very close to the trucks and learned how to navigate safely around them. They also learned about general road traffic safety.

We brought a truck at our visits to schools, and children in the schoolyard had the chance to visit the parked DSV truck and have a talk with one of our skilled drivers about life in a truck and good driving habits.

'We have a lot of trucks on the road every day, so we try to do what we can to avoid accidents. And when possible, we like to participate in educational programmes for children,' says Nicklas Eggert, Managing Director of DSV Road, Norway.

To improve our procurement process even further, we want to improve the integration of subcontractor assessments across the procurement departments of DSV. This will be done by increasing coordination and knowledge sharing of the vetting and screening processes.

Sharing responsibility

In public relations and CSR, a company is often held partly responsible for its subcontractors' conduct. This is most pronounced for consumer product companies where consumers are, to some extent, willing to pay for CSR. This leads to pressure on earlier links of the production chain, which include subcontractors like DSV. Typically, the worst transgressions and effects have been cleaned up first, by-passing the logistics chain and focusing on production and energy use.

Now CSR seems to have matured enough to make it possible to begin focusing on transportation. We are ready for and welcome this development.

We are also held responsible for our subcontractors and are expected to put pressure on them to improve their CSR. This has been a central part of our CSR work from the beginning. Our basic framework is our Supplier Code of Conduct that covers a large set of legal and CSR-related subjects. We are constantly striving to widen the subjects covered and to improve both our communication and the auditing of subcontractor conduct.

Subcontractor management

The DSV Supplier Code of Conduct is based on the strategic goals and values of DSV and is therefore an integral part of our supplier management and of the contracts concluded with transportation subcontractors and other service providers. The Code describes in general terms what DSV considers appropriate business conduct on the part of our suppliers when they perform services on behalf of or supply products to DSV.

The procurement of transport services is performed both at central level for our divisions and at decentral level by national enterprises. Centralised divisional procurement processes are used to contract with transportation subcontractors that base their services on a global network like air and sea freight providers and for regional procurement of haulier services in Europe, South Africa and the USA. In supplement, localised procurement processes are used to select subcontractors for local business operations and needs. The Supplier Code of Conduct also applies to such local agreements.

Implementation of Supplier Code of Conduct

We have focused on communicating our Supplier Code of Conduct to the many hauliers in recent years, although we also include our Supplier Code of Conduct in all major agreements concluded with shipping companies, airlines and other major subcontractors.

The many new entities of the DSV Group have adopted this practice, and 79% of all suppliers awarded contracts of a

value of more than EUR 25,000 a year received our business ethical standards and guidelines in 2016.

Responsible use of agents and the added compliance risk

Agents are a special type of subcontractors that take care of a variety of tasks typically handled by a DSV office.

DSV makes use of agents in the few countries that do not have DSV offices. They are typically small countries with limited trading activity. Agents are also used to handle so-called project transports in countries in which local DSV offices do not have the skills or resources to handle the transportation of oversized cargo or cargo with special requirements such as dangerous goods and defence-related cargo.

The use of agents poses a compliance risk as an agent is a separate entity and not subject to regular control and internal audit as performed at DSV entities.

Multiple vetting systems in place

Several systems are in place to counter such compliance risks: Before conducting business with a new agent, our Group Legal Department examines the agent and relevant partners such as the agent's financial institutions using lists of denied parties from the USA, the EU, the UN, the World Bank and Dow Jones. All agents are subjected to such examination once a year.

In addition, our Projects Department examines all new agents separately according to the relevant ISO standard because agents working for the Project Department are asked to facilitate the transportation of special or hazardous cargo and are required to have proper training and permits to do so.

It is not unusual for agents to be hired at the request of the customer involved. This is especially true of large customers who have their own vetting systems in place. In those situations, joint vetting is quite common.

Finally, industry knowledge is an important factor in finding the best agents. DSV has employees with extensive local knowledge of nearby agents in all regions of the world. This ensures some informal pre-vetting of agents.

Short-term and long-term agent relationships

Some agents are used only once, typically for project transports in non-industrialised countries. Others, typically agents dealing with regular air and sea transport in small countries without any DSV offices, become long-term partners.

To the last group, inter-company knowledge and trust is a valued asset that complements the regular vetting. As can be seen from a couple of good examples in Colombia and Costa Rica, such agents have later been acquired by DSV and become part of the DSV network in connection with an expansion of the Group.



The challenge of collection and validating CSR data in merging companies

The collection and validation of data is central to our CSR work. It is challenging, however, to collect data in a large, geographically dispersed organisation like DSV that operates in very different business cultures and statutory frameworks. To this comes the doubling of both staff and locations in 2016 and the many new entities reporting CSR data for the first time, which makes the CSR activities even more challenging.

As we already have a well-proven CSR reporting method that is embedded in the corporate reporting systems, we have begun introducing the CSR reporting guideline into the new company structure in 2016. We collect data from all subsidiaries twice a year through the corporate reporting system for non-financial data, so all newly acquired entities have had a chance to 'practice' the processes of collecting and reporting CSR data.

This has brought us a long way, but in order to improve the quality and state of the CSR reporting we will make an extra effort to improve the collection and reporting practices in some of the large, new entities of the DSV group.







Target for internal control in 2016

We have continued to focus on achieving the greatest possible validity of our data. We continue to collect CSR data as part of the financial controlling process and to use our financial controllers to validate and refine data in connection with their internal inspections. Since financial controlling has very high priority for our business, we can benefit from the careful attention given to financial controlling at all levels and in all geographical areas.







We have fixed the target that all business entities must undergo internal control during any three-year period. In 2016, 15% of all operating entities underwent internal control. The proportion of entities subjected to internal control in the period from 2014 totalled a bit more than 48% of all operating entities and was thus well below our target.

Since the total number of DSV entities grew more than 50%, we are slightly behind schedule in ensuring compliance with the target. We want to maintain focus on a high validity of CSR data, and visits have been scheduled for a higher proportion of DSV entities in 2017.

2016 performance subcontractors and interdisciplinary areas

	TARGET	RESULT	
	The DSV Supplier Code of Conduct must have been communicated to suppliers and subcontractors. All suppliers and subcontractors given contracts for more than EUR 25,000 a year by DSV must receive the Supplier Code of Conduct.	79% of our suppliers given contracts of more than EUR 25,000 a year have received our business ethics standards and guidelines in 2016.	
	We will improve the subcontractor due diligence process before the end of 2017 through centralised and decentralised procedures.	The task is initiated and continue towards fulfilling the target in 2017.	
	A CSR audit must be carried out in all operating subsidiaries of the Group at least once every three years.	The target is on track as an increased number of DSV companies are scheduled to be visited during 2017.	

2017 targets subcontractors and interdisciplinary areas

	TARGET	
	The DSV Supplier Code of Conduct must have been communicated to suppliers and subcontractors. All suppliers and subcontractors given contracts for more than EUR 25,000 a year by DSV must receive the Supplier Code of Conduct.	
	We will improve the subcontractor due diligence process before the end of 2017 through centralised and decentralised procedures.	
	A CSR audit must be carried out in all operating subsidiaries of the Group at least once every three years.	

Global Reporting Initiative (GRI) Index

The Global Reporting Initiative is a non-profit organisation that has produced a set of indicators and guidelines for sustainability reporting. The main goal of the GRI is to create a framework for systematic, transparent and comparable sustainability reporting for corporations.

To increase the transparency and comprehensibility of the detailed content table below, we indicate whether our level of disclosure covers the GRI requirements fully or partially. In order to simplify the table we have included only indicators for which we provide either full or partial data.

In addition, every profile or performance indicator applied is linked to a specific section of our company website (www.dsv.com), the annual report (AR), the CSR report (CSR) or our latest report to the CDP (formerly the Carbon Disclosure Project).

GRI reference		Information available in ¹⁾	Level of reporting ²⁾
Strategy and analysis			
G4-1	Statement from CEO	CSR 6-7	●
G4-2	Key impacts, risks and opportunities	AR 30-33, CSR 8-11	●
Organizational profile			
G4-3	Name of organisation	CSR 41	●
G4-4	Primary services	CSR 4-5	●
G4-5	Location of HQ	CSR 41	●
G4-6	Countries of operation	AR 82-87	●
G4-7	Ownership and legal form	AR 40-41	●
G4-8	Markets served	AR 18-29	●
G4-9	Scale of organization	AR 2-5	●
G4-10	Workforce breakdown	AR 18-29, CSR 39-40	●
G4-12	Supply chain description	CSR 29-33	●
G4-13	Significant changes to organization	AR 6-9	●
G4-15	Externally principles endorsed	CSR 2	●
G4-16	Memberships	www.dsv.com/csr	●
Identified material aspects and boundaries			
G4-17	Entities and boundaries	AR 14-29	●
G4-18	Report content	CSR 8-11	●
G4-19	Material aspects	CSR 8-11	●
G4-20	Internal boundary	CSR 8-11	●
G4-21	External boundary	CSR 8-11	●
G4-22	Restatements	CSR 37-40	●
G4-23	Changes from previous reporting	CSR 37-40	●
Stakeholder engagement			
G4-24	Stakeholders engaged	CSR 8-11	●
G4-25	Identify stakeholders	CSR 8-11	●
G4-26	Stakeholder engagement	CSR 8-11	●
G4-27	Engagement result	CSR 12-33	●

GRI reference continued		Information available in ¹⁾	Level of reporting ²⁾
Report profile			
G4-28	Reporting period	CSR 2	●
G4-29	Previous report	CSR report 2015 published on 10 February 2016	●
G4-30	Reporting cycle	Annually	●
G4-31	Contact point	CSR 41	●
G4-32	GRI content index	CSR 34-36	●
Governance			
G4-34	Governance structure of the organization	AR 34-39	●
G4-35	Delegating authority	AR 34-39	●
G4-36	Responsibility for economic, environmental and social topics	CSR 8-11	●
G4-37	Communication with board	CSR 8-11	●
G4-38	Board members	AR 38-39	●
G4-39	Relationship between chair and CEO	AR 34-37	●
G4-40	Governance nomination	AR 34-39	●
G4-41	Conflicts of Interest	AR 34-39	●
G4-42	Governance role	CSR 8-11	●
G4-43	Board's competencies	AR 38-39	●
G4-44	Board evaluation	CSR 8-11	●
G4-45	Board's role in of economic, environmental and social impacts, risks	AR 34-37, CSR 8-11	●
G4-46	Risk management review	CSR 8-11	●
G4-47	Frequency of review	CSR 8-11	●
G4-48	Committee/Position review	CSR 8-11	●
G4-49	Critical concerns communication	CSR 8-11	●
G4-50	Communicated concerns	AR 34-37, CSR 8-11	●
G4-51	Remuneration policy	AR 34-37	●
G4-52	Process for determining remuneration.	AR 34-37	●
G4-53	Stakeholders' views	AR 30 - 37, CSR 8 -11	●
Ethics and integrity			
G4-56	Values, principles, standards	CSR 8-33	●
G4-57	Advice mechanisms	CSR 19- 22	●
G4-58	Unethical behavior	CSR 19 - 22	●
Economic Performance			
G4-EC1	Direct economic value generated and distributed	AR 3-41	
G4-EC2	Financial implications	CDP	●
Indirect economic impacts			
G4-EC7	Impact of investment	CSR 8-33	●
Environmental			
	Disclosure on management approach	CSR 8-11, 12-18	●
Energy			
G4-EN3	Energy consumption within the organization	CSR 37-38	●
G4-EN4	Energy consumption outside of the organization	CSR 37-38	●
G4-EN5	Energy intensity ratio for the organization	CSR 37-38	●
G4-EN6	Reduction of energy consumption	CSR 12-18, 37-38	●
G4-EN7	Reductions in energy requirements	CSR 12-18, 37-38	●

GRI reference continued		Information available in ¹⁾	Level of reporting ²⁾
Water			
G4-EN8	Water withdrawal	CSR 37-38	●
Emissions			
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	CSR 12-18, 37-38	●
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	CSR 12-18, 37-38	●
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	CSR 12-18, 37-38	●
G4-EN18	Greenhouse gas (GHG) emissions intensity	CSR 12-18, 37-38	●
G4-EN19	Reduction of greenhouse gas (GHG) emissions	CSR 12-18, 37-38	●
G4-EN21	NOx, SOx, and other significant air emissions	CSR 12-18, 37-38	●
Products and services			
G4-EN27	Mitigate impact from services	CSR 12-18, 37-38	●
Compliance			
G4-EN29	Significant fines and sanctions	None	●
Aspect: Transport			
G4-EN30	Transport impact	CSR 12-18, 37-38	●
Supplier environmental assessment			
G4-EN33	Supply chain impacts	CSR 12-18	●
Environmental grievance mechanisms			
G4-EN34	Environmental grievances	None	●
Social			
	Disclosure on management approach	CSR 8-11, 24-28	●
Labour practices and decent work			
G4-LA1	Employee turnover	CSR 24-28, 39-40	●
Diversity and equal opportunity			
G4-LA12	Diversity indicators	CSR 24-28, 39-40	●
Supplier assessment for labour practices			
G4-LA15	Negative impacts (labour)	CSR 24-28, 39-40	●
Anti-corruption			
G4-SO4	Anti-corruption training	CSR 19-22	●
G4-SO5	Corruption response	CSR 19-22	●

1) AR = Annual Report, CSR = CSR Report, CDP = Reporting to CDP 2016

2) ● = Full reporting, ● = Partial reporting,

Non-financial highlights of the DSV Group

Environmental data

	2012	2013	2014	2015	2016
Key figures					
Emissions ('000 tonnes)					
CO ₂ e emissions – Group	3,081	3,225	3,433	3,735	6,376
CO ₂ e emissions – Container shipping	539	558	566	516	757
CO ₂ e emissions – Air transport	1,120	1,132	1,278	1,270	2,817
CO ₂ e emissions – Road transport	1,371	1,481	1,544	1,901	2,739
CO ₂ emissions – Buildings	51	54	45	48	63
Water ('000 m³)					
Total water consumption – Buildings	288	278	260	332	534
Reports on carbon footprint data to customers					
Total number of reports on carbon footprint data to customers	-	-	1,214	1,243	1,141
Key indicators					
Energy efficiency (g/tonne-km)					
CO ₂ e per consignment – Container shipping	10.7	9.5	7.9	6.6	6.9
CO ₂ e per consignment – Air transport	725.8	690.4	666.9	622.0	601.9
CO ₂ e per consignment – Road transport	76.5	69.6	70.9	72.0	73.9
Euro engine standards (%)					
Proportion of trucks of DSV Road satisfying Euro 2 standard or older (own and subcontractors' trucks)	3.6	3.6	2.5	1.6	1.2
Proportion of trucks of DSV Road satisfying Euro 3 or 4 standards (own and subcontractors' trucks)	39.6	41.2	33.7	29.8	24.1
Proportion of trucks of DSV Road satisfying Euro 5 or 6 standards (own and subcontractors' trucks)	56.8	55.2	63.8	68.6	74.7
Reports on carbon footprint data to customers (%)					
Proportion of total carbon dioxide equivalent emissions of the Group reported directly to customers	-	-	-	7.2	4.9
Recycling of paper, cardboard and plastic (%)					
Proportion of locations recycling paper, cardboard and/or plastic from offices, terminals and warehouses	73	80	83	85	76
Screening of buildings for potential energy savings (%)					
Proportion of entities having screened their locations for potential energy savings	70	77	78	76	53

Accounting policies for non-financial highlights – Environmental data

GENERAL DETAILS

The figures and charts of the 2016 CSR Report have been prepared in accordance with the policies applied in 2015.

EMISSIONS

Carbon dioxide equivalent emissions from transport activities are calculated based partly on the average fuel utilisation ratios reported for trucks owned by DSV and by subcontractors and used for the transportation of DSV freight, partly on data from DSV's own traffic management systems, including data on freight volumes carried to and from various destinations. Carbon emissions from buildings are calculated based on direct consumption of electricity, gas, oil and water at DSV's own locations.

WATER

Total consumption of water at the Group's own locations.

REPORTS ON CARBON FOOTPRINT DATA TO CUSTOMERS

Total number of reports on carbon footprint data to customers.

ENERGY EFFICIENCY

Emissions from consignment relative to freight volume and transportation distance.

EURO ENGINE STANDARDS

Proportion of different Euro engine standards of trucks operating for DSV Road. Data collected in Europe among more than 15,000 trucks owned by either DSV or subcontractors.

RECYCLING OF PAPER, CARDBOARD AND PLASTIC

Number of DSV locations having initiated recycling schemes for paper, cardboard and/or plastic relative to the total number of locations of the Group. A few entities have leased premises without waste management schemes operated by DSV. Those locations are not included in the data.

SCREENING OF BUILDINGS FOR POTENTIAL ENERGY SAVINGS

Number of DSV entities having screened one or more of their buildings to identify potential energy savings relative to the total number of Group entities.

Social data

	2012	2013	2014	2015	2016
Key figures					
Employees (full-time employees)					
Group	21,932	22,021	22,874	22,784	44,776
Salaried employees	13,570	13,708	14,216	14,541	23,433
Hourly workers	8,362	8,313	8,658	8,243	21,343
Key indicators					
Employee gender ratio (%)					
Proportion of female employees	38	38	38	38	38
Proportion of male employees	62	62	62	62	62
Management gender ratio (%)					
Proportion of female managers	-	-	-	26	31
Proportion of male managers	-	-	-	74	69
Age distribution of employees (%)					
Employees <25	8.3	7.5	8.0	8.0	7.9
Employees 25-34	30.8	30.5	30.4	28.6	31.8
Employees 35-44	27.8	27.8	28.5	28.0	28.7
Employees 45-54	21.9	22.3	21.8	22.6	20.2
Employees >55	11.2	11.9	11.4	12.8	11.4
Employee seniority (%)					
Seniority <1 year	-	15.5	13.6	16.8	19.5
Seniority 1-2 years	-	16.6	18.6	17.3	21.5
Seniority 3-5 years	-	17.1	17.8	15.8	16.1
Seniority 6-10 years	-	21.2	20.1	18.9	18.1
Seniority 11-25 years	-	23.1	23.6	24.1	19.0
Seniority >25 years	-	6.5	6.3	7.1	5.8
Employee turnover (%)					
Group	17.9	17.8	16.6	17.6	25.5
Salaried employees	17.2	18.0	16.6	16.8	26.0
Hourly workers	19.2	17.5	16.7	19.0	24.9
Absence due to illness (%)					
Group	3.2	3.4	3.3	3.3	2.1
Salaried employees	2.8	2.9	2.8	2.9	2.0
Hourly workers	3.9	4.2	4.1	4.0	2.2
Rate of occupational accidents (per million working hours)					
Group	7.9	8.1	5.9	5.9	4.6
Salaried employees	1.4	1.7	1.4	1.2	1.3
Hourly workers	18.6	18.6	13.2	14.1	8.9

	2012	2013	2014	2015	2016
Key figures continued					
Rate of lost work days due to occupational injury (per million working hours)					
Group	148.5	147.3	114.8	112.0	64.1
Salaried employees	33.3	27.3	17.6	26.2	9.7
Hourly workers	339.0	345.0	275.0	263.7	133.5
Quality management standard (%)					
ISO 14001	31	30	30	31	23
ISO 9001	57	56	55	55	43
OHSAS 18001	16	15	15	15	15
Code of Conduct (%)					
Proportion of employees having received information about the DSV Code of Conduct	100	100	100	100	98
Distribution of DSV's Supplier Code of Conduct (%)					
Proportion of companies having distributed DSV's Supplier Code of Conduct to suppliers delivering goods and services for more than EUR 25,000 each year.	-	-	-	80	79

Accounting policies for non-financial highlights – Social data

GENERAL DETAILS

The figures and charts of the 2016 CSR Report have been prepared in accordance with the policies applied in 2015.

EMPLOYEES

Average number of full-time employees of the year.

EMPLOYEE GENDER RATIO

Number of female and male employees relative to total employees at year-end.

MANAGEMENT GENDER RATIO

Number of female and male managers relative to total managerial employees at year-end.

AGE DISTRIBUTION OF EMPLOYEES

Number of employees by age group relative to total employees at year-end.

EMPLOYEE SENIORITY

Number of employees by seniority band relative to total employees at year-end.

EMPLOYEE TURNOVER

Number of employees leaving the Group during the year relative to the average number of employees calculated on the basis of monthly surveys of the actual number of employees at the end of the month.

RATE OF ABSENCE

Number of days of absence due to illness relative to the number of working days during the year adjusted for maternity/paternity leave, agreed holidays and national public holidays. Absence due to illness is measured on the basis of wage/salary system records.

RATE OF OCCUPATIONAL ACCIDENTS

Number of reported occupational accidents resulting in more than one day of absence per million working hours scheduled for the year.

RATE OF LOST WORK DAYS DUE TO OCCUPATIONAL INJURY

Number of reported days of absence from occupational accidents resulting in more than one day of absence per million working hours scheduled for the year.

QUALITY MANAGEMENT STANDARDS

Percentage of DSV locations certified according to ISO 14001, ISO 9001 or OHSAS 18001. Number of locations certified relative to the total number of locations of the Group.

CODE OF CONDUCT

Number of employees of the DSV Group having received information about the DSV Code of Conduct relative to total DSV employees.

DISTRIBUTION OF DSV'S SUPPLIER CODE OF CONDUCT

Number of companies having distributed DSV's Supplier Code of Conduct to suppliers relative to total number of companies of the Group.

DSV A/S

Hovedgaden 630

2640 Hedehusene

Denmark

Tel. +45 43 20 30 40

E-mail: csr@dsv.com

www.dsv.com

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