People and HR

Employees by age group 2017
Headcount

3,497
under 30 (25%)

5,081
30 to under 40 (36%)
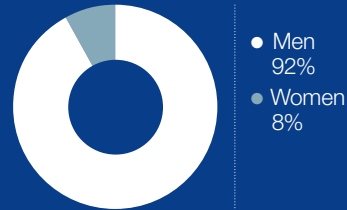
3,326
41 to under 50 (24%)
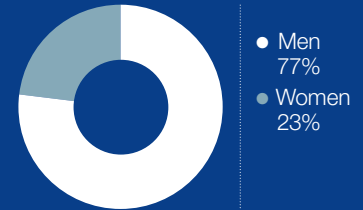
2,122
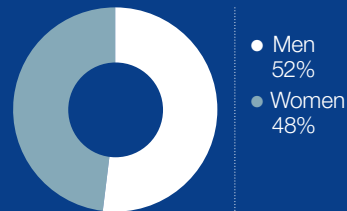over 50 (15%)

Employees by gender 2017

Top leadership (%)

- Men 92%
- Women 8%

Senior management (%)

- Men 77%
- Women 23%

Employees (excluding previous categories) (%)

- Men 52%
- Women 48%

Overall (%)

- Men 54%
- Women 46%
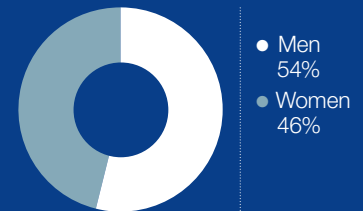
Employees by gender and region 2017
(%)

Region	Men	Women
APAC	45%	55%
Europe	57%	43%
MEAC	67%	33%
Americas	52%	48%
PAC	74%	26%

- Men
- Women
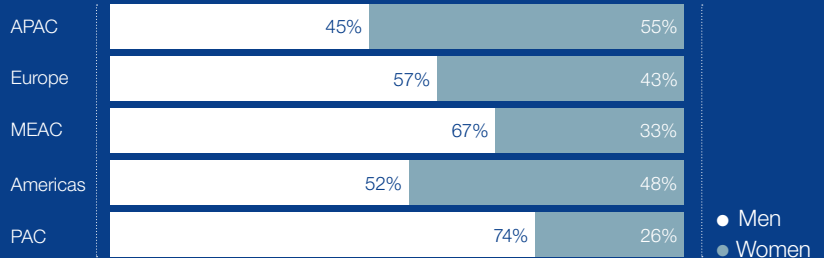
People and HR continued

Attracting, retaining and continuously developing its people is key to ensuring that Panalpina is able to adapt to the rapidly increasing rate of change in the logistics industry and fully support the needs of the business.

Attracting and developing talent

Panalpina employs over 14,000 people across 70 countries and has a rich heritage of over 120 years.

In order to be an employer of choice, Panalpina will continue to attract the best talents in the industry, and particularly to be appealing to young employees and employees from diverse backgrounds. In 2017, the company expanded its social media presence significantly, and now has a strong following that has enhanced Panalpina's brand.

To secure its position as one of the leading global freight forwarding companies, Panalpina continually invests in its employees at all levels to ensure that they realize their full potential. Leaders of the company are empowered to build strong teams that actively contribute to the business goals and enhance the customer experience.

As part of its talent development system, Panalpina implemented several core training programs that are targeted at the next generation of leaders. In 2017, 19 people took part in the international leadership program "Navigating our Future." This program focuses on creating a pipeline of leaders to feed into the most senior positions and ensuring that these leaders act as ambassadors for strategy execution and the Panalpina values. In addition, 211 people participated in "Steering Success" a program that covers the fundamentals of good leadership and is meant for all managers worldwide.

In addition to its leadership programs, Panalpina continued its focus on functional training. In 2017, the sales training programs were relaunched; these well-received programs combine effective assessment of individuals, customized training modules and individualized coaching for the team members.

Leaders of the company are encouraged to build strong teams.

Panalpina also continued its well-established e-learning programs; in 2017, 62 training modules were available in 14 languages. The e-learnings most often completed were Code of Conduct, Compliance Refresher, Panalpina's Core Values, Security Awareness and Welcome to the World of Panalpina.

In order to retain talents and to ensure continuity with its customers, Panalpina has tools and processes to manage internal talent pipelines and create succession plans for key and critical positions. In 2017, high-performing and high-potential employees were identified during talent review sessions and entered into global talent pools. In addition, the company developed and reassigned talents within the organization through projects and career opportunities.

People and HR continued

Building a strong culture

Having a strong culture is vital for success; it encourages collaboration, fosters accountability and promotes pride. In 2017, Panalpina held its second global employee engagement survey to assess employees' levels of engagement as well as to listen to their concerns. Participation was very high – 86% of our employees embraced the opportunity to voice their opinion and give feedback, both positive and negative. The overall scores improved compared to 2016 results; in particular, employee engagement scores increased in cases where the teams had put formal action and monitoring plans in place and saw them through to completion.

Following the 2017 survey, senior executives strongly supported their teams to generate additional action plans, carry these forward and actively monitor the results.

Driving performance

Another important element of Panalpina's human resources strategy in 2017 was the corporate-wide calibration of employee review processes in order to build organization capability and drive the business strategy. Under the new process, managers discuss their evaluations of employees with one another and calibrate their performance assessments so as to have a harmonized methodology, applied equally and fairly across a given pool of employees. By taking a systematic approach to driving performance, the company is better able to leverage the potential of the whole organization to improve productivity and drive the long-term strategic direction.

Outlook for 2018

In the coming year, Panalpina will continue to strengthen its distinctive culture to build pride in its people and raise Panalpina's reputation as an employer, to attract and retain the right people. Equally, by engaging with employees and leaders, the company will continue to foster the "Panalpina spirit," so as to be ready to embrace the disruption facing the logistics sector. This will make the organization more resilient, more efficient, more accountable and, ultimately, more profitable.

Panalpina aspires to build a strong leadership culture.

Health and safety

The well-being of Panalpina's employees, contractors, customers and communities continued to be a priority at Panalpina in 2017.

Throughout 2017 Panalpina strengthened its focus on health and safety further; this commitment was demonstrated by a reduced number of injuries and the continued success of its health and safety programs.

Panalpina's approach is simple and effective; with thorough recording and analysis of accidents and incidents, QHSE teams can communicate, raise awareness and continuously provide training on the most common incident types that occur in order to reduce them.

The positive impact that this approach has on reducing the most common types of incidents can be seen clearly in the data – an overall reduction of slips, trips and falls, forklift and manual handling incidents. Globally since 2015, the frequency of these most common incident types has fallen by 42% and the rate is expected to continue to fall due to the training and understanding Panalpina's employees have gained and the safety culture that has been created.

Communication leads to prevention

Throughout its global network of highly trained QHSE professionals, Panalpina uses a 'safety alert' system to rapidly educate and inform colleagues of potentially hazardous situations that are experienced in Panalpina facilities. The intention is to proactively introduce control measures to prevent them from occurring elsewhere. The safety alert system also expands beyond Panalpina into work conducted by subcontractors and is supported further by over 300 subcontractor audits conducted per year. This enables Panalpina to ensure that its high standard regarding health and safety is propagated throughout its network of suppliers and customers.

Employees in Toronto, Canada practice safe handling procedures during Health and Safety week.

In 2017, Panalpina reduced the frequency of injuries to staff globally to 1.1 per 200,000 man hours worked. The actual number of injuries to Panalpina employees has fallen by 60% over the five-year period 2013 – 2017. An increase of five lost time incidents from the previous year attributed to an increase of lost work days, and the focus throughout 2018 will be to reverse this trend.

Health and Safety Week

Health and Safety Week again figured prominently in Panalpina's culture of health and safety priorities. This week-long set of activities is an annual platform where Executive Board members, managers, staff and subcontractors join together to celebrate the safety culture within Panalpina. In 2017, additional attention was paid to improving employee health and well-being with over 25% of the 500 training sessions during the week targeting burn-out prevention, stress management and providing tips for improving people's health. Doctors and physiotherapists visited a number of sites to work with employees and provide advice on improving work-life balance and correct working posture.

Health and safety continued

Over the past years, another very popular activity in Health and Safety week has been the "Forklift Challenge" where forklift operators demonstrate their skills in lifting and moving pallets and using their forklifts to perform unusual tasks that demand the utmost in concentration and skill. More warehouses are participating in this challenge each year which, using this fun activity, promotes safe forklift driving and contributes to reducing forklift incidents.

In 2018, the well-being of employees, contractors, customers and community will continue to be a priority at Panalpina. The Panalpina Health and Safety team will look at leveraging the success of Health and Safety week and use the enthusiasm this activity generates to introduce new topics to employees. Attention will continue to be given to understanding the root causes of incidents and accidents, and the commitment to achieving the health and safety performance targets will be at the top of the agenda.

Proper lifting is demonstrated for employees at the Roissy, Charles de Gaulle warehouse.

2017 Health and safety statistics

Injury frequency rate (IFR)*:	1.1
Lost work day frequency rate (LWDFR)*:	7.2
Lost time incident frequency rate (LTIF)*:	0.49
Total injuries recorded:	151
Total lost time injuries:	68

* Frequency rates calculated per 200,000 man hours worked

Community

Being a good corporate citizen means not only managing the environmental impacts from operations, but also engaging with and supporting communities where Panalpina's operations are located.

Schoolchildren in Buiram, Thailand receive sports equipment and writing supplies from Panalpina employees.

Global Sustainable Action Week

A highlight of Panalpina's sustainability work is Sustainable Action Week. Each year, all Panalpina locations plan a series of activities to highlight Panalpina's commitment to helping local communities address sustainability-related challenges. In 2017, employees participated in close to 400 separate activities across all Panalpina facilities.

These activities included clothing collection drives in the United States, e-waste collection in Brazil, and charity runs at the Basel headquarters, Canada, the Philippines, France, Hungary, the United Kingdom and the Czech Republic. Food collection drives and food-serving activities are an important part of Global Sustainable Action Week, and Panalpina teams in Brazil, Canada, the United States, Australia, India, Japan, New Zealand, Taiwan, Angola and other Panalpina facilities took part in these important activities.

Ecuador held an awareness talk about people with disabilities, and several countries hosted events supporting local animal shelters and adoption facilities. Teams in Australia, Cambodia, Vietnam, the Czech Republic, Russia and Brazil participated in tree-planting exercises. In the Philippines, the team participated in the "Gift of Light" project, where they provided solar-powered lamps to communities to help them avoid fossil fuels, the burning of which contributes to climate change. In Thailand, 40 Panalpina team members helped with the cleaning and maintenance of a turtle pond at a local wildlife center. Several sites participated in activities to support orphans in their communities, and Panalpina Headquarters supported a unique program in which refugee children on the Greek island of Lesbos took part in a five-day football training camp to take their minds away from their difficult circumstances.

In addition to Global Sustainable Action Week, many of the Panalpina locations carry out community outreach and sustainability programs on a regular basis. As one example, employees in Thailand helped to clean up a nearby beach, planted trees, and provided equipment for children at a local school.

Charity flight to Angola

For the fifth consecutive year, Panalpina supported UNICEF by flying much-needed relief goods to the African continent. In 2017, this flight went to South Sudan, where a civil war and a major economic crisis have exacerbated poverty and malnutrition. At least half the population—about six million people—are severely food insecure, with a total of 1.7 million people on the brink of famine. In mid-December 2017, the flight chartered by Panalpina brought 80 tons of supplies provided by UNICEF to Entebbe, where it was off-loaded and trucked to South Sudan. The goods included water tanks and purification tablets, tents, sleeping mats, tarpaulins, sterilization kits, medicines and children's toys.

Ethics and compliance

Panalpina is committed to honest and ethical business practices at all levels and in all locations where it does business.

The company is founded on the core values of performance, integrity and professionalism.

The company strives to create a culture where employees understand their role in maintaining high ethical standards and ask questions if they are unsure about a situation.

A strong foundation

The company culture is founded on the core values of performance, integrity and professionalism, a set of principles to guide employees' actions internally and externally. The company Code of Conduct elaborates on these values and explains how to conduct business with integrity, which includes fostering a positive work environment, avoiding conflicts of interest, maintaining financial integrity, protecting Panalpina's assets, and conserving the environment.

This foundation also drives business success; customers have noted that Panalpina's ethics and compliance programs are exemplary and differentiate it from other companies in the industry.

Ongoing training

In 2017, Panalpina deployed a new e-learning module on compliance. Supplementing this, the company held approximately 60 in-person management training sessions on compliance, covering all relevant Panalpina employees and addressing the different needs and prerequisites of the training audience.

Focus areas for 2017

As an asset-light company, Panalpina is reliant on its key suppliers, and in 2017, Panalpina's ethics and compliance managers put a special focus on monitoring third-party suppliers. Subcontractors were asked to sign, and re-sign, their commitment to the adherence of the same high standards as Panalpina.

The company also increased its anti-fraud initiatives in 2017: this covers issues related to misrepresentations of contracts and financial transactions as well as cyberfraud and social engineering. Panalpina implemented new trainings on the topic and conducted third-party audits to focus on due diligence activities.

Also during the year, Panalpina continued its monitoring and review activities in critical locations, ensuring continued alignment and commitment to the global compliance program.

Outlook for 2018

Looking forward, Panalpina plans to further engage its third-party suppliers and deepen the expectations it has for them regarding its ethics and compliance programs. The e-learning module will be further rolled out and targeted at all office employees of Panalpina.

Quality

At the heart of Panalpina's value proposition to its customers is its commitment to high-quality service. This is achieved through a commitment to clearly defined processes, diligent management and oversight, and an unwavering application of the principles of continuous improvement.

Certifications as the foundation

Panalpina's quality program is based upon certifications according to internationally recognized standards. These certifications include ISO 9001:2015 and Good Distribution Practice (GDP), which address the pharmaceutical industry's need for compliance, product integrity and security in the supply chain for pharmaceuticals, through the creation of a globally consistent and recognized pharmaceutical product handling certification.

In 2017, Panalpina received global-wide certification according to the most recent ISO 9001:2015 standards for quality management. While Panalpina was already globally certified to the previous version of the ISO 9001 standard, being certified to this new version required revisiting all of the documentation of processes and procedures, training staff on these new expectations, and disseminating the information globally throughout the organization. The auditor who performed the certification audits reported that Panalpina's implementation of the new standard was professionally handled by all parties, and Panalpina's corporate, regional and country QHSE teams were the effective backbone of the process.

As part of the annual external audit process, it was noted by the external auditor that Panalpina management and staff all demonstrated a high level of commitment to the quality management process and that there was a high alignment between corporate policies and local operations. The QHSE corporate, regional and country teams successfully implemented the ISO 9001:2015 requirements and were successful in encouraging all members of the Panalpina family to use the management system as part of their daily business. The auditor noted that Panalpina is in the top five of companies globally that they audit. In 2017, a total of 80 external audits were carried out against ISO 9001:2015.

Staff are qualified according to a thorough GDP training program.

More than 70 GDP-compliant locations worldwide

Out of the 70 GDP-compliant locations, 30 locations are GDP certified. GDP is a quality assurance standard that includes stringent requirements for the handling, storage and distribution of drugs that are intended for human consumption. Many of Panalpina's pharmaceutical customers require that business units that handle their products are GDP-certified. In 2018, Panalpina will roll out its own GDP training materials, and continue its program to qualify its staff according to a thorough GDP training program thus expanding its capabilities and knowledge in this regard. In 2017, approximately 300 employees were GDP-qualified, and more than 3,000 trainings were held on GDP topics.

Data from GDP external audits and inspections also show that Panalpina's efforts are paying off. From 2015 to 2017, the number of findings per audit performed decreased by about 50%; in 2017, Panalpina was subjected to more than 30 external GDP audits and successfully passed all of them without any critical findings.

Quality continued

Panalpina carries out a rigorous program of subcontractor audits.

Validaide allows users to proactively check risks according to transport lanes for each customer.

Commitment to improvement

Central to Panalpina's success in quality management is its self-assessment process. When a non-conformance is identified, a root-cause analysis is immediately performed to identify the origin of the issue, and a corrective action plan is developed. In 2017, the Panalpina QHSE-qualified audit team performed 120 internal audits to look for opportunities for improvements in established processes and standards and to identify any systemic issues that require addressing.

Subcontractor management

As an asset-light organization, Panalpina is critically dependent on the performance of its subcontractors and their adherence to agreed processes and procedures. As part of its environmental, quality and safety management systems, Panalpina has a rigorous program of subcontractor audits, whereby the working standards and corporate controls are assessed regularly. These audits include environmental performance standards, and adherence to labor and human rights-related performance. In 2017, 300 subcontractor audits were performed.

IT platforms to ensure quality

In 2017, Panalpina deployed a new tool, Validaide, an innovative platform for supplier qualification and lane risk assessments. On the platform, customers and suppliers of services are connected to standardize and improve supplier qualification for different product categories and transport modalities. This tool will help proactively check risks according to transport lanes for each customer before shipments occur.

Panalpina is in the process of mapping the capabilities of its business units and subcontractors into the platform, which will allow the system to proactively showcase Panalpina's special cargo handling capabilities, reduce the burden of supplier qualification and receive customer feedback for performance improvements. Validaide will be rolled out to the remaining business units in early 2018.

Environment

Environmental performance has continued to be an important factor in Panalpina's relationship with key customers, and a differentiating factor with prospective customers.

In 2017, Panalpina saw continued and increased interest from key customers regarding its sustainability performance. Companies need assurances that the providers of critical services do not represent unnecessary financial or reputational risks and they therefore scrutinize service providers carefully regarding their environmental management systems and impacts.

Reporting on impacts

Panalpina has invested heavily in the technology and business processes to provide this information to its customers, and this investment is bearing fruit. When asked to document and describe its environmental programs, they have consistently been singled out for praise from customers and prospective customers. In several request for quotation processes, the potential customers have rated Panalpina's programs as being among the best compared to other companies offering similar services.

Most often, companies want information regarding the greenhouse gas emissions resulting from the shipment of their cargo. Panalpina's infrastructure for doing so, based on the EcoTransIT platform, provides shipment-specific data regarding greenhouse gas emissions for shipments, and offers insights into how emissions can be reduced moving forward. Panalpina is continuing to push for even more capabilities in this regard, including being able to provide more granular information related to specific routes, loading factors, vehicles and stopovers. This improvement will be a topic of effort in 2018.

Panalpina recently broadened its reporting capabilities to provide pre-shipment data analysis to their customers by introducing the mass calculation service from EcoTransIT World. The mass calculation business solution, as its name suggests, focuses on calculating emissions for bulk datasets.

Companies want information regarding the greenhouse gas emissions resulting from the shipment of their cargo.

With this new addition, Panalpina can model GHG emissions for solicitation processes, or when working with a customer to optimize shipping options. This system includes the capability to model emissions per trade lane and separated into whole route, or pre-carriage, main haul or post-carriage segments. Multiple routing and vehicle options can also be examined, enabling customers to make an informed choice about which options present the best combination of speed, cost and environmental impacts.

Supporting business performance

Over the past few years, Panalpina's environmental team has participated in a number of customer sales meetings, providing on-the-ground support to the sales team and offering options for how Panalpina can minimize the environmental impact of its logistics services. This is one example of how sustainability performance is becoming increasingly integrated into the core business function and value proposition that Panalpina offers its customers.

Environment continued

Each Panalpina country team assesses the impacts of its services from a lifecycle perspective.

In 2017, the global head of QHSE led several training sessions for Panalpina sales teams to help them understand the depth and breadth of Panalpina's capabilities in the sustainability arena. Through these sessions, the sales teams are now better able to engage with customers and potential customers about how Panalpina's solutions can help them achieve their own sustainability objectives.

Innovation for sustainability

Each environmental manager at Panalpina was assigned a performance goal of developing an innovation project focused on sustainability. The managers proposed more than 70 projects, including the development of a new product where customers are offered multimodal sea-rail services instead of using air freight as the default offering. Not only does this reduce costs for the customer, it also significantly reduces the environmental impact resulting from aircraft emissions. Another innovation project proposed reusing shipping pallets for handling scrap metals rather than simply discarding them. Such reuse programs reduce the amount of waste generated while also supporting a nascent recycling program near Panalpina facilities. This past year, Panalpina supported the Bochum University of Applied Sciences in the World Solar Challenge, a 3,000 km solar-powered car race across Australia. This effort to encourage innovation projects will continue in 2018.

Improving environmental management

In 2017, Panalpina continued to improve the global certification according to the latest 2015 version of the ISO 14001 environmental management guidelines. ISO 14001 is an internationally accepted standard for implementing effective environmental management systems, and it requires organizations to identify and assess environmental facets and reduce environmental impacts. This certification, however, is only the starting point of ongoing comprehensive environmental management activities.

One example of the requirements of the ISO 14001:2015 certification is that each Panalpina country team assess the impacts of Panalpina services from a lifecycle perspective. By understanding exactly where the greatest impacts occur in the provision of logistics services, Panalpina and its customers can devise ways to reduce these impacts. Another example of actions taken in support of Panalpina's environmental management system is the identification of stakeholders: those individuals, parties or groups who are impacted by Panalpina's activities. In 2017, each country unit undertook a stakeholder assessment process and documented the findings so that future stakeholder engagement activities could be carried out. Key stakeholders identified in this process include Panalpina employees, subcontractors, and communities where Panalpina has facilities.

Environmental performance

Data regarding the following topics is collected twice yearly, and tracked to monitor performance:

- Paper consumption
- Electricity consumption
- Heating
- Fuel consumption
- Water consumption
- Business travel, primarily flights

These metrics are collected using an online, cloud-based data platform, and are analyzed for trends and opportunities to reduce impacts wherever possible.

Environment continued

2017 was a highly successful year for Panalpina's effort to reduce its environmental impacts, with reductions in almost every category. Electricity consumption was down 7% to 59,000 MWh, and energy used for heating fell by 8.3%. Vehicles owned and operated by Panalpina used 9% less energy than in 2016. The results of this are greenhouse gas emissions that fell by 9% and almost 5% for Scope 1 and Scope 2 emissions respectively. Greenhouse gas emissions attributable to business travel decreased last year. Emissions when normalized per employee also fell slightly between 2016 and 2017. Performance in other, non-GHG related categories of environmental impacts was also strong. Water consumption fell slightly from 2016 levels, and paper consumption was down almost 9% from 2016 levels.

Panalpina tracks emissions due to third-party suppliers of transportation services. Emissions from sea and road-freight shipments have fallen substantially (14% and 54% respectively) compared to the 2014 baseline. However, air freight emissions have increased over the same period due to increased volumes of business in this category. In 2018, Panalpina is planning engagement and collaboration activities with key suppliers to identify ways to address this issue and will report on its progress.

Science-based targets

In late 2016, Panalpina joined around 200 of the world's leading companies and formally established greenhouse gas emission targets according to the principles of the Science-Based Target Initiative (SBTi). The SBTi is an international program where corporations agree to set greenhouse gas reduction targets consistent with the reductions necessary to limit global warming to 2.0 degrees Celsius. Panalpina's science-based targets are based on 2013 emission levels and stipulate that by 2025 emissions attributable to buildings are reduced by 27%, and passenger car emissions reduced by 32%. Heavy duty truck emissions will be reduced by 32% and emissions from business flights must be reduced by 13%. Lastly, emissions from subcontracted transport, which comprise the majority of Panalpina's total greenhouse gas emissions, should be reduced by 22%. Panalpina has set targets for other categories of impacts, including reducing paper consumption by 15% and water consumption by 10% by 2025.

As of the end of 2017, Panalpina was well on track to achieve its science-based targets in all categories except for those attributable to subcontracted transport. For example, in the United States, projects are underway in Panalpina's facilities to improve HVAC efficiency, replace lighting with LED fixtures, upgrade chiller units, and deploy energy management dashboard systems to monitor energy usage. As a result, the target set for energy efficiency in Panalpina's facilities is well within reach.

In the coming years, Panalpina will focus attention on continuing its progress towards achieving its targets across all categories and will specifically explore partnerships with key suppliers of transportation services and identify opportunities to achieve reductions due to their activities.
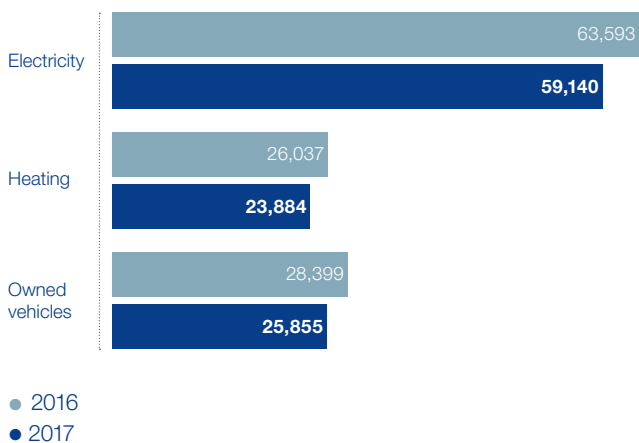
Recognition for our efforts

Panalpina also participates in the sustainability rating platform EcoVadis, an independent and impartial collaborative platform that invites companies to assess the environmental and social performance of their business partners. Using this platform, Panalpina's customers can score the company's corporate social responsibility initiatives and how it manages its economic, social, and environmental impacts, and its relationships with stakeholders, including employees, customers, suppliers and industry bodies. These results are benchmarked against other companies and can play an important role in the continuous improvement of their sustainability programs. In 2017, Panalpina achieved a gold rating for its sustainability efforts, and was recognized as being in the top 1% of those in the industry, and the top 2% of all 30,000 companies being assessed by EcoVadis on sustainability requirements.

Environment continued

Environmental data

Activities	Performance indicator	Unit	2017	2016	2015	
Energy and CO_2						
Electricity	Consumption	MWh	59,140	63,593	66,235	(7.0)%
Heating	Overall consumption	MWh	23,884	26,037	28,033	(8.3)%
District Heating	– of which District heat	MWh	4,820	4,827	3,239	(0.1)%
Vehicle Fuel	Consumption (Panalpina-owned and lease vehicles only)	MWh	25,855	28,399	39,985	(9.0)%
CO_2 emissions	Total emissions	Tons	50,949	53,760	57,696	(5.2)%
	– Direct (Scope 1)	Tons	10,592	11,643	15,451	(9.0)%
	– Indirect (Scope 2)	Tons	32,231	33,876	33,990	(4.9)%
	– Indirect (Scope 3, business air travel)	Tons	8,126	8,241	8,255	(1.4)%
	– Relative emissions per FTE	Tons/FTE	3.7	3.7	3.8	(1.2)%
Materials						
Paper	Consumption	Tons	689	756	817	(8.8)%
Water	Consumption	m³/1,000	276	277	284	(0.1)%

Energy consumption by energy category (MWh)

Electricity — 63,593 / **59,140**
Heating — 26,037 / **23,884**
Owned vehicles — 28,399 / **25,855**

- 2016
- 2017

CO_2 emissions by activity
(tons of CO_2 equivalents)

Electricity — 31,620 / **29,979**
Heating — 6,627 / **6,216**
Owned vehicles — 7,272 / **6,628**
Business flights — 8,248 / **8,126**

- 2016
- 2017