

BUSINESS: AN INTEGRATED PERSPECTIVE

People

Panalpina is on a journey of transformation. This process requires clear leadership and management, and is key to support the future success of the business. Ultimately such change will play a key role in Panalpina achieving its aspiration to build a high-performance culture.

Key figures

From 2015 to 2016, Panalpina's total headcount decreased slightly due to internal reorganizations and restructuring measures driven primarily by the downturn in the oil and gas sector. The demographics of our employees have stayed relatively constant, with a 53% to 47% male-to-female ratio and the distribution among age groups also staying steady. Panalpina recognizes that the representation of females in senior management roles is disproportionately low. While this is an issue that is endemic to the traditionally male-dominated logistics sector, Panalpina made progress in 2016 with the appointment of women to roles as a regional head of Ocean Freight, a regional head of human resources and a global head of an industry vertical. In addition to this, Panalpina has clear criteria regarding compensation levels for roles in the company, benchmarks about what each position is worth for Panalpina, and external benchmarks for each position. This is one important mechanism to protect against gender-biased discrepancies in compensation.

Improving performance and engagement

Panalpina's success in achieving a high-performance culture involves clearly communicating to its employees what success looks like. Establishing clear ways to better differentiate performance, letting employees know when they are meeting expectations, and when they are not, is crucial. Managers must be clear about objectives, accountability, and how success is defined. To address this, the rating scale used to evaluate individuals' performance has been simplified and the concept of performance "calibration" has been introduced. These changes enable better differentiation and objectivity regarding

performance evaluation across teams. While there are regular feedback sessions as part of the formal annual review process, constructive feedback and continuous dialogue between managers and employees are key to success.

In 2016, Panalpina commissioned a global employee engagement survey to assess the level of engagement and commitment of Panalpina's employees. Overall, the Panalpina results are on par with the global benchmark, indicating that there are opportunities for Panalpina to improve, both locally and globally. The high response rate demonstrated the importance that employees gave this topic. Panalpina's executive leadership will play a key role in selecting the strategic options and ensuring clear and action oriented communication is cascaded through the organization. To ensure the involvement of all employees, action plans will be developed and managed at the local level.

Creating value through training

Panalpina has invested significantly in the training and development of the next generation of leaders. To strengthen the leadership pipeline and succession planning for senior management positions, Panalpina's leadership development program "Navigating our Future" was revamped. In 2016, 21 talents of 16 different nationalities successfully completed this program.

Panalpina's training and development focus extends beyond just senior management succession. Employees at all levels are frequently invited to participate in e-learning courses offered through Panalpina's online training system. In 2016, 62 different modules were offered in as many as 14 languages, including Thai, Korean and Portuguese. Some examples of mandatory e-learning modules cover Panalpina's Code of Conduct, Basics of Compliance, and Panalpina's Core Values. In order to gain maximum benefit from the global e-learning offering, employees and managers not only rely solely on the mandatory assignments that have been predefined, but also select other units that are relevant to their function.

Partnerships for the future

As part of our transformation journey, Panalpina works with a number of partners to attract the brightest minds into our business. A good example of this is our partnership with Cardiff University. The partnership allows us to tap into a wealth of research and innovation ideas from some of the leading experts in their field, as well as to nurture new perspectives and attract graduates from one of the leading universities in the world.

Started initially as a collaboration between Panalpina's logistics organization and Cardiff Business School, the partnership has expanded to involve multiple divisions within Panalpina, and also across various faculties in the University, such as the Cardiff University Engineering School.

Together, Panalpina and Cardiff University have attracted more than one million euros in research grants, and have worked together to develop new solutions to integrate 3D printing into supply chains, develop new forecasting and inventory planning approaches, and also carry out joint research into the development of distributed and circular supply chains. To encourage students to bring their ideas, Panalpina launched an annual Panalpina Prize, awarded to the student who develops the most innovative and relevant business solutions for Panalpina. From this, Panalpina has recruited a number of the Cardiff students into their global graduate recruitment program.

In 2016, in recognition of the work done between the two organizations, Panalpina launched the Manufacturing and Logistics Research Centre at Cardiff University. Through this research facility, Panalpina and Cardiff University aim to continue to attract the brightest minds and the best ideas for Panalpina and their customers.

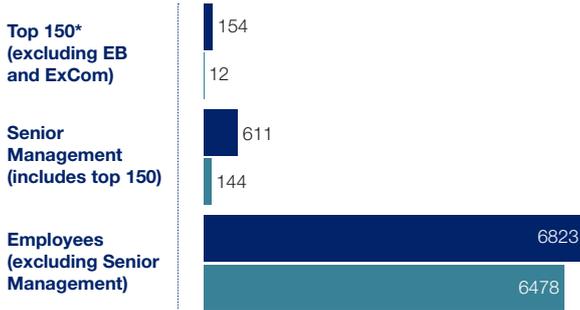
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People continued

GRI
Standard Disclosures
G4-9, G4-10

Employees by gender 2016

Headcount

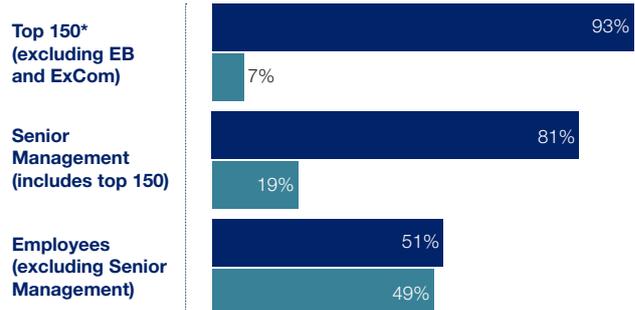


- Men
- Women

* Panalpina term for executive management.

Employees by gender 2016

Percentage

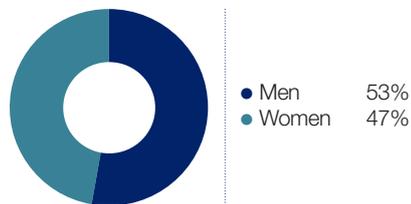


- Men
- Women

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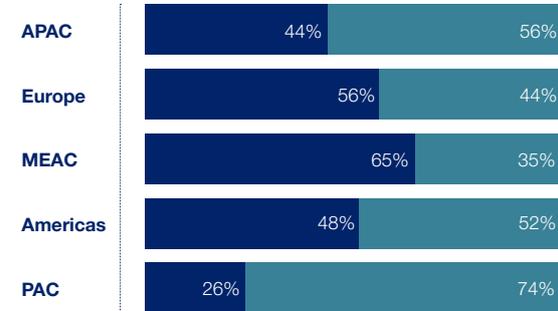
Employees by gender 2016

Overall



Employees by gender & region 2016

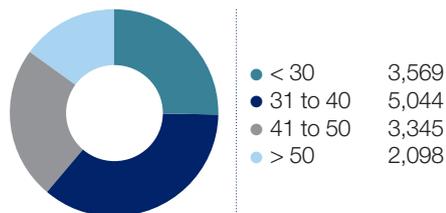
Percentage



- Men
- Women

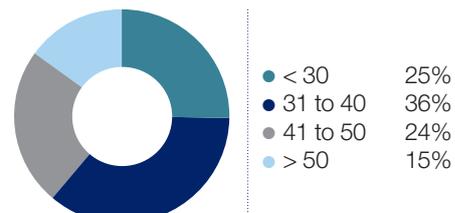
Employees by age group 2016

Headcount



Employees by age group 2016

Percentage



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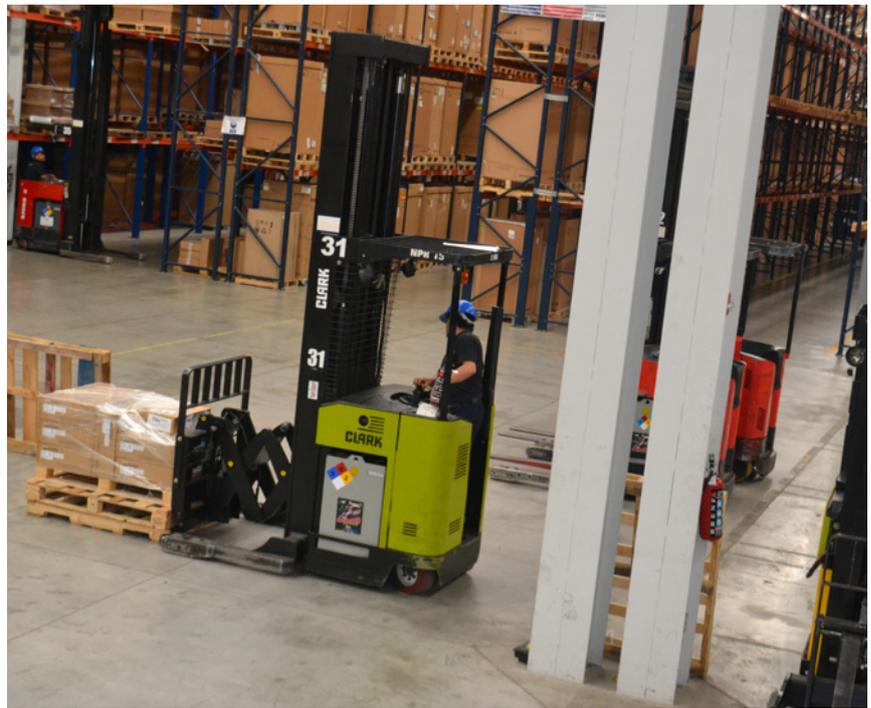
Health and safety

Panalpina's focus and commitment to health and safety continue to improve year upon year and 2016 was no exception. Maintaining a consistently high level of safety across six continents and in over 70 countries requires a dedicated team of QHSE managers all working together to create a positive culture.

This culture and the resulting improvement of Panalpina's safety record provides a value-added service to its customers who can be confident that Panalpina is fully focused on delivering high-quality service without compromising on health and safety.

Audits, inspections and subcontractors

The key to our success is maintaining high standards of health and safety throughout the entire supply chain. This begins in the facilities that we operate: in 2016 Panalpina QHSE managers conducted 2,698 worksite inspections and 105 in-depth internal audits focusing on improving standards and continuously improving and closing gaps in performance through our thorough corrective and preventative action protocols. Panalpina also expects its high standards for safety to be maintained by its subcontractors. In 2016, Panalpina conducted 382 QHSE audits of subcontractors globally across all modes of transport. This number is an increase from the 2015 figure and it continues to demonstrate the energy, resources and commitment Panalpina is prepared to use in order to ensure high safety standards are maintained.



As part of Panalpina's Health and Safety Week in 2016, employees in Mexico participated in the "ultimate forklift challenge." Drivers navigated through a maze constructed from freight pallets to demonstrate their skills and ability to operate the machinery safely, yet efficiently.

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Health and safety continued

Trainings, certifications and awareness

A consistent approach in the safety messages and awareness sessions that are conducted globally enables our QHSE managers to deliver valuable, worthwhile training that focuses on the topics most relevant to Panalpina staff. This comprehensive and systematic approach to health and safety training, processes and procedures is certified and audited annually to the OSHAS 18001 standard.

This past year, Panalpina's health and safety initiatives were organized around nine topics: manual handling; slips, trips and falls; forklift safety; safe loading; personal protective equipment; good maintenance; electrical safety; fire safety and vehicle safety. Each topic was the focus of specific training activities and communications, to highlight the importance of these issues for overall workplace safety at Panalpina.

Annual Health and Safety Week

An engaged and aware workforce is one of the most potent tools for ensuring workplace safety. In 2016, Panalpina's facilities engaged in over 670 health and safety training and awareness sessions across the nine topic areas. There were many highlights and examples of creative and engaging ways that the employees participated, including an ultimate forklift

challenge in Mexico, consisting of a maze constructed from freight pallets for drivers to navigate and demonstrate their skills and ability to operate the machinery in a safe, yet efficient manner. Other activities that were organized include earthquake preparedness at the Panalpina facility in Manila, Philippines and a forklift safety demonstration at the Panalpina Milton Park and Heathrow facilities in the United Kingdom. The Panalpina team in Indonesia created a series of engaging videos about workplace safety, including the hazards presented by trips and falls, while the Panalpina Canada team hosted a series of "Lunch and Learn" safety videos and developed creative posters about different safety topics.

Health and safety results

In 2016, Panalpina shifted its analytical approach to workplace safety data by focusing on frequency-based data, in addition to absolute numbers of incidents. The frequency analysis approach normalizes the numbers of injuries against 200,000 hours of work time and is a commonly used calculation within health and safety to enable comparative analysis of data from different sites and countries.

The most important types of incidents to reduce are lost time incidents and the subsequent number of resulting lost work days. These are incidents where injuries are serious enough that a worker is unable to return to work for a certain period of time afterwards. In 2016, the total lost work days due to accidents was 798 days or 5.6 per 200,000 person-hours. This was a decrease from 2015 and the third year in succession that the number has reduced. In this same period Panalpina has reduced the number of lost time injuries from 0.6 per 200,000 person hours worked to 0.3, demonstrating our commitment to continuously improve the safety of the workplace.

In 2017, the global health and safety team will continue to monitor all injury data and identify any potential trouble spots that show higher than expected rates of injuries. For any such sites, corrective action plans will be developed and implemented.

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Community



Annual sustainability event

In September 2016, Panalpina held its second annual global sustainable action event, dedicated to highlighting Panalpina's commitment to environmental stewardship and community engagement around the world.

Panalpina employees engaged in a wide range of activities, including volunteering for local charities, collecting food and clothing for people in need, and participating in cleaning and restoration work in local parks and natural areas. Around the world, over 400 activities were organized by the local Panalpina offices and more than 56,000 CHF was raised for charitable causes. Many offices organized donations to support local community organizations and charities.

Basel, Switzerland
Bake sale at main train station



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Community continued

Panalpina's engagement with the communities where it operates takes several forms. These range from small-scale local programs undertaken by just a few employees, to large, corporate-wide events designed to engage many employees and larger communities.

In 2016, Panalpina held its second annual global sustainable action event, dedicated to highlighting Panalpina's commitment to environmental stewardship and community engagement around the world. The activities were planned with local environmental or community needs in mind, and consisted of a wide range of charitable, volunteer and educational programs.

Around the world, over 400 activities were organized by the local Panalpina offices and more than 56,000 CHF was raised for charitable causes, including 11,000 CHF by the Panalpina Europe-region offices for a climate-change related project.

Other Global Sustainable Action Week activities included food donations in El Salvador, recycling and reuse of wood pallets at the Panalpina Mexico City facility, collecting school supplies in Chile, and supporting efforts to alleviate the water contamination problem in Flint, Michigan in the USA. The Panalpina office in Basra, Iraq planted trees and bushes around their offices and many Belgium-based Panalpina offices participated in a program where old mobile phones, laptops and other electronics were collected for recycling. In Costa Rica, some Panalpina staff donated their own hair to be made into wigs to support cancer patients.



Volunteers from the Panalpina office in Balikpapan, Indonesia help clean up Brimob Beach.

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Community continued



UNICEF relief supplies on a Panalpina-sponsored flight arrive in N'Djamena, Chad.

In Basel, Switzerland at the Panalpina head office, six different activities were organized as part of Global Sustainable Action Week, including a charity run and cake selling, supported by members of the Panalpina Executive Board. More than 270 staff at the Head Office participated and 10,000 CHF was raised to support organizations such as Swisscross, Open Schools Worldwide and Plan International.

On a more personal level, Panalpina employees have shown their own commitment to important causes. To give two examples, an employee in Aberdeen, Scotland was recognized for his actions to support an organization that provides emotional and practical support to people affected by cancer. Another Panalpina employee, at his own expense and using his own holiday time, volunteered for the Swisscross at refugee camps in Greece, where many refugees have fled to escape the conflict zones in Syria and the Middle East.

In June of 2016, the managing director of Panalpina Singapore accepted the *Most Effort Eco Award* from "Eco Action Day," a nationwide campaign in Singapore that encourages awareness and action for the environment. Panalpina was one of two commercial entities to be recognized out of 629 organizations that participated. Operating since 2007, Eco Action Day partners with key non-governmental organizations, along with the government of Singapore and private sector stakeholders, to take steps to reduce environmental impacts.

On a more global basis, for the fourth consecutive year, UNICEF and Panalpina joined forces to fly relief supplies to a region in need of support. In November 2016, a flight chartered by Panalpina delivered goods to the African nation of Chad where population movements, food insecurity, malnutrition and natural disasters have led to a health emergency and precarious humanitarian situation. More than 80 tons of life-saving goods that are essential for

water treatment, sanitation and nutrition programs were delivered. As in previous years, the company decided that a charitable donation in the form of an aircraft charter for UNICEF would be of more value than Christmas gifts for customers and employees. In 2015, Panalpina flew much-needed relief goods to Burundi, where a recurring crisis and violence took a heavy toll on society. In 2014, Panalpina supported the fight against Ebola by flying life-saving humanitarian aid to Sierra Leone. In 2013, Panalpina's first relief flight for UNICEF brought desperately needed goods to the Central African Republic.

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GRI
Standard Disclosures
G4-15, G4-56

Ethics and compliance

Topics covered in the Code of Conduct include:

- Fostering a positive work environment, including issues of diversity, discrimination, fair employment practices and health and safety
- Conflicts of interest, including outside employment and family and personal relationships
- Conducting business with integrity, including bribery, gifts, contributions and sponsorships, competition and antitrust and other compliance issues
- Financial integrity, including record keeping, responsibility of senior officers, insider trading and money laundering
- Protecting company assets and information, including physical assets, intellectual property and privacy
- Environmental protection, including compliance and proactive efforts to avoid undue impacts

Linking integrity to success

The Panalpina Code of Conduct supports a corporate culture that values honesty, fairness and accountability

Panalpina Code of Conduct

A clear focus on ethics and compliance is central to Panalpina's approach to business. With a culture of "doing the right thing" and strong internal processes and infrastructure for compliance, Panalpina can respond quickly and decisively when any issues regarding misconduct or questionable business practices arise.

By insisting on ethical and compliance-focused behavior, Panalpina can create a foundation of trust between the company and its stakeholders. That is how enduring relationships are built that lead to value creation for all parties.

All Panalpina employees share the responsibility for being honest and upholding strong ethical values in their daily roles, and all Panalpina employees are required to participate in an in-person training session with their supervisor to verify their understanding of Panalpina's Code of Conduct.

These trainings are augmented by e-learning modules that all employees are required to participate in annually. Providing clear guidance on these values is critical to ensure each employee can anticipate, identify and address situations that could compromise Panalpina's integrity. When faced with challenging situations, Panalpina expects its employees to use good judgement in the spirit of its core values – performance, integrity and professionalism.

Locations where Panalpina operates are regularly assessed for ethics and compliance-related issues using a comprehensive risk analysis methodology. Furthermore, special attention is given to areas identified as having high exposure to risks.

Panalpina regularly provides comprehensive training on corruption-related issues to employees via a web-based learning platform. On-site training programs are also available to regional and country management teams. To minimize potential conflicts of interest and the potential for corruption, as a matter of policy Panalpina does not participate in or contribute to political campaigns, candidates, or political parties.

In 2016, there were no new legal actions for anticompetitive behavior, antitrust or monopoly-related issues that were brought to the attention of the Board of Directors or the Executive Board.