SUSTAINABILITY

Human Resources

Continuous investment in the most important asset: our employees
The only constant factor in the international logistics business is permanent change. To keep pace with this dynamic development, continuous learning and upgrading of skills and qualifications are of utmost importance. Kuehne + Nagel enables its employees to do this through substantial investments in training and further education as well as talent and management development.

Kuehne + Nagel supports the professional development of its staff by individual career planning, the possibility of international assignments and job rotation. The principle of performance-related payments strengthens the results-orientation of the employees and the management. Furthermore, top performers can benefit from a share-based long-term incentive plan.

Recruitment and systematic development of talent
The global e-recruitment solution, which was developed two years ago, has now been introduced in 60 countries and is linked to the principal job portals. In 2012 this system-supported job application process was very helpful in the recruitment of local talents, particularly in the South America and Asia-Pacific regions. Kuehne + Nagel operates a comprehensive programme for the development of talented staff on a multinational basis from the level of basic training to their appointment to higher management functions. Particularly talented new employees benefit from regional development programmes in which 300 people are currently participating.

Apprentices
Kuehne + Nagel has a strong and attractive apprenticeship programme in place. Its success is underlined not only by the awards it has received but also by the good results obtained by the trainees in their final examinations. In 2012 for example, 985 young people have been trained and developed in 12 different fields of specialisation; this represents an increase of 11 per cent over the previous year.

For the further development of the best apprentices Kuehne + Nagel has established a scholarship programme with a duration of 18 months. This measure offers up to ten participants the possibility to graduate as Bachelor of Arts in Logistics Management and being entrusted with demanding specialist or management positions within the company afterwards.

High Potentials
In the year 2012 74 employees completed the High Potential Programme that was launched two years ago. Through the newly created HiPo-Alumni Initiative, the next career steps of graduates are monitored on a regional or central level, and supported with development measures tailored to their individual needs. 71 employees from 28 countries convinced and qualified themselves in a challenging global selection procedure for the next high-potential course and began with the first training module in October.

Development of managerial staff
Kuehne + Nagel’s training concept for managerial staff comprises four levels, which address specific requirements of the various tiers of management.

In addition to the teaching of modern management techniques, the leadership trainings also focus on current business topics and the subsequent implementation of the developed solutions. In this field Kuehne + Nagel cooperates with the Cranfield School of Management, London.

Training and further education - actively managing changes
More than 19,000 training and further education courses took place in 2012. These included specialised and product courses as well as seminars on quality, safety, health and environmental issues.
The implementation of a new operational IT system for airfreight and seafreight, which started in 2012, is accompanied in the human resources department by an extensive Change Management Programme. Through the early involvement of staff and continuous training, it was possible to implement several suggested improvements relating to the technical configuration of the system. At the same time, this helped to achieve the punctual implementation of the first modules and the increases in productivity aimed at.

Cost-efficient global exchange of knowledge
In 2012 roughly 8,200 virtual training courses and meetings took place via the Centra platform, representing an increase of 12 per cent over the previous year. Thanks to this web-based software it is possible to link together global teams on a virtual basis and to give live presentations and hold brief training units in which customers or external partners can also take part.

Compliance
In addition to extensive instruction, the criterion of "Ethical Behaviour" became mandatory for the worldwide performance assessment of all managerial staff. This measure underlines the importance which Kuehne + Nagel assigns to leadership based on ethical values.

After the previous year’s global training campaigns, which focused on the themes of antitrust law and combating corruption, in 2012 the emphasis was placed on the overarching topic "Code of Conduct". Here, more than 8,400 managerial and other employees took part in compulsory instruction courses.

Number of employees
The number of employees increased to 63,248 compared to 63,110 in the previous year.
KLAUS-MICHAEL KUEHNE Honorary Chairman of Kuehne + Nagel International AG, Chairman of the Board of Trustees
Professor Kuehne, in addition to your entrepreneurship you play a very active and committed role in your two foundations. What aims do you pursue?

KLAUS-MICHAEL KUEHNE: My parents and I established the public-benefit Kuehne Foundation in 1976. In accordance with its aim at that time, the primary task was defined as providing support to the transport industry through a number of research and education measures. Later, logistics moved into the foreground and became the main focus of support. In the past 25 years I have increasingly enjoyed to further strengthen the foundation, defining new areas for support, and, above all, investing in the promotion of young logistics talents. Logistics research is still a young science whose further development I also support. In this connection I attach great importance to applied research at the universities supported by the Kuehne Foundation in Switzerland, Germany, China and Singapore.

The Klaus-Michael Kuehne Foundation, which was founded in 2008, has devoted itself primarily to the promotion of culture in Germany and, in particular, Hamburg. With selected projects I can not only support the further development of the Hanseatic city as a cultural metropolis but also underline the affinity I feel for my home city. Through my commitment to the foundations I fulfil a major part of my social responsibility as an entrepreneur.

How important is philanthropy at the present time?

KLAUS-MICHAEL KUEHNE: I am firmly convinced that success in business always brings with it an obligation towards society. Recently this attitude has also become widely held outside the USA, and acting for the common good is becoming a matter of increasing importance for many entrepreneurs. In my view it is not just a question of donating money, but of investing in the future of our society with well thought-out projects and also of initiating new developments - an area in which foundations can be very helpful.

The Kuehne Foundation is an operating foundation. What does that mean in concrete terms?

KLAUS-MICHAEL KUEHNE: To an increasing extent the Kuehne Foundation develops and realises its own projects and manages their implementation. The best example is the Kühne Logistics University (KLU) in Hamburg, an institution founded on the principles of internationality and excellence where the sole language of instruction is English. The Swiss scene tends to be dominated by purely supportive foundations, which are less in line with my philosophy as an entrepreneur with a pragmatic and implementation-oriented approach.

What fields do you support apart from logistics?

KLAUS-MICHAEL KUEHNE: The Foundation also initiates and supports major projects in the fields of medicine, notably the Christine Kühne Centre for Allergy, Research and Education (CK-CARE) as well as cultural and humanitarian activities. In 2012 we also increased our involvement in humanitarian logistics. The transport and storage of goods that are urgently needed in disaster areas presents immense challenges to aid organisations. Our aim is to increase their logistics capabilities. Our initiative is dedicated to training and further education, advisory services and research in the field of humanitarian logistics.

Which project gives you the greatest satisfaction?

KLAUS-MICHAEL KUEHNE: It is difficult to single out any one of the many projects. I am pleased if synergies develop between specific projects and if there is cooperation for the attainment of research objectives. Professors of the chairs supported by the Kuehne Foundation sometimes join together and study a theme from different angles and viewpoints of different disciplines. In particular, I enjoy dealing with topics with which I have had no previous contact in my everyday business transactions. For instance, during the establishment of the Kühne Logistics...
University I got to know the peculiarities of the academic world and the requirements that must be fulfilled in order to build up a university. But I also value the cooperation with scientists and medical doctors in our CK-CARE project and I am interested to follow the latest results of medical research on the treatment and alleviation of allergies. And the cultural projects initiated and supported by the Klaus-Michael Kuehne Foundation have often met with keen interest.

What synergies have developed in the fields of medicine and culture that you have supported?

KLAUS-MICHAEL KUEHNE: In allergy research, scientists from Davos, Zurich and Munich have joined together as partners in a project group. This may be joined by further institutes so as to create synergies, which ultimately lead to better research results. In the cultural field, the opera “Fürst Igor”, which is supported by the Foundations, was performed as a cooperative project in Zurich and Hamburg.

To what extent do you contribute your entrepreneurial experience to the foundations?

KLAUS-MICHAEL KUEHNE: In principle there is a contradiction between the work of a foundation and a profit-oriented business. But I do not believe the gap between them is so very large. New foundation projects also call for a high willingness to take risks – one needs only to think of the establishment of our own logistics university. I also attach great importance to results-orientation in the work of the foundations. The resources I place at their disposal out of my private fortune must go where they bring the greatest benefit to the public. For that reason we have created company-like structures in the foundations in order to ensure that this happens.

What were the highlights of the foundation year 2012?

KLAUS-MICHAEL KUEHNE: Apart from increasing internationalisation there were many gratifying developments in the individual fields to which support is given. Since a detailed account of these is provided in the annual report of the foundations, I will limit myself to a few examples. The Kühne Logistics University is continuously expanding its programme, and launched an executive MBA course in 2012. The research achievement of the KLU was also honoured with a top rating by a highly esteemed university ranking system. For the time being, the KLU cooperates with 21 partner universities all over the world. I have a particularly pleasant memory of the graduation ceremony of the first KLU students to complete their courses in September 2012.

At the Tongji University in Shanghai, supported by us, for the first time a “China Logistics Day” was held and also many international logistics experts took part. Together with our cooperation partner, the National University of Singapore (NUS), we ceremonially opened a Centre for Humanitarian Logistics in the autumn of 2012. This has widened our radius of action in Asia. We submitted the CK-CARE project to an assessment by external scientists who confirmed the success of the project, and the current research results are encouraging. Finally, I am pleased to say that we made possible a concert evening in Hamburg with Maestro Claudio Abbado and his Lucerne Festival Orchestra.

Which project needs special attention in 2013?

KLAUS-MICHAEL KUEHNE: As a general rule all projects need attention. The Kühne Logistics University is still a young institution, and needs to be specially nurtured. We plan to push its further development through cooperation with other universities and an extended range of courses; a course leading to a bachelor degree will already be offered as from this year. We are also working to obtain accreditation from the German Council of Science and Humanities, and will be moving into a new building in the Hamburg HafenCity with our “flagship” institution of logistics support projects.

How do you find the themes which you support?

KLAUS-MICHAEL KUEHNE: The themes are primarily determined in line with the deed of the Foundations and defined and approved by the Board of Trustees. Most of them result from a basic idea for which we then look for suitable projects and competent partners. In case of major ventures we consult external advisors. Our medical project CK-CARE, for instance, which we have approved up to 2014, has for some time been undergoing preparation for an extension phase and is being further developed by experts. Finally, the Board of Trustees always has its eyes open in order to identify new and sustainable projects capable to be supported.
Quality, Safety, Health and Environment

QSHE as a basis for sustainability
In the Kuehne + Nagel Group, the integrated management of quality, safety, health and environment supports economical, ecological and social sustainability.

Certified quality
In an increasingly complex economic environment, high-quality services are an important precondition for business success. To ensure that Kuehne + Nagel meets the quality requirements of customers in accordance with international guidelines and standards, the company undergoes annual external audits. 652 locations in 84 countries are now certified in accordance with quality standard ISO 9001, 343 locations in 50 countries conform to the environmental standard ISO 14001, and with regard to work safety 266 locations in 42 countries meet the requirements of OHSAS 18001. For the purpose of quality assurance, regular internal audits are also carried out. Standardised checks are performed with the specially developed QSHE Audit Tool, and corrective measures and improvement processes are initiated where appropriate.

Product- and industry-specific certifications
In addition, the company meets the special quality standards of specific industries, for example the food and aerospace industries, as well as the high-tech, pharma and health care sectors.

The QSHE organisation gave its support to various processes in the development and introduction of the airfreight product KN PharmaChain which is tailored to the needs of the pharmaceutical industry, as well as to the preparations for the certification of the company’s facilities all over the world in accordance with the international guidelines of the World Health Organisation (WHO). At the end of 2012, in the KN PharmaChain network, 48 locations in 31 countries had been certified.

In 2012, as a result of the greater business volume in the Aviation/Aerospace Logistics segment, further certifications in accordance with the aerospace industry’s quality standard EN 9100 became necessary. 17 locations in 15 countries now meet this standard.

Outstanding quality
In 2012 Kuehne + Nagel again received a number of awards for its outstanding quality standard – not only from customers and business partners but also from independent bodies and media all over the world. As the first of three examples, in Switzerland Kuehne + Nagel was honoured by IQPC (International Quality & Productivity Center) with the “Life Science Logistic Partner of the Year 2012” award for its global training programme in the field of cold chain logistics. In Germany a customer from the telecommunications industry voted Kuehne + Nagel the Best Logistics Service Provider for the sixth time in succession. In Asia the jurors of one well-known trade journal named Kuehne + Nagel “Sea Freight Forwarder of the Year” while another journal conferred its Logistics Award upon the company. In their citations, both journals made special mention of Kuehne + Nagel’s specialised logistics concepts.

Customer surveys
For the improvement and optimisation of processes and administrative procedures Kuehne + Nagel also uses surveys in which customers are asked for their views on such fields as communication and customer advice, invoicing, order fulfilment and climate-neutral transport services. In 2012 surveys were again carried out with customers in all industry sectors, and met with a very good response.

Security throughout the supply chain
Security within the supply chain has become a major quality criterion, and particularly on a global level it is becoming an increasingly important factor to the market. Kuehne + Nagel has taken a number of steps to meet the demands of its customers:

- operations in more than 16 European countries and a first Asian country have AEO-F status (Authorised Economic Operator of the European Union for security in connection with customs clearance);
- consistent application of Best Security Practices;
- risk analyses and use of cargo scanners;
- provision of services for high-value goods in special high-security locations that meet the security certification criteria of TAPA (Transported Asset Protection Association).

In 2012 a number of warehouses and logistics facilities in Asia, Europe and North America were in conformity with TAPA, and three locations were certified. Furthermore, 15 logistics centres all over the world meet the highest security requirements and fulfil the specifications for TAPA Level A certification.

Not only in view of natural disasters, preventive measures to ensure business continuity in crisis areas have been augmented. These measures focus on internal and external communication, emergency plans, risk management and the elaboration of alternative scenarios by the responsible management to ensure the safety of employees and the continuity of logistics operations in order at the same time.
Health and safety management
For Kuehne + Nagel, work safety and health protection mean much more than the mere observance of regulations at the workplace. More than 260 locations are now certified in accordance with the international standard OHSAS 18001. The company also regularly holds training courses for employees in different fields of activity in order to minimise the risk of accidents and damage to health. Measures to promote better health meet with keen interest from the company’s employees. Kuehne + Nagel’s active health and safety management policy makes a substantial contribution to the attainment of the social sustainability objectives and underlines the importance that Kuehne + Nagel attaches to corporate social responsibility.

Sustainable environmental management
Kuehne + Nagel’s environmental management policy is to promote sustainable economic development in all regions, business units and industries while at the same time endeavouring to:

- measure the impact of activities on the environment and improve the results in terms of their environment-friendliness;
- lessen the consumption of natural resources by re-use, recycling or a reduced use of materials, and using products that are recyclable or come from sustainable sources;
- offer environment-friendly product alternatives (in transport and warehousing) so as to enable customers to meet their own sustainability obligations.

Global Transport Carbon Calculator (GTCC)
In 2012 a global facility emission data base (GFCC: Global Facility Carbon Calculator) was established in order to improve the reliability of emission calculations. Current and historical data on more than 650 locations were recorded and stored. 400 specially trained employees – known as Environmental Champions – are responsible for the correct management and analysis of the data worldwide. On the basis of the captured data, Kuehne + Nagel is able to evaluate local and global emissions and take active steps towards their reduction.

In this connection Kuehne + Nagel obtained certification from Bureau Veritas in accordance with international ISO standard 14064-3 for its business units and locations. The correctness of the methodology applied in the emission calculations for the Global Facility Carbon Calculator (GFCC) and the Global Transport Carbon Calculator (GTCC) has thus been officially certified.

In 2012 the Global Transport Carbon Calculator was again a valuable instrument in prioritising efforts to reduce carbon dioxide emissions, refuse volumes and energy, fuel and water consumption and in determining the success of such efforts. – CO₂ emissions were reduced by 2.1 per cent (4,116 tonnes) compared with the preceding year;
– energy and fuel consumption decreased by 4.2 per cent (38,689 kWh);
– water consumption was reduced by 1.1 million litres compared with the previous year (to 11.2 million litres);
– the recycling of waste increased by 36.0 per cent compared with 2011.

Climate-neutral services and energy supply
Together with its customers and business partners, Kuehne + Nagel is constantly involved in the development of new approaches to the reduction or neutralisation of CO₂ emissions. After the Swiss national subsidiary had implemented the project "Climate Neutral Services" together with a customer, in 2012 the British national organisation pursued the same course on a joint basis with a customer. Carbon dioxide emissions are neutralised from the customer’s production centres to the points of sale in Europe.

The calculation basis for CO₂ neutralisation is provided by the certified data base of the Global Transport Carbon Calculator, which at the same time serves customers as a CO₂ monitoring system.

Furthermore, Kuehne + Nagel is endeavouring to use a greater proportion of renewable energy in its locations. In the United Kingdom, for instance, since November 2012 only electric power generated from natural resources such as biomass, natural gas and wind power has been used. In Germany, 84 contract logistics locations are supplied with electric power from CO₂-neutral resources.

E₂Log Project
Kuehne + Nagel is taking part in the research project "Energy Efficiency of Logistics" as member of a group headed by the Fraunhofer Institute for Material Flow and Logistics. This sets out to identify and evaluate the main elements of energy consumption and their efficiency and saving options in the context of logistics.

Clean Cargo Working Group
Kuehne + Nagel is a member of the Clean Cargo Working Group (CCWG), which has also been joined by shipping lines and multinational customers. The aim of CCWG is to calculate and reduce fuel consumption and carbon dioxide emission expressed in terms of emission/TEU/km in accordance with uniform and transparent guidelines.

Objectives for 2013
In the current business year activities will focus on the further development of the integrated QSHE management system and the industry-specific QSHE processes.
Information Technology

Continuous development and optimisation
In 2012 activities focused on the renewal of the IT architecture with the goal to create a future-oriented and at the same time cost-effective technology platform while maintaining the highest possible security standards.

Major elements are a new integration software for easier and faster inter-connection with customer systems, and two new application platforms enabling more efficient operation.

In addition, the technical foundations were laid for a future Business Process Automation (BPA) with which substantial increases in productivity can be achieved.

Important accents set
The first module of the new airfreight application “AirLOG Import” was introduced in 2012. In the meantime, more than 20 national organisations are using this state-of-the-art import solution which is mainly aimed at process automation. The implementation process will continue in 2013, and simultaneously the corresponding seafreight module “SeaLOG” will be developed.

With the continuous automation and standardisation of the business processes, IT is an important factor in increasing productivity throughout the Kuehne + Nagel Group.

Consolidation of the computing centres
After the previous year’s moves to streamline and centralise the IT organisation structure, in 2012 more steps were taken to consolidate smaller computing centres with a high degree of virtualisation and scalability. This measure enables a holistic and global view of the whole IT infrastructure, which is necessary in case of distributed interdependent systems and also an essential requirement for efficient disaster recovery processes.

IT increases customer value
Kuehne + Nagel always develops and implements its information systems with a focus on direct customer benefit. A good example is the information logistics system KNLogin, which provides customers access to information from multiple business areas and supports them in their planning. KNLogin offers a large number of services and functions which are tailored to the specific needs of customers. 2012 a new module was added, which allows quicker and more efficient implementation of customer specific adaptations.

In addition, an innovative e-commerce solution was introduced in the airfreight sector. A user-friendly web platform allows customers to make freight inquiries and place bookings themselves. Prior to its introduction the system underwent thorough testing in a pilot phase in which it was utilised by a group of customers.

Challenges and objectives for 2013
In 2013 IT activities will focus on the further development and implementation of the SeaLOG and AirLOG systems. Experience to date with the operation of these new platforms and their acceptance by the users is promising so that the cost saving targets should be achieved through automation.

It is also planned to replace the data bases that have grown up over the years with a new system featuring more flexible structures. This will simplify maintenance work and system extensions.