KUEHNE+NAGEL

Status Report 2023

Status report

Economic environment

After the years 2021 and 2022 that have been impacted from extraordinary favourable economic conditions and results, the Group achieved solid results in 2023 in a business environment characterised by the continuous uncertainties of the Ukraine war, macroeconomic slowdown, interest rate increases and a surge of inflation. Supply chains have been stretched at the beginning of the year but eased rapidly during the second quarter and ended the year with overcapacity from sea and air freight carriers. Against this fast pace of change and deteriorating economic conditions, the Group confirmed its number one position globally for both Sea Logistics with 4 million TEUs managed in container traffic and Air Logistics with 2 million tons of volume. Road Logistics and Contract Logistics contributed with further improved results to the overall success of the Group.

The Group's service offering is specialised in managing complex end-to-end supply chain solutions within a global network, controlled by Logistics Control Towers, and executed by all the business units. These integrated logistics solutions not only increase transparency and efficiency in the supply chain but also optimise the information flow between the service partners and customers. This allows the Group to support and add value to its customers' value chain, a key factor in highly competitive markets.

In 2023, the world economy experienced a global slow down with an estimated growth of 2.6 per cent (2022: 3.0 per cent growth). For 2024, global growth of a modest 2.4 per cent is forecasted. (Based on: World Bank, Global Economic Prospects, January 2024)

In 2023, the international logistics industry experienced world trade volume growth below the level of 2022 with an estimated increase of 0.4 per cent in 2023 compared to 5.2 per cent in 2022. (Based on: IMF, World Economic Outlook Update, January 2024)

The sea and air freight carrier market in 2023 experienced continuous reduction in freight rates and increase in freight capacities caused by a slowdown in economic activities, and the normalization of supply chains. This development combined with an unexpected surge in inflation drove cost increases to the Group's operational efforts to optimise operational efficiency at the execution of shipments, connected with increased pressure on gross margins.

The Group's volume remained stable against a declining market. In combination with the reduced freight rates, the Group delivered a net turnover 39.5 per cent lower than in 2022. Gross profit reduced by 20.9 per cent and the Group EBIT declined by 49.4 per cent in 2023.

Group Strategy

The Group's strategy Roadmap 2026 was presented at the Capital Markets Day on March 1, 2023, with the goal of becoming the most trusted supply chain partner supporting a sustainable future. The new strategy has evolved from the last Roadmap 2022 and is made up of four cornerstones that reflect Group priorities: the Kuehne+Nagel Experience, Digital Ecosystem, Living ESG and Market Potential. The Group is committed to providing an excellent and unique Kuehne+Nagel Experience for both employees and customers and support the industry's best logistics experts with a Digital Ecosystem that turns innovative technology, data, and automation into competitive advantages. Living ESG incorporates the belief that sustainability is an integral part of the future – for people, planet, and business. Market Potential represents Group ambitions for growth and expansion by building on successes in Healthcare Solutions, e-commerce, and Customs, and by introducing new solutions for customers in the segment of Renewable Energy. Roadmap 2026 is the first step toward achieving the longer-term Vision 2030: becoming the most trusted supply chain partner supporting a sustainable future.

With its commitment to the UN Global Compact, the Group continues to strive to be a frontrunner in sustainable logistics. The Group has set ambitious, science-based greenhouse gas emission reduction goals for its own operations and also supports customers with their transition to a low-carbon and ultimately net-zero aligned business model. As one of the world's leading logistics providers, the Group acknowledges its responsibility to address climate change, manage climate-related risks and opportunities and develop solutions that decarbonise global supply chains.

The Group believes in empowering and developing its employees and attracting new talents to deliver an extraordinary customer and employee experience.

The Group's non-financial report addresses in detail the Group's commitment to the principles of sustainable business practices and performance for the respective calendar year.

Key financial figures

CHF million	2023	2022	Variance in per cent
Turnover	26,649	43,034	–38.1
Net turnover	23,849	39,398	–39.5
Gross profit	8,787	11,109	–20.9
Gross profit in per cent of net turnover	36.8	28.2	
EBITDA	2,678	4,532	–40.9
EBIT	1,903	3,763	–49.4
In per cent of net turnover	8.0	9.6	
In per cent of gross profit (conversion rate)	21.7	33.9	
Earnings	1,464	2,810	–47.9
Earnings (Kuehne+Nagel share)	1,431	2,644	–45.9
Earnings per share basic (in CHF)	12.06	22.15	–45.6
Operational cash flow	2,682	4,523	–40.7
Capital expenditures for fixed assets	306	239	28.0
Total employees at year-end	80,983	80,334	0.8
Total full-time equivalents of employees at year-end	75,304	75,194	0.1

The Group's net turnover decreased by CHF 15,549 million or 39.5 per cent in 2023, and gross profit dropped by CHF 2,322 million or 20.9 per cent compared to the previous year, whereof the inorganic growth was negative 0.1 per cent of net turnover and 0.2 per cent of gross profit.

In 2023, EBIT decreased by CHF 1,860 million or 49.4 per cent. At constant exchange rates and excluding acquisitions and divestments, the reduction would have been CHF 1,787 million or 47.4 per cent. Earnings for the year 2023 reduced by CHF 1,346 million or 47.9 per cent compared to 2022. In constant currencies and excluding acquisitions and divestments, the Group would have reduced the earnings for the year by CHF 1,290 million or 45.9 per cent.

Capital expenditure in fixed assets increased by CHF 67 million or 28 per cent to CHF 306 million compared to the previous year. In 2023, the Group increased the number of employees year-on-year by 649 or 0.8 per cent from 80,334 to 80,983 employees, which includes a net increase of 466 employees from business combinations. The number of full-time equivalents of employees reached 75,304 versus 75,194 in 2022, which is an increase of 110 or 0.1 per cent.

Income statement

Turnover

In 2023, the Group's turnover amounted to CHF 26,649 million representing a decrease of 38.1 per cent or CHF 16,385 million compared to the previous year. Organic business growth resulted in a reduction of turnover of CHF 14,862 million (34.5 per cent) while acquisitions and divestments contributed a reduction of CHF 38 million (0.1 per cent). The exchange rate fluctuation had a negative impact of CHF 1,485 million (3.5 per cent).

Volumes in Sea Logistics decreased by 1.1 per cent (48,000 TEUs), and turnover per TEU reduced by 51.3 per cent to CHF 2,290 per TEU (2022: CHF 4,699). In Air Logistics, the volumes decreased by 11.2 per cent (249,000 Tons), and the freight rates reduced by 32 per cent to CHF 376 per 100 kg (2022: CHF 554).

From a regional perspective, Europe, Middle East and Africa (EMEA) (33.7 per cent), the Americas (45.9 per cent) and Asia-Pacific (34.7 per cent) all reported a decreased turnover in 2023.

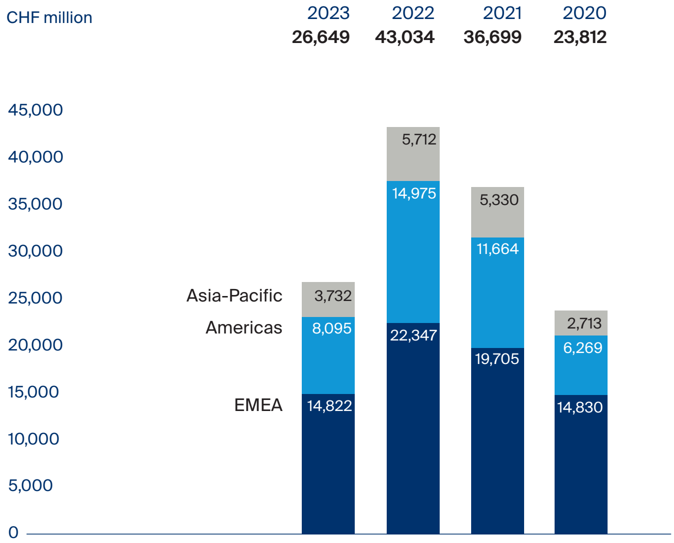
Exchange rate fluctuations between 2022 and 2023, based on average yearly exchange rates, led to a devaluation of the Euro by 3.3 per cent and US Dollar as well as dependent currencies by 5.3 per cent, against the Swiss Franc, resulting in a negative impact of CHF 1,485 million (3.5 per cent) on turnover.

Net turnover

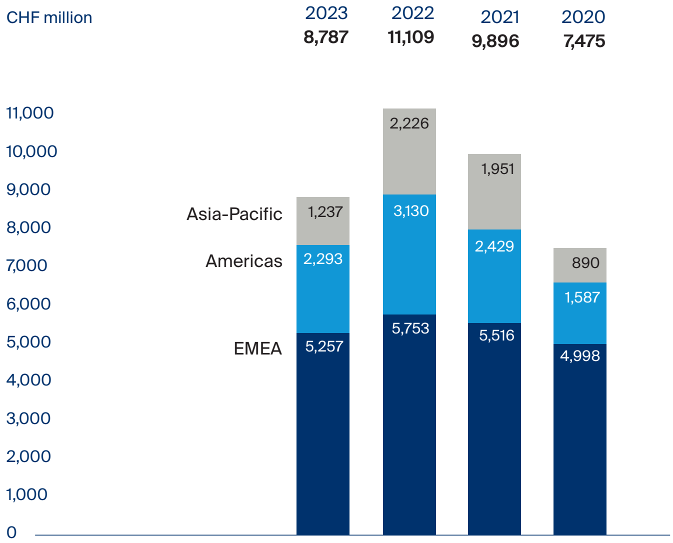
In 2023, the Group's net turnover amounted to CHF 23,849 million representing a decrease of 39.5 per cent or CHF 15,549 million compared to the previous year. Organic business growth resulted in a reduction in net turnover of CHF 14,205 million (36.1 per cent) and acquisitions and divestments contributed to a reduction of CHF 36 million (0.1 per cent). The exchange rate fluctuation had a negative impact of CHF 1,308 million (3.3 per cent).

From a regional perspective, EMEA (34.7 per cent), the Americas (47.6 per cent) and Asia-Pacific (35.5 per cent) all reported a decrease of net turnover in 2023.

Regional turnover

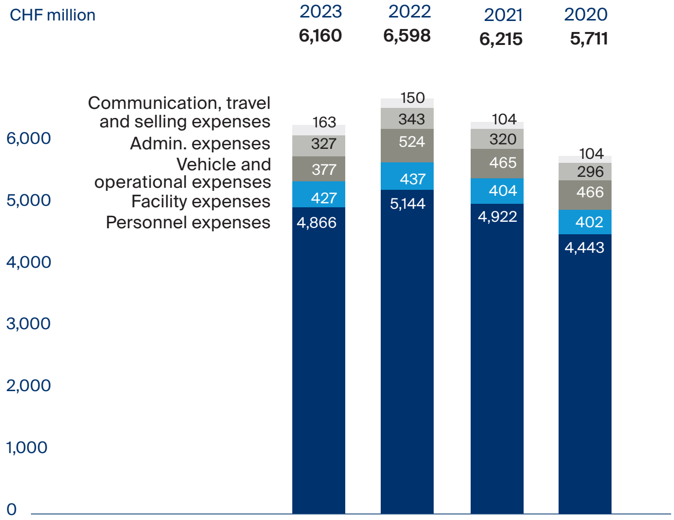


Regional gross profit



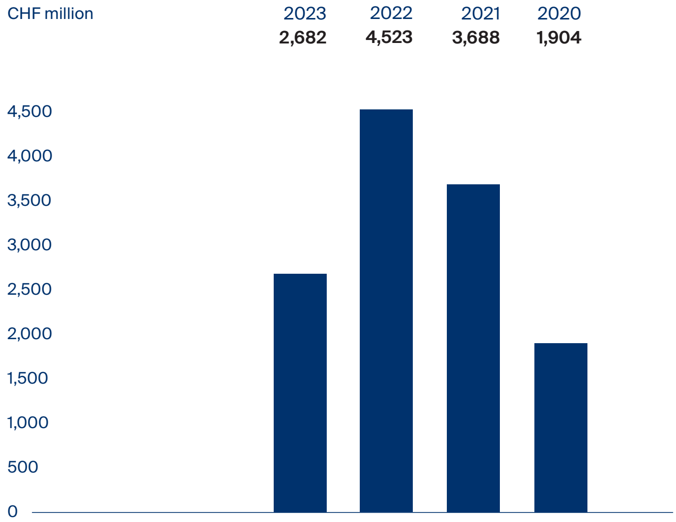
Operational expenses

CHF million



Operational cash flow

CHF million



Gross profit

Gross profit amounted to CHF 8,787 million in 2023, which represents a decrease of 20.9 per cent or CHF 2,322 million compared to the previous year. Organic business growth resulted in a reduction in gross profit of CHF 1,864 million (16.8 per cent). Exchange rate fluctuation had a negative impact of CHF 436 million (3.9 per cent) and acquisitions and divestments contributed to a reduction of CHF 22 million (0.2 per cent).

From a regional perspective, EMEA (8.6 per cent), the Americas (26.7 per cent) and Asia-Pacific (44.4 per cent) all reported a lower gross profit in 2023.

Operational cash flow

The operational cash flow reduced by CHF 1,841 million to CHF 2,682 million in 2023 (for further information, please refer to the cash flow statement in the consolidated financial statements 2023 on page 53 to 54).

EBITDA

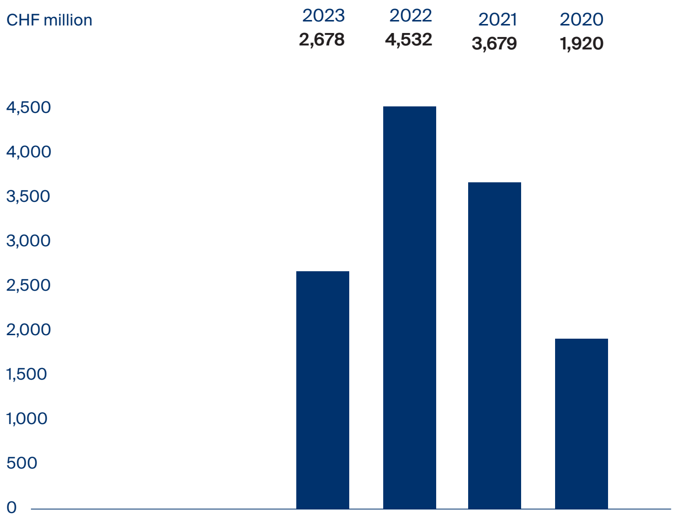
In 2023, earnings before interest, tax, depreciation, amortisation and impairment of property, plant and equipment, goodwill and other intangible assets, reduced by CHF 1,854 million or 40.9 per cent to CHF 2,678 million compared to the previous year's CHF 4,532 million; EBITDA of organic business reduced by CHF 1,733 million (38.3 per cent), acquisitions and divestments contributed positive CHF 16 million (0.4 per cent), and the exchange rate development had a negative impact of CHF 137 million (3.0 per cent).

EMEA generated the largest EBITDA contribution with CHF 1,392 million (52.0 per cent), followed by the Americas with CHF 710 million (26.5 per cent) and Asia-Pacific with CHF 576 million (21.5 per cent).

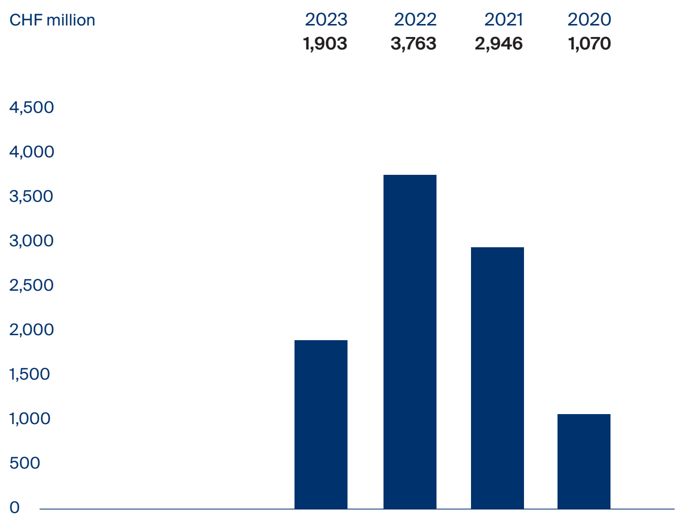
EBIT / Earnings for the year

In 2023, earnings before interest and tax (EBIT) reduced by CHF 1,860 million to CHF 1,903 million (2022: CHF 3,763 million).

EBITDA



EBIT

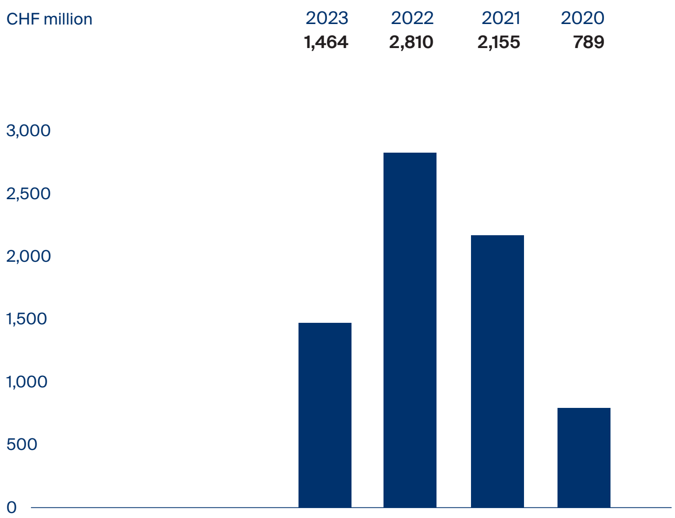


The reduction was mainly due to lower contribution from the organic business by CHF 1,787 million (47.4 per cent), whereas acquired and divested business had a positive impact of CHF 28 million (0.7 per cent). The exchange rate development had a negative impact of CHF 101 million (2.7 per cent). The EBIT margin to net turnover for the Group reduced to 8.0 per cent compared to 9.6 per cent in 2022. EBIT in per cent of gross profit (conversion rate), an important KPI for the Group, reduced from 33.9 per cent in 2022 to 21.7 per cent in 2023.

In 2023, the region EMEA contributed CHF 886 million (46.6 per cent) to the Group's EBIT, followed by the Americas with CHF 539 million (28.3 per cent) and Asia-Pacific with CHF 478 million (25.1 per cent).

Earnings for the year 2023 decreased by CHF 1,346 million to CHF 1,464 million compared to the previous year's CHF 2,810 million, whereby the margin decreased to 6.1 per cent (in per cent of net turnover) compared to the previous year's 7.1 per cent.

Earnings for the year



Financial position

In 2023, total assets and liabilities of the Group decreased by CHF 3,780 million to CHF 10,971 million compared to 2022. The amount of cash and cash equivalents decreased by CHF 1,767 million to CHF 2,011 million. For details of changes in the balance sheet and cash flow statement, please refer to the consolidated financial statements.

Trade receivables amounting to CHF 3,634 million represent the most significant asset of the Group. The days of trade receivables outstanding increased to 53.3 days as of December 2023 compared to the previous year's 51.0 days.

As of December 31, 2023, the equity of the Group decreased by CHF 988 million to CHF 3,159 million compared to CHF 4,147 million as of December 31, 2022, which resulted in an equity ratio of 28.8 per cent (2022: 28.1 per cent).

Developments of other key financial indicators on capital structure are shown in the following table:

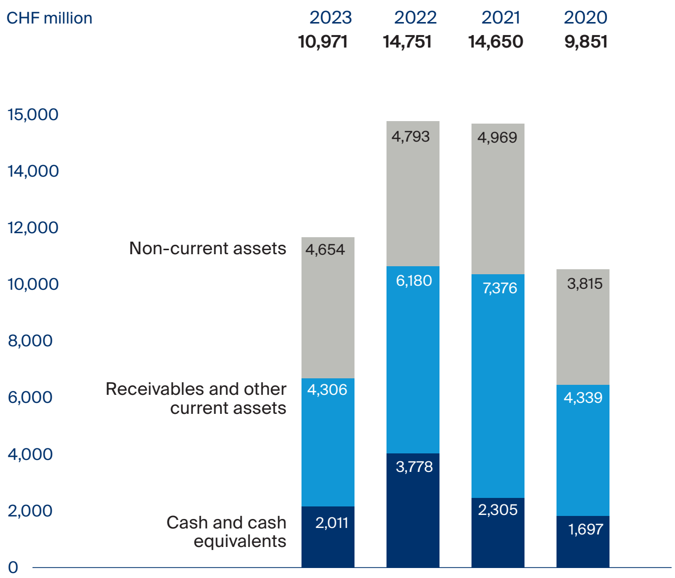
Kuehne+Nagel Group key figures on capital structure

Key figures on capital structure	2023	2022	2021	2020	2019
1 Equity ratio (in per cent)	28.8	28.1	21.9	24.5	23.6
2 Return on equity (in per cent)	37.8	70.1	69.5	32.8	33.6
3 Debt ratio (in per cent)	71.2	71.9	78.1	75.5	76.4
4 Short-term ratio of indebtedness (in per cent)	47.8	52.9	56.8	53.9	50.1
5 Intensity of long-term indebtedness (in per cent)	23.4	18.9	21.3	21.6	26.2
6 Fixed assets coverage ratio (in per cent)	123.1	144.8	127.5	119.1	106.0
7 Working capital (in CHF million)	1,075	2,148	1,365	727	275
8 Receivables terms (in days)*	53.3	51.0	49.2	50.5	52.5
9 Vendor terms (in days)*	64.7	60.1	53.2	66.6	63.7
10 Intensity of capital expenditure (in per cent)*	42.4	32.5	33.9	38.7	47.0

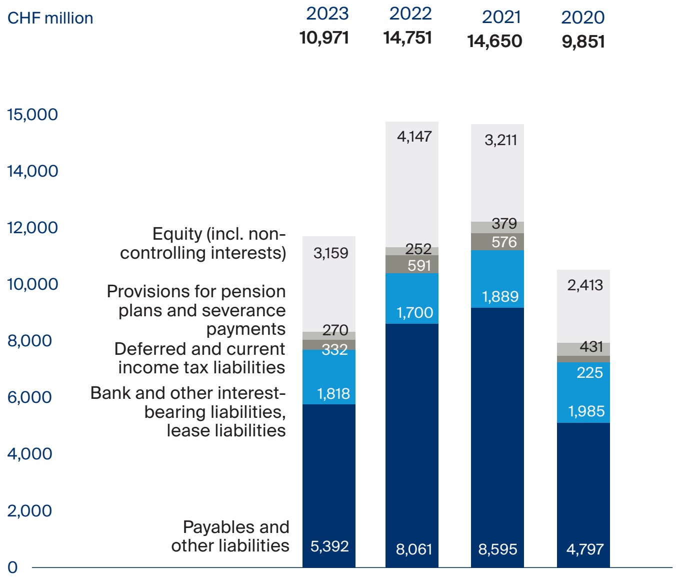
* Calculation method has been changed as of 2021.

1 Total equity in relation to total assets at the end of the year.
2 Net earnings for the year in relation to share capital plus reserves plus retained earnings as of January 1 of the current year minus dividend paid during the current year as of the date of distribution plus capital increase (incl. share premium) as of the date of payment.
3 Total liabilities minus equity in relation to total assets.
4 Short-term liabilities in relation to total assets.
5 Long-term liabilities in relation to total assets.
6 Total equity (including non-controlling interests) plus long-term liabilities in relation to non-current assets.
7 Total current assets minus current liabilities.
8 Turnover in relation to receivables outstanding at the end of the current year.
9 Expenses for services from third parties in relation to trade liabilities/accrued trade expenses at the end of the current year.
10 Non-current assets in relation to total assets.

Assets



Liabilities and equity



Investments and depreciation

Property, plant and equipment

The Group continues to operate an asset-light business model and invests only into strategically important locations with high demand for state of the art or industry-specific logistics space.

In 2023, the Group invested a total of CHF 306 million (2022: CHF 239 million) in fixed assets. Investments in properties and buildings amounted to CHF 50 million (2022: CHF 4 million). CHF 256 million (2022: CHF 235 million) were invested in other fixed assets, operating and office equipment. Depreciation of property, plant, and equipment for the year 2023 amounted to CHF 177 million (2022: CHF 192 million). Refer to note 14 of the consolidated financial statements for further details.

All capital expenditure in 2023 was financed through operational cash flow.

In 2023, the following major investments were made in properties and buildings:

Location	CHF million	Centres
Wisconsin, USA	37	Forest conservation project
Buenos Aires, Argentina	11	Office space
Others	2	
Total Group	**50**	

The allocation of investments in other fixed assets, operating and office equipment by category is as follows:

CHF million	2023	2022
Operating equipment	119	123
Vehicles	15	11
Leasehold improvements	72	44
IT hardware	33	46
Office furniture and equipment	17	11
Total Group	**256**	**235**

The allocation by region is as follows:

CHF million	2023	2022
EMEA	178	173
Americas	54	35
Asia-Pacific	24	27
Total Group	**256**	**235**

The allocation by business unit is as follows:

CHF million	2023	2022
Sea Logistics	28	25
Air Logistics	36	29
Road Logistics	23	25
Contract Logistics	169	156
Total Group	**256**	**235**

Right-of-use assets

A total of CHF 738 million (2022: CHF 606 million) was invested in right-of-use assets. The allocation of investments in right-of-use assets is as follows:

CHF million	2023	2022
Buildings	589	465
Operating equipment	85	101
Vehicles	64	40
Total Group	**738**	**606**

The allocation by region is as follows:

CHF million	2023	2022
EMEA	501	425
Americas	176	116
Asia-Pacific	61	65
Total Group	**738**	**606**

The allocation by business unit is as follows:

CHF million	2023	2022
Sea Logistics	41	55
Air Logistics	29	30
Road Logistics	57	67
Contract Logistics	611	454
Total Group	**738**	**606**

Depreciation of right-of-use assets amounted to CHF 544 million (2022: CHF 511 million). Refer to note 15 of the consolidated financial statements for further details.

Acquisitions
Effective November 14, 2023, the Group acquired 51.0 per cent of the shares of Morgan Cargo, a Johannesburg-based South African leading freight forwarder specialised in air transport and handling perishable goods. During 2022, Morgan Cargo handled more than 40,000 tonnes of air freight and more than 20,000 TEU of sea freight globally, managed by approximately 450 logistics experts and generated a turnover of more than CHF 140 million in 2022.

On June 26, 2023, Apex management exercised the put options to sell 3.9 per cent of their retained shares to the Group. The options were settled with a fair value of CHF 323 million in the Company's treasury shares. Upon closing of the transaction, the Group therefore increased its ownership interest by 3.9 per cent and has present access to 71.2 per cent of the shares of Apex.

For further details, refer to note 28 of the consolidated financial statements.

Agreed upon future transactions
On November 28, 2023, the Group entered into an agreement to acquire 100 per cent of the shares of Farrow Group Inc., a Canada-based customs broker, for a purchase price of CHF 166 million. Farrow's service is rooted in a 112-year heritage and is supported by 830 employees in 41 locations across Canada and the USA. In 2022, Farrow managed over 1.5 million customs entries. The acquisition of Farrow accelerates the Group's growth ambitions, expands customer capabilities, and enhances value-added services offering which aligns with Roadmap 2026. The transaction closed on January 31, 2024.

Business units
The main contributor to the Group's result are the business units Sea and Air Logistics.

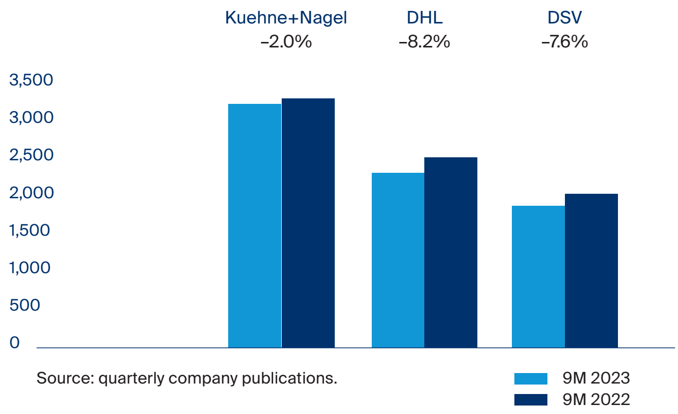
Sea Logistics
Sea Logistics volumes decreased by 1.1 per cent to 4,338,000 TEUs. Besides the Full-Container-Load (FCL) business, specialised services for temperature-controlled cargo in reefer containers, pharma, e-commerce, and project business have significantly contributed to the result. In an uncertain and volatile market environment, the Group maintained its global leading position in Sea Logistics. Despite the challenges in supply chain reliability at the beginning

of the year and the change into a situation of overcapacity at its end, the high service intensity for all shipments persisted. Managing towards a favourable service mix and operational efficiency under the difficult circumstances enabled to maintain margins at a lower but stable level. In 2023, the absolute amount of EBIT decreased by 49.8 per cent compared to the previous year, while the ratio of EBIT to gross profit (conversion rate) decreased to 43.8 per cent (2022: 58.1 per cent).

It remains the Group's target putting yield optimisation at the forefront of the decision making. The Group is committed to develop its sustainability solutions towards a low-carbon future. With its commitment to provide customers with access to reliable, high standard low-carbon maritime fuels and the goal of a leading market position in emission transparency, the Group adds to its ambition on the Sea Logistics profitability and continuous efficiency improvements.

Sea Logistics volumes: Market growth ~ –3%

TEUs '000



Source: quarterly company publications.

Performance Sea Logistics

CHF million	2023	2022	2021
Turnover	9,934	20,608	15,662
Net turnover	8,601	18,753	13,706
Gross profit	2,320	3,479	2,754
EBITDA	1,042	2,062	1,561
EBIT	1,015	2,021	1,529
EBIT in per cent of gross profit (conversion rate)	43.8	58.1	55.5
Number of operating staff	12,130	12,855	11,806
TEUs '000	4,338	4,386	4,613

Air Logistics

Despite the challenging market conditions, Air Logistics maintained its number one market position in the global air freight market in 2023, while recording a lower volume by 11.2 per cent, totalling 1,983,000 tons.

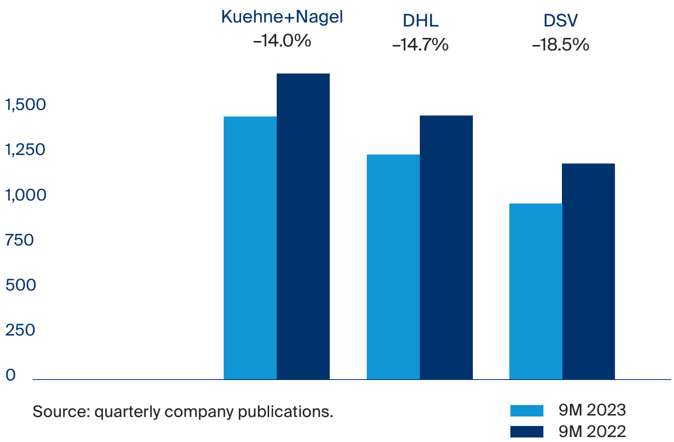
EBIT to gross profit ratio (conversion rate) decreased to 31.3 per cent in 2023 (2022: 47.5 per cent). EBIT reduced by 60.6 per cent compared to the previous year.

In 2023, the market was characterised by an ongoing decrease in demand for air transport services until the end of the third quarter. At the end of the year it has turned towards a situation of strong demand for export capacities out of China due to the surge of e-commerce activities. This has led to subsequent pressure on the yields.

To support customers transitioning to a low-carbon business model, the Group has expanded its cooperation with leading carriers to further promote and deploy the use of sustainable aviation fuel (SAF).

Air Logistics volumes: Market growth ~ –11%

Tons '000



Source: quarterly company publications.

Performance Air Logistics

CHF million	2023	2022	2021
Turnover	7,465	12,358	11,480
Net turnover	6,937	11,715	10,810
Gross profit	1,774	2,965	2,556
EBITDA	624	1,489	1,230
EBIT	555	1,409	1,167
EBIT in per cent of gross profit (conversion rate)	31.3	47.5	45.7
Number of operating staff	10,767	11,056	10,793
Tons '000	1,983	2,232	2,220

Road Logistics

Road Logistics had a decrease in net turnover by 11.4 per cent in 2023, in line with the weakened demand for land transport activities in Europe. Through continuous optimisation of the customer service portfolio, the key performance indicator EBITDA to net turnover margin improved to 5.4 per cent from previous year's 5.2 per cent. EBIT decreased to CHF 133 million (2022: CHF 146 million).

With the focus on operational performance even in volatile markets and the expansion of services to industry-specific solutions, Road Logistics continues its contribution to the success of the Group's integrated logistics offering.

The Group is committed to decarbonising its own truck fleet in order to achieve a 60 per cent representation of low-emission vehicles by 2030. This involves investing heavily in Battery Electric Vehicles (BEVs) and complement with Fuel Cell Electric trucks (FCEV) where it makes sense.

Performance Road Logistics

CHF million	2023	2022	2021
Turnover	4,087	4,594	4,390
Net turnover	3,541	3,997	3,689
Gross profit	1,288	1,334	1,253
EBITDA	191	207	157
EBIT	133	146	94
EBIT in per cent of gross profit (conversion rate)	10.3	10.9	7.5
Number of operating staff	9,979	9,806	9,723

Contract Logistics

In 2023, with more than 150 new logistics projects for customers implemented, Contract Logistics continuously increases its contribution to the Group's results.

The focus on specialised end-to-end solutions for industries such as high-tech, consumer goods, pharmaceuticals, healthcare, and e-commerce fulfilment led to new customer gains.

The net turnover (net of currency impact) decreased by 3.3 per cent compared to 2022 and the business was able to gain market share in pharma & healthcare services and in e-commerce fulfilment. The EBITDA to net turnover margin was 17.2 per cent versus 15.7 per cent in 2022.

The Group has achieved 100 per cent renewable electricity for all Contract Logistics sites in 2023 and continues to increase production of clean energy on-site with solar panels.

Performance Contract Logistics

CHF million	2023	2022	2021
Turnover	5,163	5,474	5,167
Net turnover	4,770	4,933	4,596
Gross profit	3,405	3,331	3,333
EBITDA	821	774	731
EBIT	200	187	156
EBIT in per cent of gross profit (conversion rate)	5.9	5.6	4.7
Number of operating staff	35,959	34,529	34,309
Warehousing and logistics space in million sqm	10.7	10.3	10.2
Idle space in million sqm	0.4	0.1	0.3
Idle space in per cent	3.7	1.0	2.7

Shareholder return

Dividend

For 2023, the Board of Directors is proposing a total dividend of CHF 10.00 per share, consisting of a regular dividend of CHF 8.25 per share and a dividend from legal capital contribution reserves of CHF 1.75 per share for approval at the Annual General Meeting. If the dividend proposal is approved by the shareholders, the dividend payment on the shares will amount to CHF 976 million towards regular dividend and CHF 207 million towards dividend from legal capital contribution reserves. The total dividend payment is resulting in a payout ratio of 83 per cent (2022: 63 per cent) of the earnings for the year attributable to the equity holders of the Company. Based on the share price at year-end 2023, the dividend yield on the Company's share is 4.8 per cent (2022: 4.6 per cent).

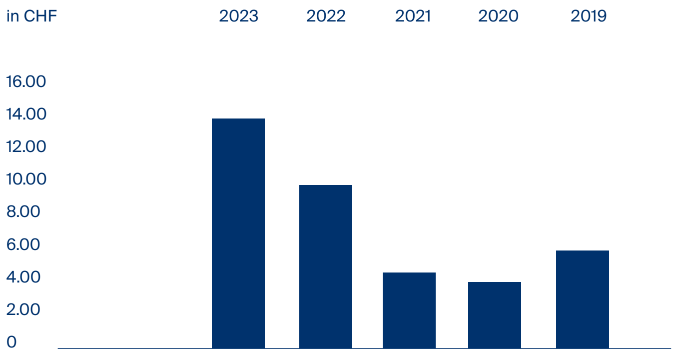
Share price and market capitalisation (December 31)

Share price and market capitalisation	2023	2022	2021	2020	2019
Share price (in CHF)	289.80	215.20	294.40	200.80	163.20
Market capitalisation (in CHF million)	34,995	25,986	35,550	24,096	19,584

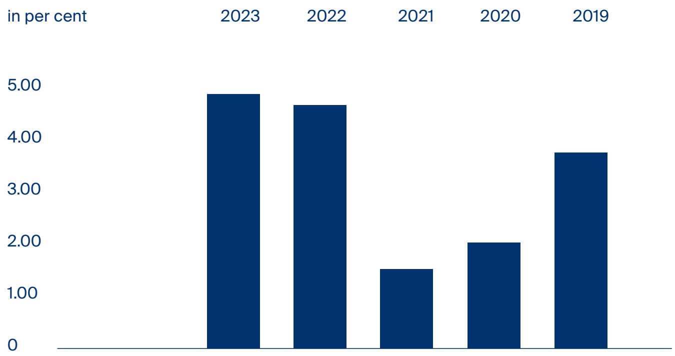
Total shareholder return development

in CHF per share	2023	2022	2021	2020	2019
Increase/(decrease) of share price year over year	74.60	–79.20	93.60	37.60	36.85
Dividend per share paid	14.00	10.00	4.50	4.00	6.00
Total return	88.60	–69.20	98.10	41.60	42.85
Dividend yield in per cent	4.8	4.6	1.5	2.0	3.7

Dividend per share paid



Dividend yield



Risk management, objectives and policies

Group risk management

Risk management is a fundamental element of the Group's business practice on all levels and is embedded into the business strategy, planning, and controlling processes of the Group. Material risks are monitored and regularly discussed within the Risk and Compliance Committee and the Audit Committee of the Board of Directors.

The Risk and Compliance Committee headed by the CEO and the CFO, the CHRO, the Chief Compliance Officer, the Head of Internal Audit, and the Group General Counsel as members, monitors the risk profile of the Group and the development of essential internal controls to mitigate these risks.

A risk is defined as the possibility of an adverse event which has a negative impact on the achievement of the Group's objectives.

The Group carries out an annual risk assessment and in conformity with the Swiss Code of Best Practice for Corporate Governance; the Group's risk management system covers both financial and operational risks.

Risk management as an integral part of the Internal Control System (ICS) for financial reporting

Risk management is incorporated within the ICS. Preventive, risk-mitigating measures to control risks are proactively taken at different levels and are an integral part of management responsibility.

Risk assessment in 2023

An independent risk assessment procedure is implemented for operational risks review. The Regional Management is interviewed on a regular basis in order to assess the risks for each country in their respective region. In addition, each Management Board member assesses the overall strategic risk exposure of the Group. Within the framework of the Corporate Governance process, the updated risk assessment is presented to the Audit Committee of the Board of Directors.

Financial risks analysis and assessment are carried out by the finance and accounting department.

The following risk areas have been identified amongst others for which mitigating actions have been implemented:

- Financial risks such as development of interest rates, credit and financial markets and currency risks are constantly monitored and controlled by the corporate finance and accounting department.
- Risks of unstable macroeconomic developments as well as the uncertainties in the financial markets. These risks are mitigated by appropriate risk diversification and avoidance of regional and industry clustering.
- Risks of political instability, civil war and pandemic or epidemic spread of diseases is constantly monitored and assessed for impact on the business model as well as on the staff. The Group keeps back-up structures and business continuity plans updated.
- Risks related to IT network availability, IT data and security are managed by the permanent monitoring of systems, redundant infrastructure as well as interlinked data centres with back-up structures and business continuity plans.
- The increase of regulations, growing complexity and customer expectations have led to rising security requirements and risks; such risks and requirements are considered in the planning of supply chain solutions and worldwide operations.
- Organised crime, terrorism, legal and non-compliance risks such as fraud, intentional and unintentional violations of the law and internal regulations are counteracted by comprehensive and worldwide staff training and a network of compliance officers at regional and national levels.

Organisation of risk management

A continuous dialogue between the Management Board, Risk and Compliance Committee and Audit Committee ensures the Group's effective risk management. The risk management system is governed by the Risk Assessment Guideline defining risk groups and sub-groups, the structure, and the process of risk assessments. The risk catalogue is reviewed regularly, and critical analysis ensures a continuous development of the risk management system.

Summarised assessment of the risk situation

Based on the risk assessment, the most material risks remain the uncertainty of the global economic development, the geopolitical instability, volatile currency fluctuations, inflation, and the financial markets. Thus, all these factors are in focus for the management.

Since the commencement of the war in Ukraine, in Middle East and the political tensions around Taiwan, predictions remain difficult given persistent changes in the geopolitical landscape. The impact of these conflicts is considered and assessments for the future are based on macro and micro economic scenarios, taking into account the prevailing situation of uncertainty.

In 2023, the Group successfully managed and partially mitigated the above risks and demonstrated high levels of resilience resulting in a solid financial performance.

Kuehne + Nagel International AG
Kuehne + Nagel House
P.O. Box 67
CH-8834 Schindellegi
+41 (0) 44 786 95 11
www.kuehne-nagel.com