

The choice of qualified subcontractors is a decisive component of the strategic objectives to strengthen the competitiveness of all Panalpina entities in both national and international markets and a key component in the success of Panalpina as a company.

## Principles and Assumptions

- Any party who is or intends to become a Panalpina subcontractor should be willing to build a cooperative partnership that can be developed further in a manner that is compliant with the company's rules and regulations, especially relating to the Panalpina Code of Conduct.
- We will treat subcontractors in the manner that we expect to be treated by them, and be a open, fair and reliable partner.
- We will look to develop and build long-term relationships with the best subcontractors.

Panalpina has established and maintained global standards for subcontractor management to ensure all subcontracted services conform to specified requirements documented in these standards.

Through careful and documented evaluation of subcontractors we endeavor to ensure compliance to our customers' requirements and liabilities.

## Global Criteria:

The following global criteria must be taken into consideration in the selection of a potential subcontractor:

### Compliance

- Respect of local and international laws and regulations
- Alignment with the Panalpina Code of Conduct and anti-corruption and similar policies

### Credibility as an enterprise

- History
- Financial performance
- Level of social responsibility and similar characteristics

### Pricing

- Price in general, and price development
- Competence and speed during any applicable tender process
- Optimization and price reduction initiatives
- Competitive market pricing

### Quality of service

- Actual delivery against expectations
- Approach to corrective and preventative actions
- Certification to International Organization for Standardization (ISO) Norms or similar conventions

### Health, Safety and Environment (HSE)

- Adherence to high HSE standards
- Certification to ISO norms or similar
- HSE management system in place



### Security

- Adherence to all security standards during transport of customer cargo
- Security programs in place

### Performance

- Capability and scale to consistently deliver as required
- Flexibility and engagement in changing customer requirements
- Predictability and reliability

### Environmental management competency

Environmental Management System in place covering any or all of the following:

- Environmental Awareness (Policies, ISO 14001)
- CO<sub>2</sub> Monitoring & Measurement
- Environmental Significant Aspects & Impacts
- Emergency Response Plan and Arrangements
- Waste Management

Depending on the type of subcontracted service and with the exception of compliance, which is paramount, these aspects may have different relative weight. In terms of importance the weightings are reflected in the evaluation piece of the overall process.

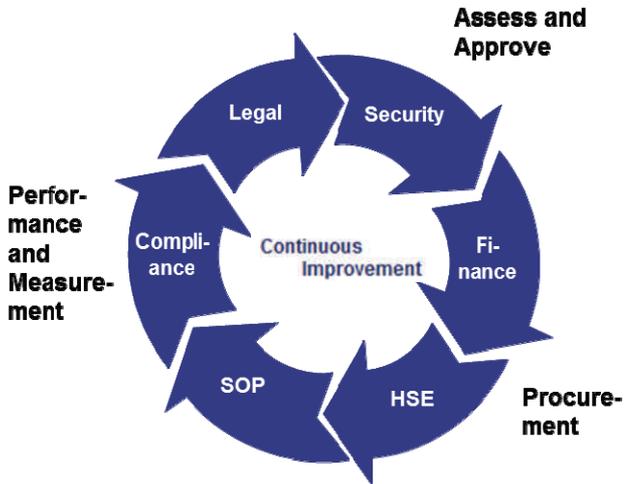
Unless required under international law (e.g. embargoes), the nationality of a subcontractor shall not be a criteria for selection. Panalpina must treat potential subcontractors sincerely and provide reasonable and fair business engagement opportunities. All existing and potential subcontractors have the right to expect the following:

- Negotiations that are understandable and acceptable for both parties
- A consistent evaluation process with results that can be reconstructed

**Process**

All subcontractors to be managed through the following frame work, which consists of three main steps:

1. Assess and Approve
2. Procurement
3. Performance Measurement



**Assess and Approve**

Subcontractors are assessed using standard questionnaires and classified according to the Product and procurement strategy and managed to ensure minimum requirements of quality, compliance, HSE and security standards are met. If a subcontractor is not fulfilling Panalpina’s minimum requirements the Product management will determine if the subcontractor should be restricted or excluded from usage.

Based on assessment results, each subcontractor is classified into one of the three categories:  
A – Strategic      B – Preferred      C – Approved

**Procurement**

Each approved subcontractor must commit to a minimum level of agreement to Panalpina. Any subcontractor may be subject to specific service level agreements which support our own Product strategy or our customer requirements.

When assigning a subcontractor to fulfill a customer order it is important that the service is delivered as promised. This will be done by carefully choosing one of the approved subcontractors, matching the correct service level to the right price.

**Performance Measurement**

Panalpina strives to have documented agreements in place with all subcontractors which define clear expectations for service and continuous improvement according to process steps.

Panalpina expects its subcontractors to deliver as per defined requirements. To ensure high Product quality and to limit waste in the process, pre-defined performance indicators will be measured. According to defined timelines, subcontractor management performance indicators will be reported to all stakeholders. Additionally annual subcontractor audits are conducted by our internal QHSE team.

Any identified deviation from the standard processes must be addressed according to a defined timeline and corrective actions implemented to avoid the deviation reoccurrence.

**Summary**

The objective of overall subcontractor management is that the responsible purchasing units contribute to securing and expanding Panalpina’s market position by procuring services by:

- using the subcontractor that potentially best fits Panalpina’s requirements
- standardizing the partnership between Panalpina and the subcontractor by implementing agreements reflecting our compliance, security, HSE, legal and insurance policies.
- ensuring the expected quality of performance is met and the necessary actions are taken

