

Remuneration
Report
2017



REMUNERATION REPORT

Kuehne + Nagel's performance-oriented remuneration system aims to create long-term incentives for its employees in order to ensure sustainable success of the Company and add value for its shareholders.

This remuneration report describes the principles and components of the remuneration of Kuehne + Nagel's Board of Directors and Management Board and contains information about the amount of remuneration paid to and accrued for.

Introduction

This remuneration report complies with the Ordinance against Excessive Compensation in Listed Stock Companies (Ordinance), the Swiss Code of Best Practice for Corporate Governance and the Swiss Code of Obligations, as well as with the relevant rules in the SIX Swiss Exchange Ltd.'s Directive on Information Relating to Corporate Governance.

At the Annual General Meeting 2017, as in the previous year, the shareholders of Kuehne + Nagel International AG individually elected the members of the Board of Directors, the Chairman, the members of the Compensation Committee as well as the independent proxy. The Annual General Meeting (AGM) on May 9, 2017, furthermore approved each of the total aggregate remuneration amounts for the members of the Board of Directors for the period until the next ordinary AGM, and for the members of the Management Board regarding the fiscal year 2018.

As per the Articles of Association the AGM votes annually and with prospectively binding effect on the approval of the remuneration of the Board of Directors and the Management Board, respectively. In addition, the Remuneration Report is being presented to shareholders at the AGM for a consultative vote.

The Articles of Association of Kuehne + Nagel International AG are available under the following link: http://www.kn-portal.com/about_us/investor_relations/corporate_governance/.

Remuneration principles

To maintain Kuehne + Nagel's position as one of the world's leading logistics providers and to ensure the Group's sustained success, it is critical to attract and retain best-in-class executives. The Group is committed to a remuneration model that reflects changes in the level of management compensation to be in line with corresponding changes in compensation of the Group.

The remuneration policy of the Group aims to ensure the generation of sustainable earnings and shareholder value for the Group and consists of the following key principles:

- Balance between short-term and long-term incentive components
- Pay for performance
- Align management's interests with those of the shareholders

Determination of remuneration

The Nomination and Compensation Committee supports the Board of Directors with the determination and validation of the remuneration policy, defines the remuneration concepts, and the principles of remuneration for the members of the Board of Directors and the Management Board. The principles of remuneration, post-employment benefits and share-based compensations are reviewed annually. The Nomination and Compensation Committee discusses the amounts of compensation for each member of the Board of Directors individually, evaluates the performance of each member of the Management Board and recommends their remuneration. The General Meeting approves the maximum total remuneration of the Boards.

The Nomination and Compensation Committee has the following responsibilities:

- definition and validation of the remuneration policy and concepts;
- definition of the principles of remuneration for the members of the Board of Directors and the Management Board;
- nominating competent staffing of the Management Board;
- yearly review of the individual performance of members of the Management Board;
- approval of terms and conditions of employment of the members of the Management Board;
- determination and approval of pension schemes;
- approval of mandates outside the Kuehne + Nagel Group by members of the Management Board;
- determination of the variable remuneration of the Management Board;
- approval of share-based compensation plans for the Management Board and other selected employees;
- preparation of the remuneration report

The Nomination and Compensation Committee develops guidelines and criteria for the selection of candidates and reviews new candidates according to these guidelines to ensure competent staffing of the Management Board.

The Chairman of the Nomination and Compensation Committee informs the Board of Directors about all issues discussed, in particular, about all topics that need approval by the Board of Directors.

REMUNERATION COMPONENTS

Board of Directors

The Chairman and the members of the Board of Directors receive a fixed compensation as well as a compensation for their participation in committees in cash. These fixed amounts of compensation are defined in a discretionary way, in line with market conditions.

Until May 3, 2016, the Executive Chairman of the Board of Directors received a cash compensation with a fixed and a variable component. The variable part of remuneration was calculated based on an individually defined percentage of the adjusted Group's net earnings (adjusted for additional goodwill amortisation and digressive bonus eligibility). He was eligible to participate in the Group's share-based compensation plans (see below comment for Management Board).

The Executive Chairman of the Board participated in an employee pension fund that covered the fixed cash compensation with age-related contribution rates, of which 25 per cent were borne by the employee and 75 per cent by the employer.

Management Board

The members of the Management Board receive a fixed salary, a variable remuneration component,

and are eligible to participate in the Company's share-based compensation plan. The actual ratios

of the remuneration components are disclosed in the Management Board remuneration table.

Component type	Fixed component	Variable remuneration component (short-term incentive)	Share-based compensation plans (mid to long-term incentive)
Description	Fixed salary (cash) based on scope, complexity and market value of the role as well as skills and performance of the individual Board Member	Individually defined percentage of the Group's adjusted net earnings (adjusted for additional Goodwill amortisation and digressive bonus eligibility) based on scope, complexity and market value of the role as well as skills and performance of the individual Board Member	Share Matching Plan (described) with a three-year vesting period. The Group matches the shares invested by the employee at market rate. The share match ratio (between 0.2 and 1.0) depends on the Group's average three-year financial performance.

Component	Instrument	Purpose	Drivers
Fixed salary	Monthly (cash) payments	Payment for the functional role	Range and complexity of tasks, market value, skills and profile of the individual
Variable remuneration component	Annual bonus payment (cash)	Payment for year-over-year performance	<ul style="list-style-type: none"> – Financial performance of the Group – individually defined percentage is defined based on the individual performance and market value of the role
Share-based compensation plans	Share matching plan, with a three-year vesting period and variable matching ratio	Participation in the mid/long-term performance of the Group	Mid/long-term financial performance of the Group
Other benefits	Pension and insurances, other benefits	Risk protection and coverage of business related expenses	Legislation and market practice

Fixed salary

The fixed salary is paid in cash on a monthly basis and determined based on the function, qualification, responsibilities and performance of the individual member of the Management Board as well as the external market value of the role.

Variable remuneration component

The variable part of remuneration is calculated based on an individually defined percentage of the adjusted Group's net earnings (adjusted for additional goodwill amortisation and digressive bonus eligibility).

The variable part of remuneration is paid in cash in the month of May of the following year after the approval of the Consolidated Financial Statements by the Annual General Meeting.

Share-based compensation plans Management

Board members are eligible to participate in the Group's share-based compensation plans.

The goal of these plans is to focus on long-term value creation for the Company, alignment of Management Board's interests to those of shareholders as well as retention of members of the Management Board.

Effective August 8, 2016, a new Share Matching Plan (SMP) was introduced, in which plan participants invest at a specified date previously acquired 'own shares' of the Company into the plan. These shares are blocked for three years whereby voting rights and rights to receive dividends remain intact with the holder of the shares. For each invested share, the Company will match additional shares upon completion of a three-year vesting period and service condition during the same period. The level of the share match (share match ratio) is defined based on the average growth rate of the Group's net profit after tax achieved over the three financial years in the vesting period. The maximum matching ratio of one share for each share invested by the employee (minimum investment is 50 shares) can be obtained by achieving an average growth rate of net profit after tax over three years of at least 15 per cent. A guaranteed minimum matching of 0.2 shares per invested share is granted after the vesting period. Should the number of allocated shares be a fraction of shares, then the number of shares is rounded up to the next whole number. The Group's previous SMP was discontinued as of June 30, 2015. It allowed participants to acquire shares of the Company with a discount compared to the actual share price at a specified date; such shares are blocked for three years, give its holder

immediate voting rights and rights to receive dividends. For each share purchased, the Company will match additional shares upon completion of a three-year vesting period and service condition during the same period. The level of the share match (share match ratio) is defined based on the performance of the Group achieved over the three financial years in the vesting period against defined targets. The maximum matching ratio of one share for each share purchased (minimum investment is 75 shares), can be obtained by exceeding the defined target by more than 15 per cent. A guaranteed minimum matching of 0.2 shares per share purchased is granted after the vesting period. Should the number of allocated shares be a fraction of shares, then the number of shares is rounded up to the next whole number. This plan has shares eligible until June 30, 2018, for a matching on July 1, 2018.

The Group's "Share Purchase and Option Plan" (SPOP) was discontinued as of July 1, 2012. It allowed selected employees of the Group to acquire shares of the Company at a reduced price at a specified date; such shares are blocked for three years, give its holder immediate voting rights and rights to receive dividends. For each share purchased under this plan the Company granted two options to the participants. Each option entitled the participant to purchase one share of Kuehne + Nagel International AG at a pre-defined price upon completion of the

three-years vesting period and service condition during the same period. This plan has outstanding options to be exercised until June 30, 2018.

Other benefits

The members of the Management Board participate in an employee pension fund that covers the fixed salary with age-related contribution rates equally shared by the employee and the employer.

Each member of the Management Board is entitled to car allowance. Out-of-pocket expenses are reimbursed at actual costs incurred.

The members of the Management Board have employment contracts with notice periods of a maximum of one year.

BOARD OF DIRECTORS REMUNERATION

The total maximum amount of remuneration for the members of the Board of Directors approved by the Annual General Meeting on May 9, 2017, for the period ending at the 2018 Annual General Meeting, amounted to CHF 6.0 million.

The total actual remuneration accrued for and paid to the members of the Board of Directors for their tenure 2017 amounted to CHF 4.1 million (2016: CHF 5.2 million).

The following tables show details of the remuneration of the members of the Board of Directors for 2017 and 2016:

Remuneration to the members of the Board of Directors in CHF thousand	2017					Total
	Compensation for Board of Directors	Compensation for Committees	Social insurance	Share Plan		
Klaus-Michael Kuehne (Honorary Chairman)	750	10	38	-		798
Dr. Joerg Wolle (Chairman)	1,100	-	63	-		1,163
Karl Gernandt (Vice Chairman)	550	25	50	290		915
Dr. Renato Fassbind	180	15	12	-		207
Juergen Fitschen	180	-	8	-		188
Hans Lerch	180	10	9	-		199
Dr. Thomas Staehelin	180	15	9	-		204
Hauke Stars	180	-	11	-		191
Dr. Martin C. Wittig	180	15	12	-		207
Total	3,480	90	212	290		4,072

Remuneration to the members of the Board of Directors in CHF thousand	2016							
	Compensation for Board of Directors	Compensation for Committees	Social insurance	Salary	Variable part of remuneration	Pension ⁵	Share Plan	Total
Klaus-Michael Kuehne (Honorary Chairman)	750	10	38	-	-	-	-	798
Dr. Joerg Wolle (Chairman) ¹	809	17	47	-	-	-	-	873
Karl Gernandt (Vice Chairman) ²	362	20	120	308	911	62	509	2,292
Bernd Wrede (Vice Chairman) ³	85	9	-	-	-	-	-	94
Dr. Renato Fassbind	180	15	12	-	-	-	-	207
Juergen Fitschen	180	-	8	-	-	-	-	188
Hans Lerch	180	10	9	-	-	-	-	199
Dr. Thomas Staehelin	180	15	9	-	-	-	-	204
Hauke Stars ⁴	118	-	8	-	-	-	-	126
Dr. Martin C. Wittig	180	15	12	-	-	-	-	207
Total	3,024	111	263	308	911	62	509	5,188

¹ Chairman as of May 4, 2016.

² Executive Chairman until May 3, 2016, with a compensation included in the salary.

³ Retired from the Board of Directors as of May 3, 2016.

⁴ Member of the Board of Directors as of May 4, 2016.

⁵ Including risk premium and savings contributions.

MANAGEMENT BOARD REMUNERATION

The total maximum amount of remuneration for the members of the Management Board approved by the Annual General Meeting on May 3, 2016, for the fiscal year 2017, amounted to CHF 22.4 million.

The total actual remuneration accrued for and paid to the Chief Executive Officer and to the members of

the Management Board in the financial year 2017 amounted to CHF 15.2 million (2016: CHF 15.0 million).

The following tables show details of the remuneration for the Chief Executive Officer and the other members of the Management Board for 2017 and 2016:

2017										
In CHF thousand	Salary	In per cent of total remuneration	Variable part of remuneration	In per cent of total remuneration	Social Insurance	Pension ¹	Share Plan	In per cent of total remuneration	Others ²	Total
Dr. Detlef Trefzger, Chief Executive Officer	1,040	28.9	1,952	54.2	186	118	274	7.6	32	3,602
Members of the Management Board	4,309	37.1	5,124	44.2	428	632	950	8.2	162	11,605
Total	5,349	35.2	7,076	46.5	614	750	1,224	8.0	194	15,207

2016										
In CHF thousand	Salary	In per cent of total remuneration	Variable part of remuneration	In per cent of total remuneration	Social Insurance	Pension ¹	Share Plan	In per cent of total remuneration	Others ²	Total
Dr. Detlef Trefzger, Chief Executive Officer	1,040	27.9	1,866	50.0	193	116	484	13.0	32	3,731
Members of the Management Board	3,921	34.8	4,666	41.5	396	528	1,588	14.1	153	11,252
Total	4,961	33.1	6,532	43.6	589	644	2,072	13.8	185	14,983

¹ Including risk premium and savings contributions.

² Others include a car allowance.

OTHER REMUNERATION

Remuneration for former members of the Board of Directors or Management Board and related parties

During the reporting year 2017 no remuneration (2016: CHF 1.1 million) was paid to or accrued for former members of the Board of Directors and the Management Board in connection with their previous activities in the Company. Furthermore, no payments which are not at arm's length were made during 2017 and 2016 to former members

of the Board of Directors, Management Board and to individuals who are closely related to them.

Loans and credits granted

In the reporting years 2017 and 2016, neither Kuehne + Nagel International AG nor one of its subsidiaries provided any guarantees, loans, advances, credit facilities or similar either to former or current members of the Board of Directors or Management Board or to related parties nor are there any receivables of any kind outstanding.

REPORT OF THE STATUTORY AUDITOR ON THE REMUNERATION REPORT OF KUEHNE + NAGEL INTERNATIONAL AG, SCHINDELLEGI (FEUSISBERG), SWITZERLAND

We have audited the remuneration report of Kuehne + Nagel International AG on the pages 29 to 35 for the year ended December 31, 2017.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.



Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the remuneration report for the year ended December 31, 2017 of Kuehne + Nagel International AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

Christian Krämer
Licensed Audit Expert
(Auditor in Charge)

Philipp Baumann
Licensed Audit Expert

Zurich, February 27, 2018

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