

ZERO EMISSIONS BY 2030

Towards climate-sustainable logistics



5/2023



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CEO'S REVIEW

The logistics sector has been undergoing a transformation in recent years. Climate change, globalisation, digitalisation and pandemics have become an integral part of the daily life of the industry, including here at Kaukokiito. Understanding this change was an important catalyst when we created our new strategy. As the environment also changes for our customers, we wanted their voice to be at the heart of our strategy. This cooperation gave rise to the **goal of being a pioneer in logistics, who always delivers better customer experiences.**

In our discussions, there was also a need for logistics that is good for the environment and good for people. Although responsibility has for long been part of our everyday life, we wanted to sharpen our work. And so, during the current strategy period, we have taken broad steps on our journey towards climate-sustainable logistics. And the journey continues.

The **main objective of the responsibility of long-distance transport is to reduce emissions from our transport:** we want to play our part in combatting climate change by providing completely carbon-neutral deliveries by 2030. In addition, it is important for us to promote the well-being of our staff and to be an even fairer social actor.

Kaukokiito's themes of responsibility – climate, Kaukokiito's staff and social partnership – are part of a longer continuum. For instance, we have invested in our growing fleet of electric and gas-powered vehicles as well as our new Kaukokiito BIO service that will use renewable diesel for deliveries in the future. In addition, our HCT combination vehicles reduce emissions from our deliveries through improved efficiency. Our technology unit accelerates our journey to meet our targets by developing and refining data into solutions to support, e.g. delivery optimisation, driving monitoring and emission calculations.



The environmental friendliness of our terminals is also significant. Most of them use geothermal heat and solar energy, and the share of these sources will continue to grow.

Our responsibility is informed by a roadmap that enables us to monitor our progress, measure important milestones and communicate our successes openly to the outside world. In this way, we also keep our stakeholders informed of the state of Kaukokiito's responsibility.

Right now, we are living in a particularly interesting time for our industry. Although our environment is changing, the need for logistics in the post-pandemic world remains. Therefore, Kaukokiito will continue to deliver only the best customer experiences. They contribute to the development of more sustainable logistics for the environment and people.

Petri Angervuori
CEO, Kaukokiito

The journey of the Kaukokiito chain

TOWARDS CLIMATE-SUSTAINABLE LOGISTICS

THE CORNERSTONES OF LOW-EMISSION LOGISTICS

2014 2015 2016 2017 2018 2019 2020 2021 2022

HCT A combination HCT vehicle can carry more goods in one delivery – therefore, it requires fewer journeys.



Introduction of the first HCT combination vehicle.

9 HCT vehicles in test use.

Total HCT fleet size of 88 (30% of the total in Finland).

155 HCT vehicles in use.

201 HCT vehicles in use.

224 HCT vehicles in use.

The use of HCT combination vehicles decreased driving in 2020 by approximately 7 million km, the equivalent of the emissions of 2.3 million Finnish sauna users.

A modern fleet The new fleet is more efficient and significantly reduces local emissions.



Investments in the EURO 6 standard begin.

The new EURO 6-compliant fleet reduces nitrogen emissions by 93% per kilometre and particulate emissions by 88%.

Nearly 100% of the fleet is in line with the latest EURO 6 standard.

Alternative propulsion Low-carbon logistics require new low-emission propulsion, such as electric and gas-powered vehicles as well as replacing fossil diesel with renewable diesel.



Introduction of the first gas-powered semi-trailer in Jyväskylä.

4 biogas-powered vehicles in use.

Introduction of the first electric delivery vehicles in Tampere and Turku.

We make our first deliveries using renewable diesel.

11 gas-powered and 7 electric vehicles in use.

Energy efficiency Logistics as a whole also includes other services supporting transport, and they must also be energy-efficient and low-carbon.



Installation of geothermal heating at the Vaasa terminal.

On average, geothermal heat reduces emissions by approximately 60% compared to fossil fuel heating.

Begin to upgrade terminal lighting to LED lighting that reduce electricity consumption.

Switching from fluorescent tubes to LED lighting reduces energy consumption by approximately 60%.

Adoption of renewable energy at our data centre and utilisation of the waste heat from servers in the district heating network.

Move to a completely paperless supply chain.

We use 100% of renewable energy, such as wind power and solar power.

Introduction of work clothing made of nearly 100% renewable materials.

Lighting at our terminals will be almost 100% LED.

In addition to renewable electricity, 35% of our premises are powered by alternative energy, such as geothermal heat or solar panels.

2023

We offer renewable diesel as an option to all of our customers.
We are strongly investing in new electric vehicles.
We provide emission reports based on authentic customer data.
We utilise robotics to support driving planning.



THE EMERGENCE OF RESPONSIBILITY THEMES AND OBJECTIVES

The current strategy period has been significant for Kaukokiito's responsibility operations. Responsibility was redefined in the company.

The work was a natural continuation of our previous sustainability efforts, which were based in particular on reducing emissions by various means, such as increasing transport capacity with new, lower-emission HCT combination vehicles.

At the start of the strategy period in 2021, we wanted to take the bull by the horns. We were proud of the responsibility work we had already done, but we wanted to step up our efforts. Our idea was to provide more responsible transport services.

We believe that a sustainable tomorrow can be achieved together. So we created the themes and objectives of responsibility in close cooperation with Kaukokiito's

employees and customers. The goals that have now been defined are making responsibility a more integral part of Kaukokiito's business.

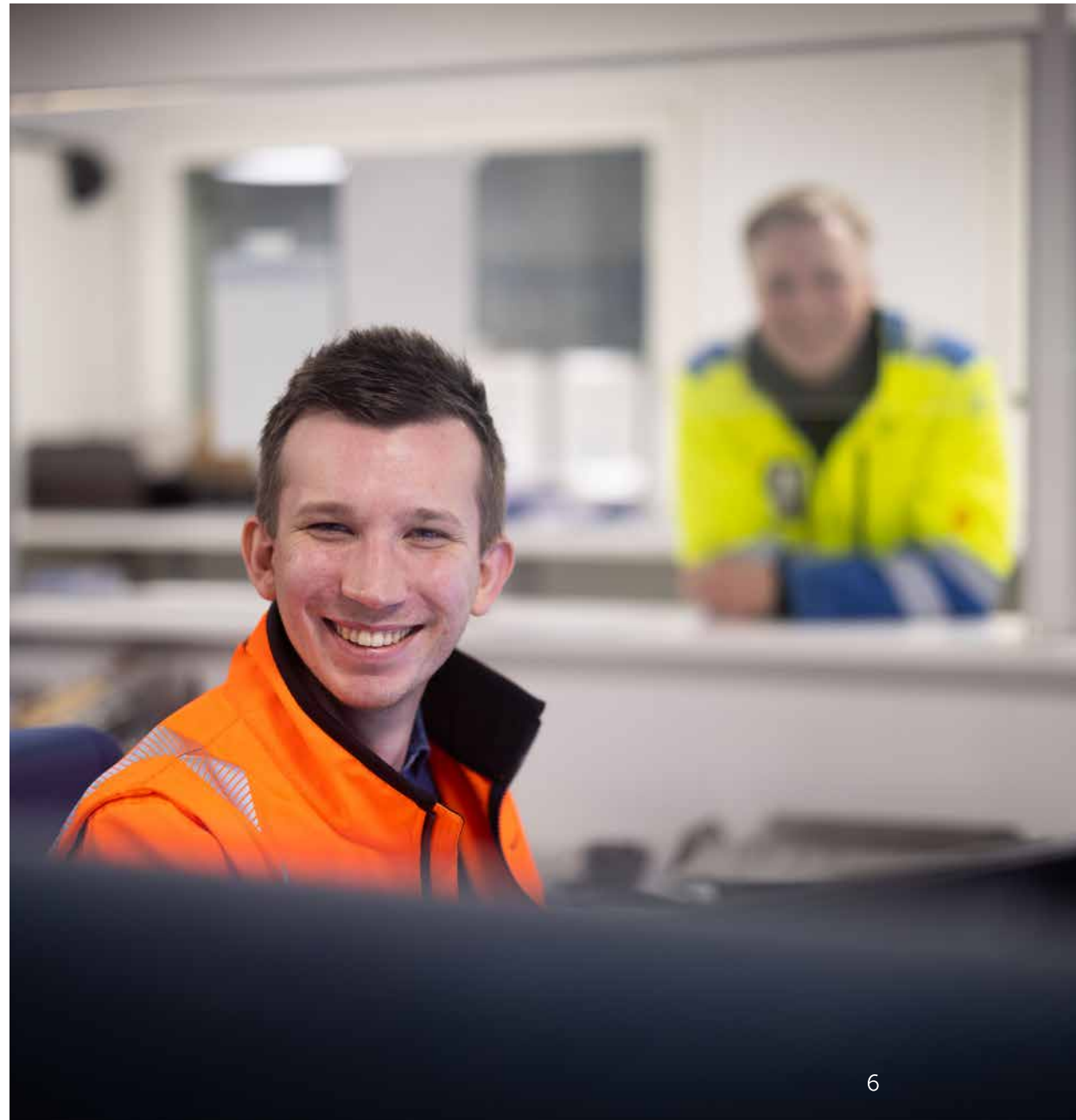
From these discussions and our understanding of the logistics sector, a forward-looking roadmap of responsibility emerged. It divides the objectives into three parts: climate, Kaukokiito staff and society. Below these themes lie sub-objectives that seal responsibility as part of our everyday lives.

Each area of responsibility is divided into practical projects, whose development is managed, measured and developed. One key decision is to tighten the reduction of

emissions and to set ourselves a strict target for the carbon-neutral transport of all deliveries by 2030; five years before Finland's national target.

These targets crystallise Kaukokiito's will to act responsibly. **In the future, we not only want to be a responsible logistics company, but our goal is to maximise our positive impact and help our customers achieve their own goals in terms of responsibility.**

We are doing this work now so that, in the years to come, responsibility will be an integral part of the everyday lives of each Kaukokiito employee and customer.



ENERGY-EFFICIENT AND ANTICIPATORY DRIVING IMPROVES THE ENVIRONMENTAL EFFICIENCY OF TRANSPORT

In energy-efficient and anticipatory driving, traffic is read constantly to optimise fuel consumption. Energy-efficient, i.e. intelligent and smooth driving, increases the safety of traffic and reduces the environmental impact of transport, such as CO2 emissions.

WE SUPPORT AND MONITOR ENERGY-EFFICIENT DRIVING IN A VARIETY OF WAYS:

We constantly provide drivers with training on our newest equipment.
Advanced technology increases safety and fuel efficiency.

We train drivers in energy-efficient driving.
We provide feedback and reward good performances.

A modern fleet that is safe and environmentally friendly

Advanced automotive accessories that increase safety and fuel efficiency,
such as anticipatory cruise control systems that detect terrain and traffic

Driving monitoring systems

Regular maintenance of vehicles, including checking tyre pressures

We optimise the efficiency of journeys with route plans

High utilisation rates and combinations of transports



Regular driver training and accountability are part of the everyday life of Kaukokiito

At Kaukokiito, we have always taken care of providing our drivers with driving training and we have been paying more attention to it since the beginning of the 2010s. Kaukokiito drivers regularly participate in Kaukokiito's own training, where drivers receive personal feedback on their driving. Monitoring and feedback are used to develop drivers' skills.

Kaukokiito drivers periodically take part in the REAK course, a day spent on acquiring a professional qualification in energy-efficient and anticipatory driving. Correct use of the fleet in combination with an anticipatory driving style increases safety and fuel efficiency. Furthermore, our drivers are able to attend brand-specific training days arranged by importers on new automotive technologies, among other things. The orientation with the new fleet takes place before delivery.

We have also tested responsibility incentives, which we develop on the basis of data.

Technology to support developing energy-efficient driving habits

We monitor energy-efficient driving by car, vehicle group and driver. Drivers can also view their own driving habit report. A report updated in real time about shift-specific driving habits is the best possible tool for an employee to develop their own work. The real-time report allows for critical assessment while things are still fresh in memory.

The monitoring of the driving habits of Kaukokiito's drivers consists of four main themes:

ROLLING	IDLING	BRAKING	SPEED
Optimisation of the rolling distance. (Avoiding rolling at the expense of the average speed)	Minimising idling	Anticipatory driving avoids full stops and increases safety	Driving speed tracking. A steady speed is the least taxing to the driver and consumes the least fuel

Anticipation increases traffic and occupational safety

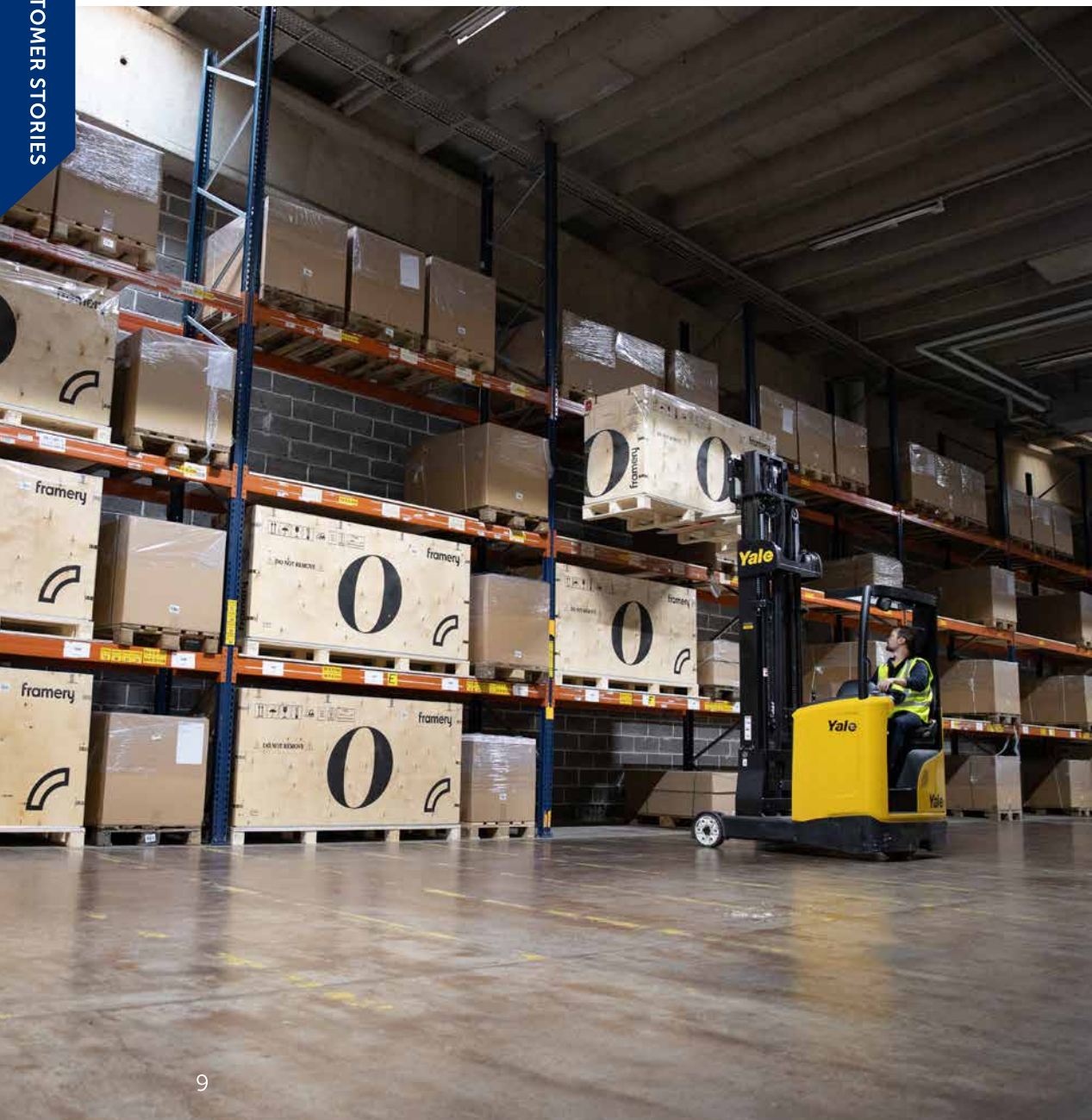
An experienced driver who knows energy-efficient driving performs exemplarily in traffic, regardless of the conditions. Anticipatory driving has been shown to reduce near misses and stress. Hurry is not part of the behaviour of Kaukokiito's drivers in traffic.

When the driver focuses on energy-efficient driving, they also pay more attention to and perceive other traffic, making traffic operations smooth and predictable for other road users at all times.

CONCRETE RESULTS FROM KAUKOKIITO'S PILOT GROUPS

Energy-efficient driving measures have reduced fuel consumption by approximately 3%.

.....
Idling in 2019 vs. 2021 -44%



Customer story

FRAMERY

“Not only does Framery want to make working life happier with soundproof phone booths, but we have set ourselves a strict target of reducing our environmental impact. **We strive to reduce emissions both in our own operations and in the supply chain.**

In the context of this objective, **we have submitted a proposal to Kaukokiito to jointly develop a solution for reducing emissions.** The cooperation seemed natural because Kaukokiito manages Framery's warehouse in Tampere.

From a few different options, we ended up investing in a vehicle that runs on biogas, which now transports our phone booths and their parts between the factory and the warehouse. **The cooperation with Kaukokiito was straightforward and the result impressive.”**

Kirsti Sääjärvi, Sustainability Lead, Framery

Customer story

HKSCAN

HKScan is aiming for a carbon-neutral food chain by 2040. This target also means reducing emissions in transport.

The biogas truck is a good fit for our purposes. The biogas truck makes many trips in the Helsinki Metropolitan Area and has a high filling rate, which is why emissions savings are significant.

We appreciate Kaukokiito's way of boldly seizing new opportunities to find solutions to reduce emissions from logistics."

Leea Lehtonen, Transport Manager and Henry Pihlava, Category Manager, Logistics, HKScan



Customer story

TOKMANNI

” Systematically reducing climate impact is one of Tokmanni's most important areas of responsibility.

Kaukokiito is Tokmanni's long-term partner and is responsible for all our domestic transport. We are very satisfied with the quality-cost ratio of Kaukokiito's transport and with the fact that it operates both day and night.

As far as environmentally friendly transport is concerned, I am pleased to report that **Tokmanni and Kaukokiito joined forces to introduce HCT vehicles as soon as this was possible** by exemption permit. This is a significant step forward as the higher capacity of an HCT combination vehicle allows for emission savings*. In this case, fewer vehicles are needed to transport the same tonnage.'

*Tuija Landén, Logistics Planner,
Tokmanni*

*The emission savings per tonne-kilometre from using a HCT combination vehicle compared to a conventional 25.25m combination vehicle are calculated to be around 14%. This is assumed to be 90% of the average filling rate. (Source: Gaia Consulting)



Customer story

SANDVIK

“Kaukokiito has handled all Sandvik deliveries with renewable diesel since May 2022. We decided to go along with this, as it significantly **reduces the emissions of our transport**. The implementation of the Kaukokiito BIO service did not require any extra investment from us Sandvik people, but at the value level this has a significant meaning in our everyday life. The emission reduction has been realised well and at least in accordance with the original calculations. I can say from experience that it works.

– Lauri Myllymaa, Sourcing Category Manager, Sandvik



KAUKOKIITO BIO – A CONCRETE STEP TO MEET THE TARGETS

The Kaukokiito BIO service transports your shipment with renewable diesel and reduces the carbon footprint of transportation by up to 90%. Introducing the service is a tangible act of sustainability that has a great impact on the environment. It does not require our customers to make changes in their daily work.

Kaukokiito BIO is an easy, fast and cost-effective service that enables Kaukokiito's customer companies to participate in climate action and make responsibility a concrete part of business. Users of the service can also take advantage of the emission reports provided by Kaukokiito. They enable the user of the service to monitor and communicate to their customers on the progress of the sustainability goals. The Kaukokiito BIO service is suitable for all's transport needs: the transport of packages, piece goods as well as partial and full loads.

By choosing to use the service, **Kaukokiito**

refuels the amount of renewable diesel in its network corresponding to the emission reduction target of the shipments.

A regular emissions report tells you about the development of the transport emissions.

The Kaukokiito BIO service uses renewable diesel, which is made 100% from waste and residues. Renewable diesel burns cleanly and withstands cold very well. It is therefore suitable for transport in the demanding Northern climate! Renewable diesel has an extensive distribution network in Finland, and using it has a positive effect on the environment.

Why choose Kaukokiito BIO?



By using the service, you reduce the carbon footprint of your transportation by 90%. You can see the effects of the service in the emissions report you receive.



Renewable diesel has an extensive distribution network in Finland.



The Kaukokiito BIO service is easy, fast and cost-effective to use, and it does not require our customers to make any changes to their everyday operations.

ON THE SIDE OF FINNISH WORK AND NATURE

Kaukokiito is part of the Finnish national landscape – this is landscape we want to cherish.
 For us, responsibility is being on the side of Finnish work and nature.
 This vision is guided by three themes of responsibility.



CLIMATE:
The aim of a smaller carbon footprint

Transport is responsible for a significant part of greenhouse gas emissions in Finland. That is why we are committed to working for more sustainable logistics chains. A concrete example of this is the completely carbon-neutral transport of deliveries by 2030.



KAUKOKIITO STAFF:
Good work

As a large Finnish employer, an important part of our corporate responsibility is to provide a healthy and safe working environment for each of our employees. Together with Kaukokiito staff, we are constantly improving the work to make it more pleasant and safer.



SOCIETY:
A fair partner in society

A fair social partnership is part of our responsibility. We follow ethical principles in our own operations and require our partners to implement them too.



THE AIM OF A SMALLER CARBON FOOTPRINT

That is why we have set ourselves a tough target: to deliver in a completely carbon-neutral way by 2030. We have our destination, and now have to clarify the different stages of the journey.

The situation now

Kaukokiito is a logistics company that plays an important role in promoting climate-sustainable transport in Finland. Our most significant source of emissions is our equipment. That's what we're already paying attention to in the carbon footprint of deliveries. Thanks to the new fleet, extra-long HCT combination vehicles and growing fleet of electric and gas-powered vehicles, the carbon footprint of our deliveries is reduced. In addition, we are reducing emissions by optimising deliveries, that is, by planning routes in such a way as to save driving kilometres. Launched in the spring of 2023, the Kaukokiito BIO service transports the customer's shipment using renewable diesel, reducing the carbon footprint of transportation by up to 90%. At the same time, the customer gains access to emission reports, which enables them to track the meeting of emission reduction targets.

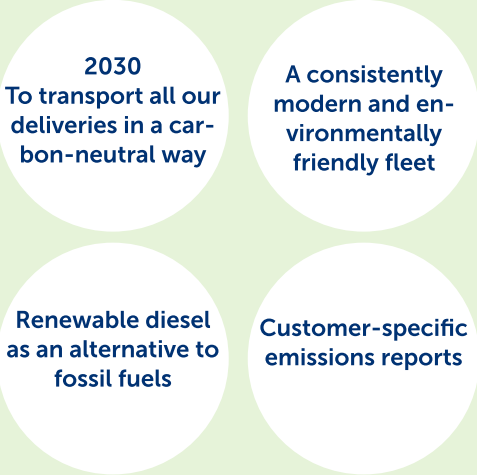
At our terminals, emissions are caused by energy consumption, which is why we have invested in energy efficiency, geothermal en-

ergy and solar panels. We also have a paperless supply chain, which saves natural resources.

Our goals

The climate actions we have taken are a step in the right direction. However, they are not enough for us. We aim for carbon-neutral deliveries by 2030, which means, among other things, setting increasingly stringent criteria for the procurement of equipment, increasing the load factor of transport and better optimisation of deliveries.

We have made calculations of our organisational carbon footprint to meet the global standards for transport emissions calculations (SFS-EN ISO 16258 and GLEC Framework). Kaukokiito's latest carbon footprint calculation was completed in the summer of 2023. In addition, we are making our emission reporting more real-time and information more readily available.





GOOD WORK

There would be no Kaukokiito without Kaukokiito employees who enjoy their work. That is why we are committed to doing a good job – something that everyone who works for us can be proud of.

The situation now

Kaukokiito is a significant Finnish employer. We have approximately 2,000 employees of our own and thousands indirectly through subcontractors and partners. We monitor the implementation and development of well-being at work with regular well-being at work surveys. In addition, we have carried out additional surveys related to work, coping and well-being during the pandemic.

We have invested in the development of supervisory work to draw up shared and commonly accepted rules for management at Kaukokiito. We also offer Kaukokiito’s employees training opportunities at the Kaukokiito Academy. Safety findings are monitored on a daily basis through local managers. Every accident at work is reported and subject to an internal investigation. We also use safety surveys in which the staff participate.



In 2022, we launched a new, more responsible work attire range to clothe our drivers, subcontractors, terminal and logistics employees and transport planners. The raw material of our textiles is recycled plastic bottles. As a result, we have reduced our greenhouse gas emissions by 40% compared to the use of virgin materials.

Our goals

We are committed to making work even better for the Kaukokiito community. Our goal is motivated, competent and thriving staff. This can be achieved by monitoring well-being, addressing development issues, and investing in leadership and managerial work.

Our focus is on safety and its development: our target is zero accidents.



A FAIR PARTNER IN SOCIETY

Making our responsibility thinking a more integral part of our supervisory work

The entire Kaukokiito chain is committed to complying with ethical principles

A fair social partnership is part of our responsibility. We follow ethical principles in our own operations and require our partners to implement them too.

The situation now

Kaukokito has a long tradition as a local Finnish operator. In addition, being open and trustworthy is an important part of our values. These are crystallised in our goal of being a fair partner in society.

In order to achieve our responsibility goals, it has been important for us that responsibility is an integral part of the Kaukokiito management system. That is why the implementation of the responsibility objectives is steered by our own responsibility steering group. This group is committed to attaching greater responsibility to the Kaukokiito business.

In addition, our operations are informed by Kaukokiito's internal ethical guidelines, which are an important part of the development of our responsible practices. It was last reviewed and updated in 2022. These measures will help us to ensure that the basis of our responsible action is in order. Our subcontractors are also committed to adhering to Kaukokiito's ethical operating principles.

Our goals

As a major logistics operator, our actions have an impact. Responsibility has been included in our management training. This is to ensure that responsibility cuts through all of our operations and functions.

Our fair social partnership also involves openness in our operations. In the future, we intend to communicate more about our responsibilities and to hear the thoughts and wishes of our customers and employees. By working together, our activities can be more effective.



LEARN MORE ABOUT OUR RESPONSIBILITY

If you have any questions about our responsibility, you can always contact us at myynti@kaukokiito.fi.

