

ADMINISTRATIVE AGREEMENT

This Agreement dated the ¹⁴13 day of April 2012 is made between Panalpina World Transport (Holding) Ltd., Panalpina, Inc., and the United States Department of the Air Force. Herein, "Panalpina" is used to refer collectively to Panalpina World Transport (Holding) Ltd. and all its operating sectors, groups, divisions, units and wholly-owned subsidiaries (including Panalpina, Inc.), including any such additional such entities as may be acquired or established during the term of this Agreement. As used herein, "Air Force" means the Deputy General Counsel (Contractor Responsibility).

PREAMBLE

1. Panalpina World Transport (Holding) Ltd. is a holding company with its registered office in Basel, Switzerland, with global logistics business conducted worldwide through various operating subsidiaries. Panalpina, Inc., is a wholly-owned subsidiary of Panalpina World Transport (Holding) Ltd., with headquarters located in Morristown, New Jersey, which engages in the freight forwarding business in the United States.
2. On November 4, 2011, Panalpina World Transport (Holding) Ltd. entered into a Plea Agreement with the United States Department of Justice, pursuant to which the company pled guilty to conspiring with other freight forwarders to violate the antitrust laws, as follows: a conspiracy from March 2003 to October 2007 to impose an Air Automated Manifest System ("AAMS") fee on international air shipments of cargo to the United States; a conspiracy from July 2005 to June 2006 to impose a Currency Adjustment Factor ("CAF") on international air shipments from China to the United States; and a conspiracy from August 2005 to December 2007 to impose a Peak Season Surcharge ("PSS") on shipments from Hong Kong to the United States. Additional information regarding the foregoing is contained in an Information, dated September 30, 2010.
3. On December 7, 2010, Panalpina World Transport (Holding) Ltd. entered into a Deferred Prosecution Agreement with the United States Department of Justice in connection with improper payments made to foreign officials in violation of the Foreign Corrupt Practices Act of 1977 ("FCPA"). In connection with this same conduct, on December 7, 2010, Panalpina, Inc. pled guilty to two counts of violating and conspiring to violate the books and records provisions of the FCPA. The specific conduct underlying this plea is described in an Information, dated November 4, 2010. Also related, on November 4, 2010 Panalpina entered with the Securities and Exchange Commission an Unopposed Motion to Enter Final Judgment as to Defendant Panalpina, Inc. in a separate legal action brought by the SEC in connection with the FCPA violations.
4. By Notice dated February 16, 2012, the Air Force debarred Panalpina World Transport (Holding) Ltd. pursuant to the mandatory and automatic debarment provisions of the 2012 National Defense Authorization Act. By the same Notice, the Air Force also proposed Panalpina World Transport (Holding) Ltd. for continued debarment pursuant to Federal

Acquisition Regulation (FAR) 9.4, and also proposed Panalpina, Inc. for debarment based on its affiliation with Panalpina World Transport (Holding) Ltd.

5. Panalpina World Transport (Holding) Ltd. and Panalpina, Inc. have expressed an interest in demonstrating that, notwithstanding the misconduct underlying the guilty pleas, Deferred Prosecution Agreement and Unopposed Motion described above, Panalpina can be trusted to deal fairly and honestly with the Government and that debarring Panalpina from future Government contracting is not a necessary protection in this case. Panalpina World Transport (Holding) Ltd. and Panalpina, Inc. have acknowledged improper conduct of their employees and have taken responsibility for the circumstances of wrongdoing. Panalpina World Transport (Holding) Ltd. and Panalpina, Inc. have agreed to keep in place Panalpina's Compliance Program voluntarily adopted prior to the date of this Agreement, and to enhance it in accordance with the following:

a. Initial Assessment by Independent Ethics Consultant. Panalpina engaged an independent ethics consultant who is conducting an ongoing assessment of the ethics program of the Panalpina companies and developing recommendations to enhance the ethics program to be consistent with "best practices" in the U.S. defense industry. It is anticipated that the ethics program will build upon the Panalpina Values and draw upon ethics resource materials developed and used as part of the Panalpina Values program. The provisions of this Ethics Code ultimately will be combined with and incorporated into Panalpina's already-existing Code of Conduct – and the name of the code will be changed to make it clear that it is a code of ethical conduct. On March 15, 2012, the independent ethics consultant provided an initial assessment to the Air Force, which included certain initial recommendations to enhance Panalpina's ethics and compliance program (set forth in Article 3g below).

b. Implementation. Panalpina anticipates accepting and implementing each of the recommendations of the independent ethics consultant. On March 15, 2012, Panalpina sent to the independent ethics consultant a letter expressing Panalpina's wholehearted acceptance of the consultant's initial recommendations, and committed to implement them throughout the organization in accordance with a schedule to be agreed upon with the independent ethics consultant as part of the consultant's continuing assessment of Panalpina. The independent ethics consultant has continued his assessment, and additional recommendations are anticipated as part of that ongoing assessment. In the event that there are any concerns about or suggested refinements to any of the recommendations, Panalpina will raise them with the ethics consultant and the Air Force and follow any Air Force guidance related thereto.

As part of this effort, the independent ethics consultant will make recommendations as to how best to implement the enhanced ethics and compliance program throughout the Panalpina companies, and after consulting with Panalpina the ethics consultant will recommend a schedule that he deems reasonable for implementation throughout the Panalpina companies. Panalpina expects to adopt these recommendations.

In addition to other measures to be recommended by the independent ethics consultant, Panalpina hereby agrees to the following: all training will be in-person, not e-learning; establishment and maintenance of an ethical culture, including implementation of the ethics

program, will be included in managers' performance evaluations; and review of the ethics program will be added to internal audit reviews.

c. Monitoring. The independent ethics consultant also will monitor implementation and compliance in accordance with this Agreement. He will develop and communicate to Panalpina key metrics to be used in the assessments. The independent ethics consultant shall provide a written report of each assessment – which includes any recommendations as to additional measures to enhance the ethics program. He will provide these written reports to the Air Force and Panalpina simultaneously.

d. Changes in Compliance Infrastructure. The charter of the Legal and Compliance Committee of the Board of Directors will be changed to expressly charge the Committee with responsibility for oversight and implementation of the ethics measures as well as the compliance measures. Also, the name will be changed to Ethics, Legal and Compliance Committee to reflect this express commitment to ethics and compliance. Similarly, the charter of the Compliance Department will be expanded to expressly include duties relative to the ethics program, and the name will be changed to Ethics and Compliance Department to reflect these express responsibilities.

6. By letter dated March 16, 2012, the Air Force informed Panalpina that the Air Force had determined that, at this time, suspension or debarment of Panalpina is not necessary – and it terminated the proposed debarments. In making this determination, the Air Force relied on information and argument presented by Panalpina, the preliminary report of the independent ethics consultant, and certain representations made by Panalpina – including Panalpina representations that it will: (i) promptly implement March 15, 2012 recommendations of the independent ethics consultant and all appropriate future recommendations he makes to improve the Panalpina ethics and compliance program; and (ii) execute an administrative agreement with the Air Force documenting these representations. Consistent with the foregoing, this Agreement is being executed, in part, for the purpose of memorializing these representations made by Panalpina.

7. The Air Force and Panalpina agree that FAR 9.406 provides a cause to debar Panalpina World Transport (Holding) Ltd. and Panalpina, Inc. based upon the conviction and the misconduct described above. The Air Force has further determined, however, that based upon information currently known to the Air Force, Panalpina's corrective actions reflected in the terms and conditions of this Agreement provide adequate assurance that Panalpina's future dealings with the Government, if any, will be conducted responsibly and that suspension or debarment is not necessary at this time to protect the Government's interests. The parties, therefore, agree to the terms and conditions set out below.

ARTICLES

1. PERIOD. The period of this Administrative Agreement shall be three years from the date of execution of this Agreement by the Air Force, or, if the Air Force determines at any time during the three years that Panalpina has ceased to be in full compliance with the letter and

spirit of this Agreement, for a period of three years following reestablishment of full compliance as determined by the Air Force.

2. **EMPLOYEES.** The word employee(s) in this Agreement includes Panalpina officers, permanent, temporary, and contract employees, full-time and part-time employees, consultants, and members of the Board of Directors.

3. **SELF-GOVERNANCE PROGRAMS.** Panalpina has implemented and agrees to maintain a self-governance program that includes compliance programs for certain affected employees and a Business Ethics Program that covers all employees, except that the Business Ethics Program is being enhanced pursuant to an assessment and recommendations by an independent ethics consultant as described above. The Business Ethics Program shall be maintained so as to ensure that Panalpina and each of its employees maintains the business honesty and integrity required of a Government contractor and that Panalpina operates in strict compliance with all applicable laws, regulations, and the terms of any contract. Panalpina represents that the Business Ethics Program includes the following components:

a. **CENTRAL, HIGH-LEVEL PROGRAM MANAGEMENT.** Panalpina has designated Markus Heyer to be the Panalpina Ethics and Compliance Officer. The Ethics and Compliance Officer is responsible for managing all aspects of the Panalpina Business Ethics Program.

b. **CODE OF BUSINESS ETHICS.** A written Code of Conduct ("Code") was adopted in April 2008 by the Panalpina Board of Directors. A copy of the Code is Exhibit 1 to this Agreement. The Code has been circulated to each employee of Panalpina. As part of the implementation of recommendations of the independent ethics consultant, the Code will be strengthened to build upon Panalpina's Values Program -- and the revised Code will be provided to all employees. After reading the Code, each employee shall sign a certification that is maintained by Panalpina and open to inspection by the Government, that he or she has read and understood the Code. At least once in each calendar year, each then-current employee shall repeat the procedure of reading the Code and signing a certificate. Within two weeks of starting employment with Panalpina, each new employee shall read the Code and sign a certificate indicating that he or she has read and understood the Code. Within such two-week period, the new employee's immediate supervisor or other management person shall discuss the content and requirements of the Code with the new employee.

c. **INFORMATION AND EDUCATION PROGRAM.** Panalpina has instituted and shall maintain an information and education program designed to assure that all employees are aware of all applicable laws, regulations, and standards of business conduct that employees are expected to follow and the consequences both to the employee and to the company that will ensue from any violation of such measures. Training consists of compliance training for affected employees plus at least one hour of live initial training in the Panalpina Business Ethics Program for every Panalpina employee, plus, each year for each employee, not less than one hour of live ethics training. All training will be in-person provided by an individual in the recipient's supervisory chain. It is anticipated that Panalpina's current ethics and compliance training will

be modified as appropriate in accordance with recommendations from the independent ethics consultant. A schedule and subject matter outline of for the information and education program will be recommended by the independent ethics consultant after consultation with Panalpina, and the independent ethics consultant will provide the training schedule to the Air Force as part of his recommendations. Panalpina and the Air Force agree that live training shall be given by direct supervisors, in cascading fashion.

d. **LANGUAGES.** All written materials and training related to the Business Ethics Program will be provided in English and in any other language necessary to assure that each employee understands all elements of any written or oral presentation.

e. **REPORTING AND INFORMATION RESOURCES.** Panalpina has installed a toll-free, dedicated telephone number maintained by an independent third party for confidential calls reporting suspected misconduct or for asking questions related to business ethics or business conduct. Panalpina has also instated an on-line reporting service of suspected ethical violations, which is also maintained by a third-party vendor. In addition, Panalpina USA has posted in prominent places accessible to each of its employees, including on the company's intranet, a notice giving the toll-free number, inviting confidential communications, and stating the company's commitment to comply with all applicable laws and regulations in the conduct of its business. A copy of this notice is Exhibit 2 to this Agreement. Other Panalpina companies have posted said notice on the intranet, and will post posters on company bulletin boards as part of implementation of this Agreement. Panalpina USA also has posted in common work areas a "Hotline" poster prepared by the Inspector General of the Department of Defense providing phone numbers to report fraud, waste, and abuse, and/or security violations.

f. **GIFTS PROHIBITED.** Panalpina USA has instituted a policy prohibiting giving to any U.S. Government employee any gift, gratuity, meal, refreshment, or entertainment, other than widely-distributed commemorative items of less than \$20 value or occasional refreshments in connection with a business meeting. Globally, the Panalpina companies are subject to a policy that no gifts may be provided to non-U.S. government officials except in accordance with the law of their respective countries.

g. **INDEPENDENT AUDIT OF ETHICS/COMPLIANCE PROGRAMS.** The parties acknowledge that Panalpina retained the services of an independent ethics consultant, Richard Bednar, to conduct an independent initial assessment and subsequent audit of Panalpina's ethics and compliance programs. Mr. Bednar's preliminary recommendations were as follows:

i. Panalpina should expand on its values statement and communicate the statement to all employees world-wide and post the values statement on its Website.

ii. Panalpina should complete its on-going process of developing a written code of ethical conduct based on its Values Statement. The code should include standards and procedures for reporting suspected unethical or illegal conduct. The written code should be made applicable to all Panalpina employees world-wide. The written code should be

introduced and covered by a letter from the CEO reflecting its importance and making it mandatory for all who are covered by the code.

iii. Panalpina should develop an ethics training program based on the written code, which training should be delivered to all personnel on a "cascading" basis; that is, the CEO personally trains all personnel reporting directly to her and line managers train those who report directly to each manager and so on until each direct supervisor trains those whom she/he supervises. This training should be required on an annual basis. The training program should be referred to as the "business ethics awareness and compliance program" and should reinforce the written code.

iv. All employees should be provided with a copy of the code – including new hires – and be required to sign a statement that each has read the code, understands it, and agrees to be bound by it. This acknowledgement statement may be modified to comply with local labor law.

v. Panalpina should designate a senior person as the Ethics Officer, with adequate resources, at both the parent company and Panalpina USA. The Ethics Officer should be given authority and responsibility for day-to-day oversight and management of the business ethics awareness and compliance program.

vi. The senior executives at the parent company and USA should be required to attend a seminar on ethical leadership and effective techniques for promoting an ethical culture of compliance throughout organization, the seminar to be conducted by a recognized business ethics consultant.

vii. Panalpina should review its internal controls and compliance procedures against the standards set out in FAR 52.203-13, and should make such adjustments or establish such new internal controls as may be necessary.

It is anticipated that Mr. Bednar will make additional recommendations upon completion of his assessment (including implementation measures and a schedule) and Panalpina has agreed to accept the recommendations pursuant to the process set forth in the Preamble, herein.

Mr. Bednar also will review the implementation and operation of Panalpina's self-governance programs (including Panalpina's Business Ethics Program) and compliance with this Agreement. In this connection, he will conduct three annual audits – to be completed on or before the first, second and third years after the effective date of the administrative agreement. Mr. Bednar will develop and communicate to Panalpina key metrics to be used in these assessments. Mr. Bednar shall provide a written report of each assessment – which includes any recommendations as to additional measures to enhance the ethics program. He will provide these written reports to the Air Force and the Panalpina companies simultaneously.

4. **INDEPENDENT OMBUDSMAN.** Panalpina will develop an Ombudsman that is available to consult regarding ethics and compliance issues and inquiries. The contact

information for the Ombudsman will appear in the Code, on Panalpina's website, and in its educational materials.

5. PREFERRED SUPPLIER PROGRAM. Panalpina shall institute a Preferred Supplier Program within 120 days of the effective date of this Agreement. The Program shall be designed so as to rate prospective subcontractors and suppliers for quality and performance and to reward such entities for having instituted compliance and values based ethics programs.

6. PERFORMANCE STANDARDS. Promotion of and adherence to the Panalpina Business Ethics Program is an element of each manager's and supervisor's (including the CEO) written performance standards and each manager and supervisor is appraised annually in writing on his or her adherence to and promotion of Panalpina's Business Ethics Program. Panalpina will submit, as a part of each report to the Air Force pursuant to Article 9, a statement by the Board of Directors and the CEO that they have verified that each manager and supervisor has been appraised on his or her adherence to and promotion of Panalpina's Business Ethics Program.

7. MANAGERS' AND SUPERVISORS' CERTIFICATES. Panalpina has implemented and will maintain an annual certification requirement that each manager and supervisor at every level in the company (and the Board of Directors with respect to the CEO) attest that he or she personally has (a) discussed with each employee under his or her supervision the content and application of the company's Business Ethics Program; (b) informed each such employee that strict adherence to the law, the Code and the principles of the Program is a condition of employment; and (c) informed each such employee that Panalpina will take disciplinary action, including discharge, for any violation of law, the Code the principles of the Program, or basic tenets of business honesty and integrity. A copy of the certificate used to fulfill this requirement is included as Exhibit 3. Panalpina will submit, as a part of each report to the Air Force pursuant to Article 9, a statement by the Chairman of the Board that the Board of Directors has verified that the certifications are being maintained and that each manager and supervisor has provided a certification as required by this provision. The certificates shall be maintained and available for the Air Force's review and inspection during the life of this Agreement.

8. BOARD OF DIRECTORS AND CEO RESPONSIBLE. The Board of Directors of Panalpina World Transport (Holding) Ltd. shall be responsible for Panalpina's Business Ethics Program, for maintaining and updating the Code and for auditing Panalpina's compliance with this Agreement. Duties of the Board of Directors under this Agreement may be delegated to a committee of the Board of Directors, provided that said committee reports regularly to the full Board of Directors regarding its activities. The Ethics and Compliance Officer and appropriate members of management shall report to the Board in person and in writing not less than quarterly concerning Panalpina's Ethics Program and compliance with this Agreement. The Board and CEO shall take whatever actions are appropriate and necessary to ensure that Panalpina conducts its activities in compliance with the requirements of the law and sound business ethics. Panalpina shall provide to the Air Force copies of the written reports and minutes of the Board meetings reflecting the reports made to the Board and the Board's decisions

or directions to management concerning any matters in any way related to Panalpina's Business Ethics Program or this Agreement. The names of the members of the Board and its Legal and Compliance Committee are listed at Exhibit 4. If any member of the Board leaves the Board, Panalpina shall notify the Air Force within one week of the change(s) and shall provide the name of each new member to the Air Force upon election or appointment.

9. **REPORTS.** Each calendar quarter, the CEO shall submit a written report to the Air Force describing the measures taken by Panalpina during that quarter to implement the Business Ethics Program and to ensure compliance with this Agreement. The reports shall be submitted in time to be received at the Air Force within twenty days of the end of the calendar quarter. The final report is to be received not later than one month prior to the final day of this Agreement. Exhibit 5 sets out dates that reports are due. The reporting dates are deadlines for receipt of the reports at Air Force Headquarters. Panalpina's failure to meet these requirements on or before the dates agreed to shall constitute a breach of this Agreement. The reports shall include:

a. Standards of conduct/ethics/compliance training conducted, subject matter covered, and the number and type of persons who attended.

b. Informal notifications or initiatives relating to the Business Ethics Program.

c. Information required by Articles 4, 6, 7, 8, 9, 11, 13, 14 and 15.

d. The initiation of and status of any ongoing investigation of alleged wrongdoing, or legal proceedings involving Panalpina, including times, places, and subject matter of search warrants, subpoenas, criminal charges, criminal or civil agreements, etc.

e. A statement by the Board of Directors and the CEO that they have verified that the certifications referenced in Article 3 are being maintained, and that each employee has signed the certification as required by Article 3.

f. A report identifying all calls made to the company confidential toll-free line (regardless of subject matter), and any instances of suspected misconduct brought to the attention of management through any other channel during the preceding quarter. Such reports shall summarize the facts of each matter, stating the date and source (generically identified only as employee, consultant, outsider, etc.), medium of the report, the date and nature of the reported conduct, type and results of any internal investigation, corrective and/or disciplinary action and date of feedback to the source of the information. Matters pending resolution at the time of a reporting period shall be reported each quarter until final resolution of the matter is reported. If the company has received no reports, Panalpina shall report that fact. For purposes of this Article 9.f, Panalpina may summarize the matters reported. The complete Panalpina files on each case, however, shall be made available to the Air Force upon request.

g. A statement of any problems or weaknesses identified through the Ethics and Business Conduct process, corrective action proposed or initiated, and the status of any corrective action.

10. MANAGEMENT. The principal members of the management of Panalpina World Transport (Holding) Ltd. and Panalpina, Inc. on the date of execution of this Agreement by Panalpina are set out in Exhibit 6. Panalpina agrees to notify the Air Force within one week if any of these principals leaves his or her current position and to provide the name of the successor to the Air Force upon appointment.

11. LEGAL PROCEEDINGS. Panalpina represents to the Air Force that, to the best of Panalpina's knowledge, Panalpina World Transport (Holding) Ltd. and Panalpina, Inc. are not now under criminal or civil investigation by any U.S. or other Governmental entity, except that there are ongoing investigations by the governments of Switzerland and Brazil related to the same antitrust conduct as is addressed in paragraph 2 of the Preamble, hereto. In addition to the periodic written reports required under Article 9, Panalpina shall notify the Air Force within two working days of the time Panalpina's Chief Executive Officer or General Counsel learns of (a) the initiation of any criminal or civil investigation by any U.S. federal, state, or local government entity involving allegations of Foreign Corrupt Practices Act, false statements, false claims, corruption, conflict of interest, or anti-trust violations, if Panalpina has reason to believe that it is a target or subject of an investigation of alleged wrongdoing; (b) service of subpoenas by any such governmental entity, if Panalpina has reason to believe that it is a subject or target of an investigation of alleged wrongdoing; (c) service of search warrants and/or searches carried out in any Panalpina facility; (d) initiation of legal action against Panalpina, or any of its affiliates, employees, or agents by any entity alleging violations of the Foreign Corrupt Practices Act, false statements, false claims, corruption, conflict of interest, or anti-trust violations; or (e) criminal charges brought by any governmental entity against Panalpina or any of its affiliates, employees, or agents, relating to the business of Panalpina. Panalpina shall provide to the Air Force as much information as necessary to allow the Air Force to determine the impact of the investigative or legal activity upon the present responsibility of Panalpina for Government contracting.

12. MEETING. Between five and seven months after the effective date of this Agreement, and again within six months prior to its termination, a senior executive of each of Panalpina World Transport (Holding) Ltd. and Panalpina, Inc., and the Ethics Officer shall meet with the Air Force Deputy General Counsel for Contractor Responsibility or a designee to discuss the status of compliance with this Agreement and implementation of the Business Ethics Program.

13. LIST OF AUDIT REPORTS. In addition to audit reports elsewhere required by this Agreement, Panalpina agrees to provide the Air Force with a list of all internal and external audit reports covering any divisions actively involved in performing work for the U.S. Government, regardless of source, either generated by or received by Panalpina during the reporting period.

14. REPORTS OF MISCONDUCT. In addition to the routine reports of misconduct required by Article 9.f, Panalpina shall report to the Air Force (to the extent permitted by applicable law), within 15 days of discovery by management, any suspected misconduct that management has reasonable grounds to believe may constitute a violation of U.S. criminal or civil law. The misconduct to be reported pursuant to this article includes misconduct by any person, including, but not limited to, Panalpina's employees and Government employees when related to the conduct of Panalpina's business, and shall include misconduct disclosed to Panalpina from any source relating to Panalpina's business. Panalpina will investigate all reports of such misconduct that come to its attention and will notify the Air Force of the outcome of such investigations and any potential or actual impact on any aspect of Panalpina's Government business. Panalpina will take corrective action, including prompt restitution of any harm to the Government. Panalpina will include summary reports of the status of each such investigation to the Air Force in the reports submitted pursuant to Article 9 until each matter is finally resolved.

15. LETTERS TO MAJOR SUPPLIERS AND MAJOR SUBCONTRACTORS. Panalpina World Transport (Holding) Ltd. and Panalpina, Inc. shall distribute to their major suppliers and major subcontractors a letter from the Chief Executive Officer: (i) emphasizing Panalpina's commitment to procurement integrity, (ii) asking such suppliers and subcontractors to report to Panalpina's General Counsel and Ethics Officer any improper or illegal activity by Panalpina employees, and (iii) informing them of the contact information for the Panalpina Hotline. A copy of the letter is provided as Exhibit 7. A similar letter will be sent by Panalpina's CEO to all Panalpina major suppliers and major subcontractors each year in the month of April. A copy of each year's letter shall be furnished to the Air Force pursuant to Article 9.

16. EMPLOYMENT OF SUSPENDED OR DEBARRED INDIVIDUALS. Each Panalpina entity shall institute within 120 days of the effective date of this agreement a written policy stating it shall not knowingly employ, with or without pay, an individual who is under indictment, convicted, or listed by a Federal Agency as debarred, suspended, or otherwise ineligible for Federal programs. A copy of the policy is attached as Exhibit 8. In order to carry out the policy, Panalpina shall make reasonable inquiry into the status of any potential employee or consultant. Such reasonable inquiry shall include, at a minimum, review of the General Services Administration's (GSA) List of Parties Excluded from Federal Procurement and Nonprocurement Programs as maintained by GSA on the internet. Panalpina policy does not require Panalpina to terminate the employment of individuals who are indicted or become suspended or are proposed for debarment during their employment with Panalpina. Panalpina, however, will remove such employees from responsibility for, or involvement with, Panalpina's business affairs until the resolution of such suspension or proposed debarment. In addition, if any employee of Panalpina is charged with a criminal offense relating to business or otherwise relating to honesty and integrity, Panalpina will remove that employee immediately from responsibility for or involvement with Panalpina's business affairs. If the employee is convicted or debarred, Panalpina policy requires that the employee will be terminated from employment with Panalpina. Panalpina shall notify the Air Force of each such personnel action taken, and the reasons therefore, within 15 days of the action.

17. BUSINESS RELATIONSHIPS WITH SUSPENDED OR DEBARRED ENTITIES. Each Panalpina entity shall institute within 120 days of the effective date of this Agreement a written policy (to be posted on its Intranet) stating it shall not knowingly form a contract with, purchase from, or enter into any business relationship with any individual or business entity that is listed by a Federal Agency as debarred, suspended or proposed for debarment. To effectuate this policy, Panalpina shall make reasonable inquiry into the status of any potential business partner, to include, at a minimum, review of the General Services Administration's List of Parties Excluded from Federal Procurement or Nonprocurement Programs Programs including the version of this list maintained by GSA on the Internet. Notwithstanding any other provision of this paragraph, Panalpina may enter into a business relationship with a suspended or debarred contractor, if the General Counsel, and the CEO, first determine in writing that a compelling reason justifies the action and furnishes to the Air Force Deputy General Counsel for Contractor Responsibility a copy of the determination not less than 10 days prior to Panalpina entering into such a business relationship. Panalpina shall not enter into a business relationship with a suspended or debarred entity if the Air Force objects. In addition to the provisions of this article, Panalpina shall comply with the requirements of FAR 9.405-2(b) and provide to the Air Force Deputy General Counsel for Contractor Responsibility a copy of the documents submitted to the contracting officer pursuant thereto.

18. FORMER EMPLOYEES. Panalpina voluntarily has severed all business relationships with Gerhard Fischer (Chairman) and Bruno Sidler (CEO) including, but not limited to, the following relationships: employer-employee, creditor-debtor, and owner-business entity (including shareholder-corporation). Panalpina shall not ever reemploy or resume business relations with the former employees named in this paragraph or any other individuals terminated from Panalpina as a result of the misconduct at issue here.

19. PROPOSED CHANGES. Panalpina shall notify the Air Force of any proposed changes in the directives, instructions, or procedures implemented in furtherance of Panalpina's Business Ethics Program and compliance with this Agreement. The Air Force, or its authorized representative, retains the right to verify, approve, or disapprove any such changes. No such changes shall be implemented without the prior approval of the Air Force.

20. ACCESS TO RECORDS AND INFORMATION. In addition to any other right the Air Force may have by statute, regulation, or contract, the Air Force or its duly authorized representative may examine Panalpina's books, records, and other company documents and supporting materials for the purpose of verifying and evaluating: (a) Panalpina's compliance with the terms of this Agreement; (b) Panalpina's business conduct in its dealings with all of its customers, including the Government; (c) Panalpina's compliance with Federal laws, regulations, and procurement policies and with accepted business practices; and (d) Panalpina's compliance with the requirements of Government contracts or subcontracts. The materials described above shall be made available by Panalpina at all reasonable times for inspection, audit, or reproduction. Further, for purposes of this provision, the Air Force or its authorized representative may interview any Panalpina employee at the employee's place of business during normal business hours or at such other place and time as may be mutually agreed between the employee and the Air Force. Employees will be interviewed without a

representative of Panalpina being present. The employee may be represented personally by his own counsel if requested by the employee.

21. COSTS OF REVIEW. Panalpina has paid to the Air Force \$65,000 to cover the Air Force's costs of independently reviewing this matter and administering this Agreement.

22. UNALLOWABLE COSTS. Panalpina does not hold any cost-reimbursable federal contracts. In the event that Panalpina enters into such a contract,

a. Panalpina agrees that all costs, as defined in FAR 31.205-47, incurred by, for, or on behalf of Panalpina or any Panalpina current or former officer, director, agent, employee, consultant, or affiliate shall be expressly unallowable costs for Government contract accounting purposes. Unallowable costs include, but are not limited to, costs arising from, related to, or in connection with (a) the matters at issue here, (b) the Government's criminal and civil investigations regarding the matters at issue here, and (c) the Air Force's independent review of Panalpina's present responsibility, including the costs of the company's submissions, presentations, and appearances before the office of the Air Force Deputy General Counsel for Contractor Responsibility. Panalpina's costs of performing and administering the terms of this Agreement and any fines or penalties levied or to be levied in or arising out of the matter at issue here are agreed to be expressly unallowable costs. Also unallowable are Panalpina's costs of bringing Panalpina's self-governance, compliance, and/or ethics programs to a level acceptable to the Air Force as well as the costs of the independent ethics consultant. Panalpina agrees to account separately for such costs. Panalpina's present and future costs of maintaining, operating, and improving Panalpina's corporate self-governance/compliance/ethics programs are allowable costs for purposes of this Agreement.

b. Panalpina agrees to treat as unallowable costs the full salary and benefits of any officer, employee, or consultant terminated from Panalpina's employ or removed from government contracting as a result of the wrongdoing at issue here and the cost of any severance payments or early retirement incentive payments paid to employees released from the company as a result of the wrongdoing at issue here. For purposes of the preceding sentence, the salary and benefits costs shall include all such costs from the first instance of participation of each individual in the matters at issue here, as determined by the Air Force.

c. Panalpina recognizes that in order to comply with the terms of this paragraph, certain costs may need to be reclassified. Panalpina shall proceed immediately to identify and reclassify such costs and, within ninety days of the effective date of this Agreement, Panalpina shall adjust any bid rate, billing rate, or unsettled final indirect cost rate pools to eliminate any costs made unallowable by this Agreement, and shall advise the Air Force, the cognizant administrative contracting officer, and the cognizant Government auditor of the amount and nature of the reclassified costs within 120 days of the date of this Agreement. The Air Force or a designated representative shall have the right to audit Panalpina's books and records to verify compliance with this paragraph. Such audit rights shall be in addition to any audit rights the Government may have under the terms of any contract with Panalpina.

23. ADVERSE ACTIONS. Panalpina avers that adverse actions taken, or to be taken, by Panalpina against any employee or other individual associated with Panalpina arising out of or related to the wrongdoing at issue here were solely the result of Panalpina's initiatives and decisions and were not the result of any action by, or on behalf of, agents or employees of the United States.

24. NO SUSPENSION OR DEBARMENT. Provided that the terms and conditions of this Agreement are faithfully fulfilled, the Air Force will not suspend or debar Panalpina based on the facts and circumstances set forth in the Plea Agreements, Informations, Deferred Prosecution Agreement, Unopposed Motion and other related documents referenced in the Preamble herein. The Air Force's decision not to suspend or debar Panalpina upon the facts at issue here shall not restrict the Air Force or any other agency of the Government from instituting administrative actions, including, without limitation, suspension or debarment should other information indicating the propriety of such action come to the attention of the Air Force or such other agency, or additional information concerning the facts at issue here is discovered by the Government, which facts were not disclosed by Panalpina or by the exercise of reasonable diligence could not have been discovered by the Government as of the date of this Agreement.

25. PRESENT RESPONSIBILITY. Panalpina's compliance with the terms and conditions of this Agreement shall constitute an element of Panalpina's present responsibility for Government contracting. Panalpina's failure to meet any of its obligations pursuant to the terms and conditions of this Agreement constitutes a separate cause for suspension and/or debarment. By entering into this Agreement, the Air Force is not determining that Panalpina is presently responsible for any specific Government contract.

26. NOTIFY EMPLOYEES. Panalpina shall notify all Panalpina employees of the fact and substance of this Agreement, the nature of the wrongdoing leading to this Agreement, and the importance of each employee's abiding by the terms of this Agreement and all requirements of law, regulations, and Panalpina policies and procedures.

27. PANALPINA PURCHASE OF BUSINESSES. In the event that Panalpina purchases or establishes new business units after the effective date of this Agreement, Panalpina shall implement all provisions of this Agreement, including any training or education requirements, within 60 days following such purchase or establishment.

28. SALE OF PANALPINA BUSINESSES. In the event that Panalpina sells or in any way transfers ownership of any part of the business entities that are bound by this Agreement, Panalpina shall notify the Air Force in advance and shall require by the terms of the transfer that the new owner, in addition to Panalpina, shall be bound by the terms and conditions of this Agreement, including, but not limited to, all reporting requirements.

29. RELEASE. Panalpina hereby releases the United States, its instrumentalities, agents, and employees in their official and personal capacities, of any and all liability or claims arising out of or related to the investigation, criminal prosecution, or civil settlement at issue

here, or the suspension, proposed debarment, or debarment of Panalpina or the discussions leading to this Agreement.

30. WAIVER. Panalpina hereby waives all claims, demands, or requests for monies of any kind or of whatever nature that Panalpina may have or may develop in the future arising from, related to, or in connection with, any investigation, or as a result of administrative or judicial proceedings, or request for any other relief in law or in equity, or in any other forum be it judicial or administrative in nature arising out of or relating to the facts that gave rise to the debarment or proposed debarment.

31. PARAGRAPH HEADINGS. The paragraph headings in this Agreement are inserted for convenient reference only and shall not affect the meaning or interpretation of this Agreement.

32. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be an original, but all of which taken together, shall constitute one and the same agreement.

33. AIR FORCE RELIANCE. Panalpina represents that all written materials and other information supplied to the Air Force by its authorized representative during the course of discussions with the Air Force preceding this Agreement are true and accurate, to the best information and belief of the Panalpina signatories to this Agreement. Panalpina also represents that it has provided to the Air Force documents containing a fulsome description of all the facts at issue. Panalpina understands that this Agreement is executed on behalf of the Air Force in reliance upon the truth, accuracy, and completeness of all such representations.

34. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, whether oral or written, relating to the subject matter hereof. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns.

35. RESTRICTION ON USE. Panalpina shall not use any term of this Agreement or the fact of the existence of this Agreement for any purpose related to the defense of, or in mitigation of any criminal, civil, or administrative investigation or action by any element of the Federal Government.

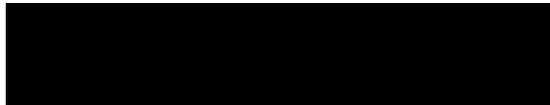
36. BANKRUPTCY. Bankruptcy proceedings shall not affect the enforcement of this Agreement in the interests of the Government.

37. AUTHORIZED REPRESENTATIVE. Karl Weyeneth of Panalpina World Transport (Holding) Ltd. and Lucas Kuehner of Panalpina, Inc. are each fully authorized to execute this Agreement and each represents that he has authority to bind his company.

38. **SEVERABILITY.** In the event that any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect other provisions of this Agreement.

39. **NOTICES.** Any notices, reports, or information required hereunder shall be in writing and delivered or mailed by registered or certified mail, postage prepaid as follows:

If to Panalpina, to:



Panalpina, Inc.
1776 On-The-Green, 67 Park Place
Morristown, New Jersey 07960



If to the Air Force, to:



Deputy General Counsel (Contractor Responsibility)
Department of the Air Force



or such other address as either party shall have designated by notice in writing to the other party.

40. **PUBLIC DOCUMENT.** This Agreement, including all attachments and reports submitted pursuant to this Agreement, is a public document and may be distributed by the Air Force throughout the Government as appropriate and to other interested persons upon request.

41. **MODIFICATION.** This Agreement may be amended or modified only by a written document signed by both parties.

DEPARTMENT OF THE AIR FORCE

By: 

Steven A. Shaw
Deputy General Counsel
(Contractor Responsibility)

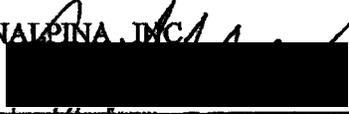
Date:

PANALPINA WORLD TRANSPORT
(HOLDING) LTD.

By: 

Karl Weyeneth
Chief Operating Officer
Member of the Executive Board

Date:

PANALPINA, INC.
By: 

Lucas Kuehner
Chief Executive Officer
Date: