



ESG Assessment Result 2022





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1. INTRODUCTION

We conduct the ESG Assessment to examine and review the ESG implementation status and compliance performance of the Cargo Services Group to ensure sustainable growth.

The assessment enables us:

- To evaluate and improve our ESG performance.
- To determine the ESG baseline.
- To know where we should focus our resources to managing the ESG risks.

2. ENVIRONMENTAL PROTECTION

Cargo Services continuously improves its environmental management system, promotes green logistics operations, and implements measures for energy conservation and emission reduction.

We calculate our greenhouse gas (GHG) emissions baseline so we can set targets and report our progress towards our environmental protection objectives.

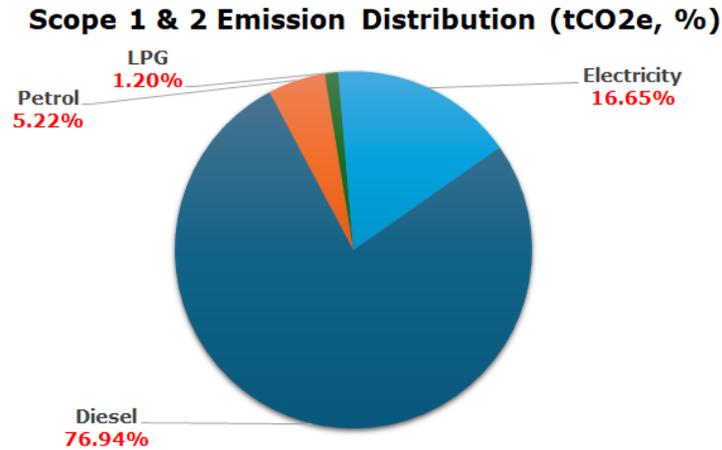
2.1. GHG EMISSIONS INVENTORY

Developing a GHG emissions inventory – incorporating Scope 1, Scope 2, and Scope 3 emissions (as defined in the GHG Protocol Corporate Standard) – enables us to understand and manage climate-related risks and to determine our emission reduction target.

Our Scope 1 emissions are all the GHG emissions that we directly produce, such as company owned vehicles and forklifts. Scope 2 emissions are predominantly from purchased electricity. And the Scope 3 emissions are the result of activities from assets not owned or controlled by us. The examples of this are employee commute and the transportation services which we purchase from carriers.

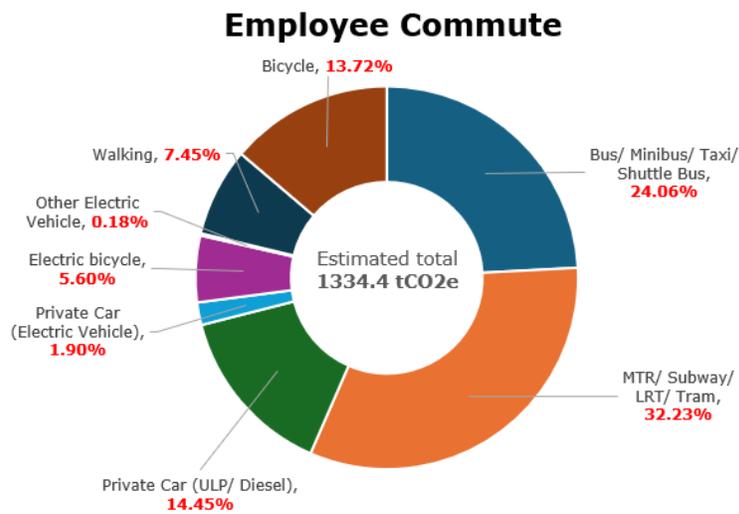
The following tables illustrate how we use resources across the board specifically Scope 1, 2 and 3 emission sources.

Table 1 - Scope 1 and 2 Emissions



In Scope 1 and 2 emissions, majority of it is caused by the fuel, in particular, diesel fuel (76.94%). < tCO₂e – tonnes of carbon dioxide equivalent >

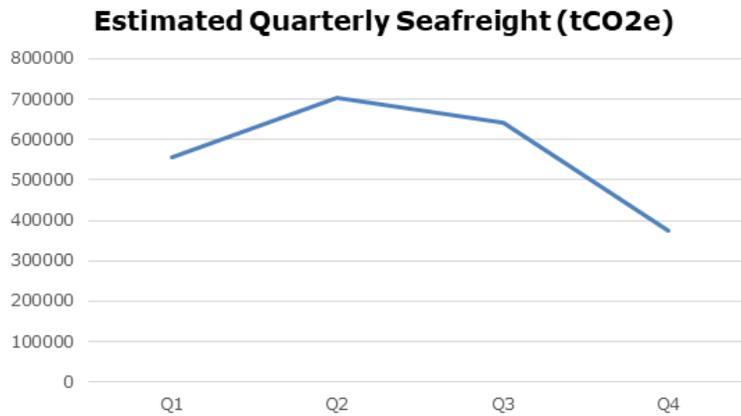
Table 2 - Scope 3 Emissions – Estimated Employee Commute



Over half (56%) of our employee commute by public transports. More than one fifth

(21%) are either walking or cycling.

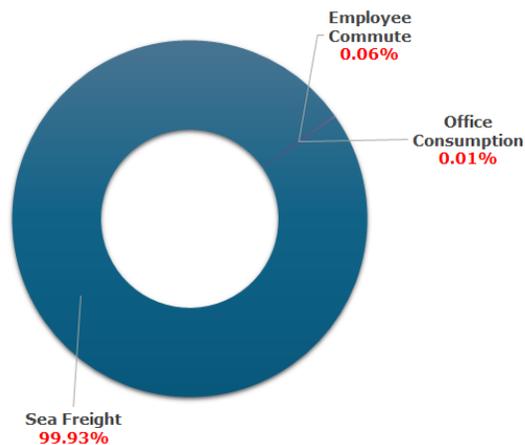
Table 3 – Scope 3 Emission - Estimated Seafreight Transportation Emissions



Seafreight CO2 emission peaks at Q2, this is aligned with the peak season of the industry.

Table 4 - Estimated Scope 3 Emission Distribution

Estimated Scope 3 Emission Distribution (tCO2e, %)



Seafreight transportation accounts for over 99% of Scope 3 emission.

Table 5 - Estimated CO2 Emission by Scope

Estimated Emission by Scope



Over 98% of estimated CO2 emission is from Scope 3, followed by Scope 1 (0.88%) and Scope 2 (0.15%).

The summary of CO2 emissions in Tonnes by scope is as below.

CO2 Emission in Tonnes by Scope	
Scope	Tonnes
1	20,169.22
2	4,027.65
3	2,275,072.03
Total	<u>2,299,268.90</u>

Our GHG emissions baseline is set as 2,300,000 tCO2 annually with reference to the information collected in 2022, which will serve as a reference for measuring progress.

Due to business nature (NVOCC operations), the largest source of emissions for us is Scope 3 that result the activities outside of our immediate control, so we set the target on GHG emission reduction not to exceed the baseline.

2.2. OUR CLIMATE ACTION

Reducing Scope 3 emissions can be a complex task since they are indirect emissions. However, there are several actions that can help to mitigate the emissions through enhancing the green procurement, green logistics (such as selection of green carriers and increase container utilization rate) and offsetting emissions programs etc, which are prioritized in our ISO14001 Certified Environmental Management System.

Moreover, 19 environmental initiatives have been put in place to tackle the potential adverse impact from our business activities. The initiatives mainly focus on reducing energy consumption, recycling of our office and warehouse waste, waste prevention and carbon neutrality. The actions and plans are including but not limited to:

- Subsidy on using electric car;
- Use electric trucks and forklifts;
- Set up solar energy installations;
- Offer recycled services;
- Minimize the use of paper;
- Use rechargeable batteries;
- Recycle rechargeable batteries;
- Collect spent toner-cartridges;
- Recycle packing materials;
- Waste electrical and electronic disposal management;
- Water conservation;
- Electricity conservation;
- Green procurement;

A system has been established for ongoing monitoring and periodic review of the initiative's progress. This will allow for continuous improvement and ensure that the effectiveness of implementation of the initiatives.

3. SOCIAL CONTRIBUTION

Cargo Services recognizes social responsibility and human rights are both crucial aspects of creating a just, equitable and sustainable society.

3.1. COMMUNITY ENGAGEMENT

Our community engagement includes financial and practical support to carefully selected beneficiaries, such as money and food donations, fundraising activities, and humanitarian aid.

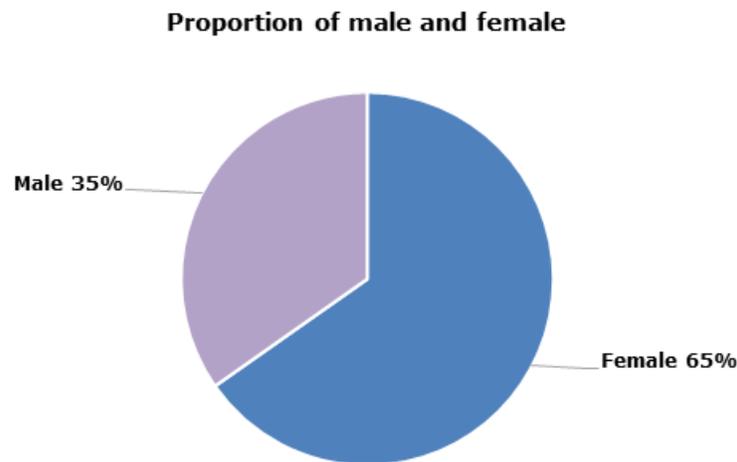
Our employees are the key driver behind our social contribution activities and stand as our most important stakeholder.

We encourage all employees to participate in our donation activities. We have been collecting and donating face masks, second-hand clothes, food and other items to NGOs and the aged group, and conducting tree planting programs for many years to provide an opportunity for all employees to easily take part in volunteer activities.

3.2. THE PEOPLE

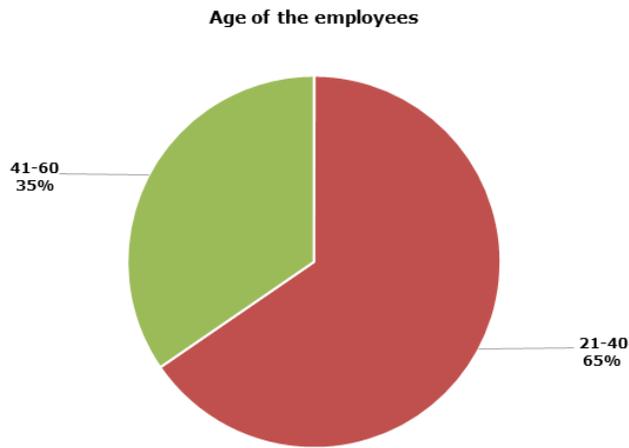
As an international supply chain organization with employees of different races, nationalities, cultures, gender and age, Cargo Services Group is committed to create an environment where every employee can develop, succeed and be happy.

At the yearend 2022, the total workforce reflected a gender distribution of 65% women and 35% men.

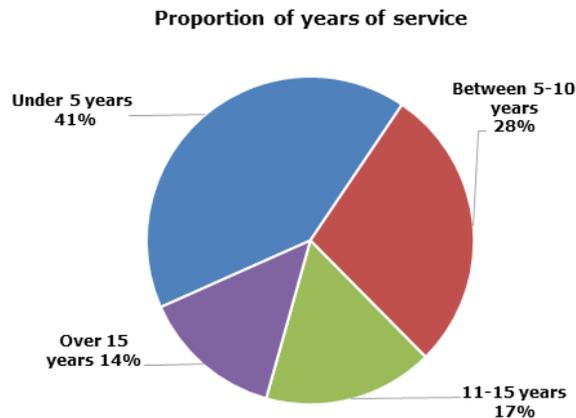


We do not promote employees solely based on seniority, and our roles encompass all age groups. 35% of our workforce is in the range between 30 and 50 years and 65%

is in the range between 21 and 40 years.



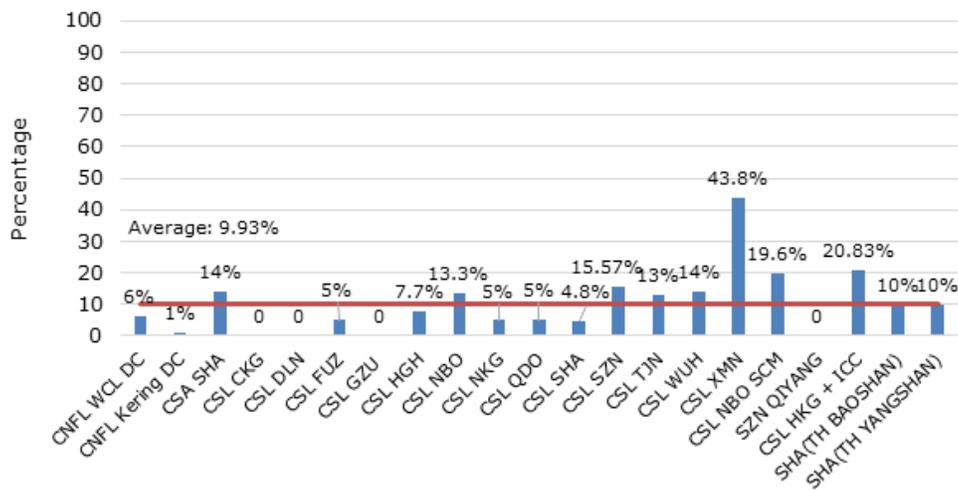
Most of the employees are under 5 years of service (40%), followed by 5 – 10 years (28%) and 11 - 15 years (17%). 14% have served for more than 15 years in the company.



Our employee turnover rate is not high. The average turnover rate is 9.93% and most of the sites are under 15%. The turnover rate indicates that employees are staying with us for an extended period. This stability promotes continuity in operations and minimizes disruptions caused by frequent departures and new hires. It also allows us to maintain a consistent workforce with accumulated knowledge and experience.



Employee Turnover Rate



3.3. HEALTH AND SAFETY

Logistics and warehouse operations have a substantial safety risk, such as fire hazards, falls, slips, forklift/vehicles related incidents, falling objects, etc. Our belief is that all accidents are preventable. We create a culture of prevention, protection, and well-being, ensuring that individuals can work in a safe and healthy environment.

To prevent work-related injuries, Cargo Services has implemented a health and safety system, which includes promoting safety culture, regular risk assessment, training, and regular audit. The system is developed in accordance with SMETA 4 Pillar standard. Our warehouses are subject to an SMETA audit by 3rd party audit firms, such as SGS and Intertek.

There were 4 work-related personnel injuries in 2022, and zero fatalities overall. Most of these cases occurred during manual cargo or equipment handling. Root cause analysis and corrective actions were taken.

3.4. ETHICAL TRADING AUDIT

Cargo Services conducts ethical internal and external audit for all warehouses every year to ensure that we comply with international ethical trading standards. We adopt



4 pillar SMETA standards. It focuses on areas such as labour standards, health and safety, human right, environmental practices, and business ethics. The audit criteria are based on international standards, including the International Labour Organization (ILO) conventions, the United Nations Global Compact, and local laws and regulations.

The average score of the ethical audit is 74. No critical non-compliance was found.

At Cargo Services, social contribution is not just a responsibility; it is a core value that guides our actions. We remain committed to making a difference in the communities we serve, and we continuously strive to improve our social impact.

4. CORPORATE GOVERNANCE

Cargo Services strives to uphold our integrity and continues our efforts to promote transparency, accountability, fairness, and ethical behavior with the organization.

With the aim of managing the risks that Cargo Services faces each day, such as business operational risks, environmental risks, security risks, ethical risks...etc., we integrate risk management into corporate governance to help us to identify, assess, and mitigate potential risks that could impact our objectives.

Our risk management framework is aligned with ISO standards and involves identifying risks, assessing their potential impact, implementing appropriate controls, and monitoring and reviewing the effectiveness of those controls.

The risk management directly links with our key accreditation and audit programs:

1. ISO9001 Quality Management System Certification,
2. ISO14001 Environmental Management System Certification,
3. ISO28001/C-TPAT Security Management System Certification,
4. ISO37001 Anti-Bribery Management System Certification,
5. ISO22301 Business Continuity Management System Certification,
6. SMETA 4 Pillar Audit

We align our governance practices with the ISO and SMETA standards as part of our governance assessment process. The results of the annual internal and external audits provide a comprehensive understanding of how well we are governed and any



deficiencies in our governance practices.

As part of the implementation of corporate governance, we conduct ESG training for all employees. It helps ensure that all employees have the knowledge, skills, and mindset to fulfill their governance responsibilities effectively and uphold the principles of transparency, accountability, and integrity.

5. LOOKING AHEAD

We have made significant progress in integrating sustainable practices into our operations. We have implemented robust environmental management systems, established social programs that positively impact stakeholders and society, and maintained strong governance practices.

Looking ahead, we plan to minimize our impact on the environment at every step of the Cargo Services supply chain. We remain firm in our commitment to diversity and employee well-being and continue to support local communities across the globe as well.

We've come a long way over the last 30 years, but this is only the beginning of our sustainability journey. We are committed to building on our sustainability efforts from 2023 through 2024 and beyond.