

# Carbon Reduction Plan 2024 to 2025

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## Table of Contents

<b>1.</b>	<b>Introduction.....</b>	<b>3</b>
<b>2.</b>	<b>Assessment of Current Carbon Footprint.....</b>	<b>3</b>
<b>3.</b>	<b>GHG Emission Inventory .....</b>	<b>4</b>
3.1	Overview .....	4
3.2	Scope 1 and 2 Emission .....	6
3.3	Scope 3 Emission.....	7
3.4	Summary .....	10
<b>4.</b>	<b>Environmental Action.....</b>	<b>10</b>
<b>5.</b>	<b>Carbon Reduction and Neutralization Strategies .....</b>	<b>11</b>
5.1	Energy Efficiency .....	11
5.2	Renewable Energy.....	11
5.3	Green Procurement .....	11
5.4	Fleet Transition: .....	11
5.5	Waste Management.....	11
5.6	Supplier Engagement: .....	12
5.7	Employee Engagement and Education .....	12
5.8	Fire Emergency Plan .....	12
<b>6.</b>	<b>Carbon Reduction Targets.....</b>	<b>12</b>
6.1	Short-term Goals .....	12
6.1	Long-term Goals .....	12

## **1. Introduction**

In the face of escalating climate change challenges, the urgency to mitigate greenhouse gas emissions has never been greater. This Carbon Reduction Plan outlines our commitment to reducing our carbon footprint and promoting sustainable practices within our organization/community.

As a responsible entity, Cargo Services recognizes our role in contributing to global efforts to limit temperature rise and support environmental health. Our plan is designed to align with ISO14001 Environmental Management System Standard.

This document provides a framework for assessing our current emissions, setting ambitious yet achievable reduction targets, and implementing effective strategies to meet these goals. Through energy efficiency improvements, the adoption of renewable energy sources, sustainable transportation initiatives, and enhanced waste management practices, we aim to create a significant positive impact.

In summary, our Carbon Reduction Plan is not just a roadmap for compliance; it is a commitment to sustainability and a proactive step towards safeguarding our planet for future generations. We are dedicated to transparency and accountability, and we will regularly monitor our progress and adapt our strategies as needed. Together, we can make a difference in the fight against climate change.

## **2. Assessment of Current Carbon Footprint**

Cargo Services is continuously improving the environmental management system we have in place, aiming for green logistics operation and implementing various measures to reduce the carbon footprint resulting from our business activities.

Our baseline condition is defined based on the 2022 Greenhouse Gas emission data, which is 2,300,000 tCO<sub>2</sub>e annually. This baseline enables us to compare and measure our progress in emission reduction for 2023 and beyond.

The unit of measurement of carbon emission in this assessment is tCO<sub>2</sub>e (Tonnes Carbon Dioxide equivalent) unless specified otherwise.

### 3. GHG Emission Inventory

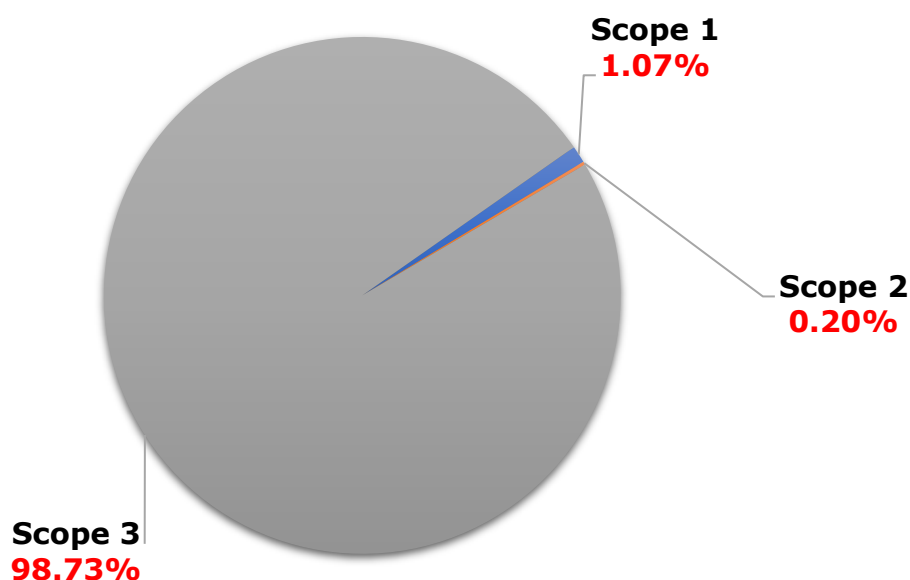
The GHG emission inventory has enabled us to understand our carbon emission status and distribution across the 3 emission scopes, allowing us to effectively monitor and measure our carbon reduction progress.

We follow the GHG Protocol Corporate Standard to develop the GHG emission inventory, which includes: Scope 1) Direct GHG emission by business operations; Scope 2) Electricity consumption; and Scope 3) Emission as result of activities from assets not owned or controlled by us, such as sea freight transportation services purchased from carriers. The same methodology is used in 2023.

#### 3.1 Overview

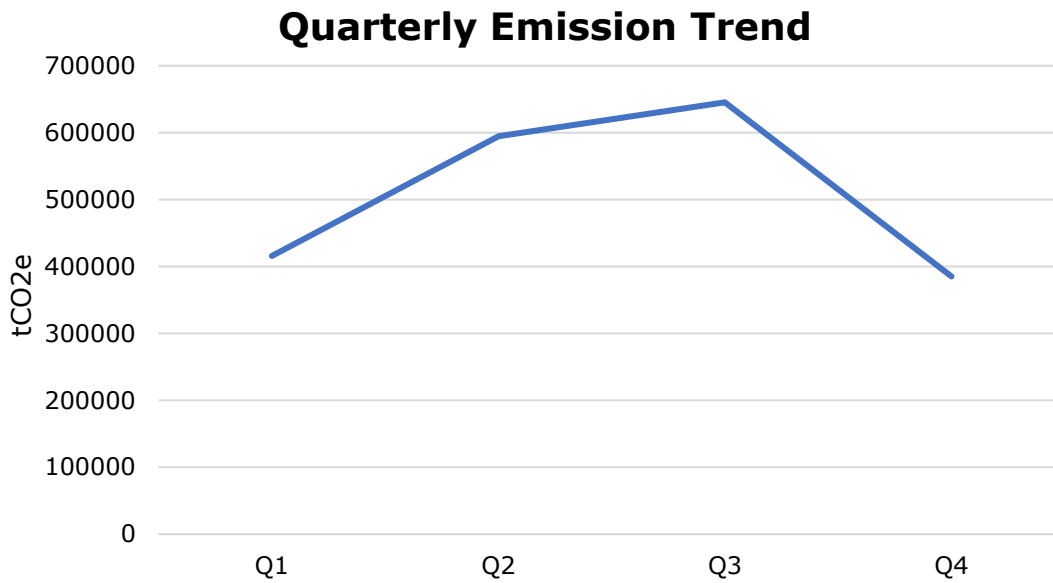
Graph 1 - Overview

#### 2023 Estimated Emission by Scope



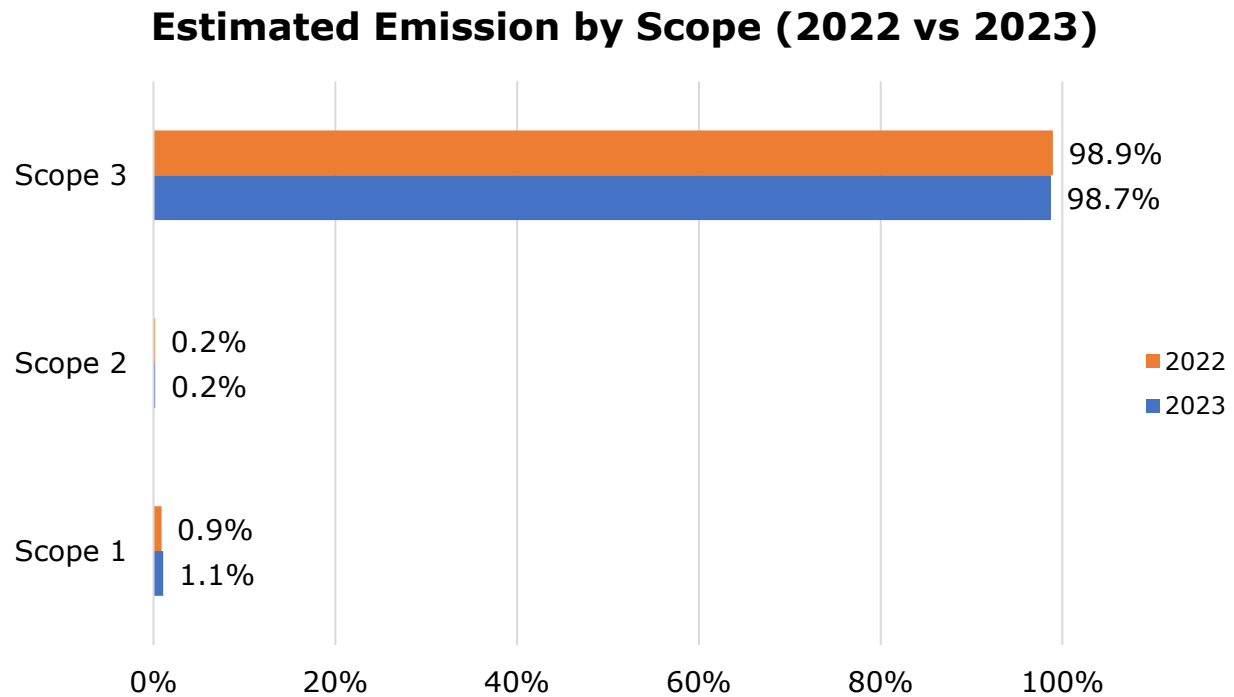
Overall, Scope 3 contributes the vast majority (over 98%) of our CO<sub>2</sub> emissions in 2023, while Scope 1 and 2 account for 1.07% and 0.2% respectively.

Graph 1.1 - Estimated Quarterly Trend



The 2023 emissions peaked in Q3.

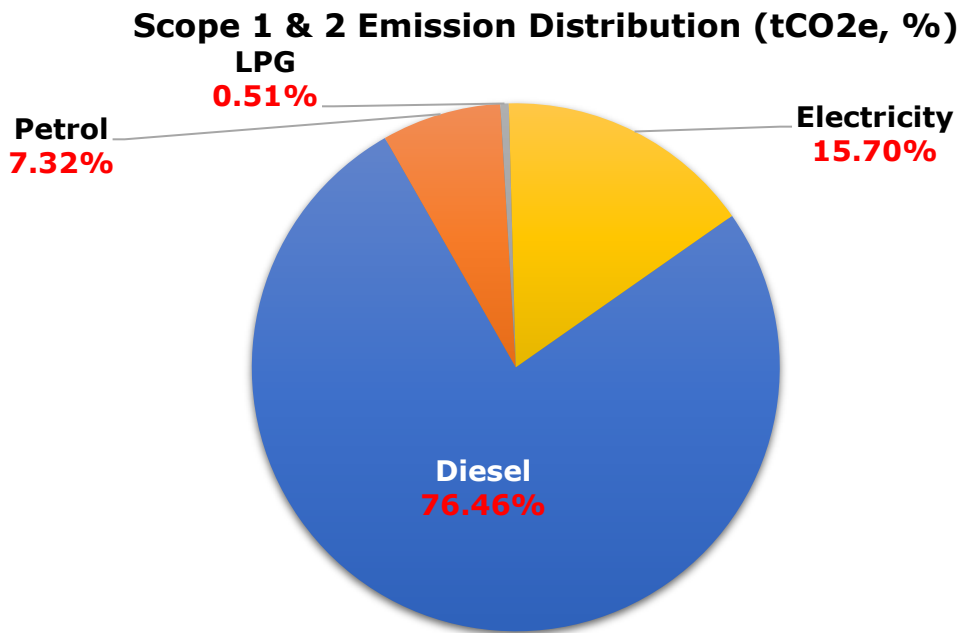
Graph 1.2 - Estimated Distribution by Scope Comparison



Our estimated emission distribution by Scope in 2023 shows similar pattern to that of 2022.

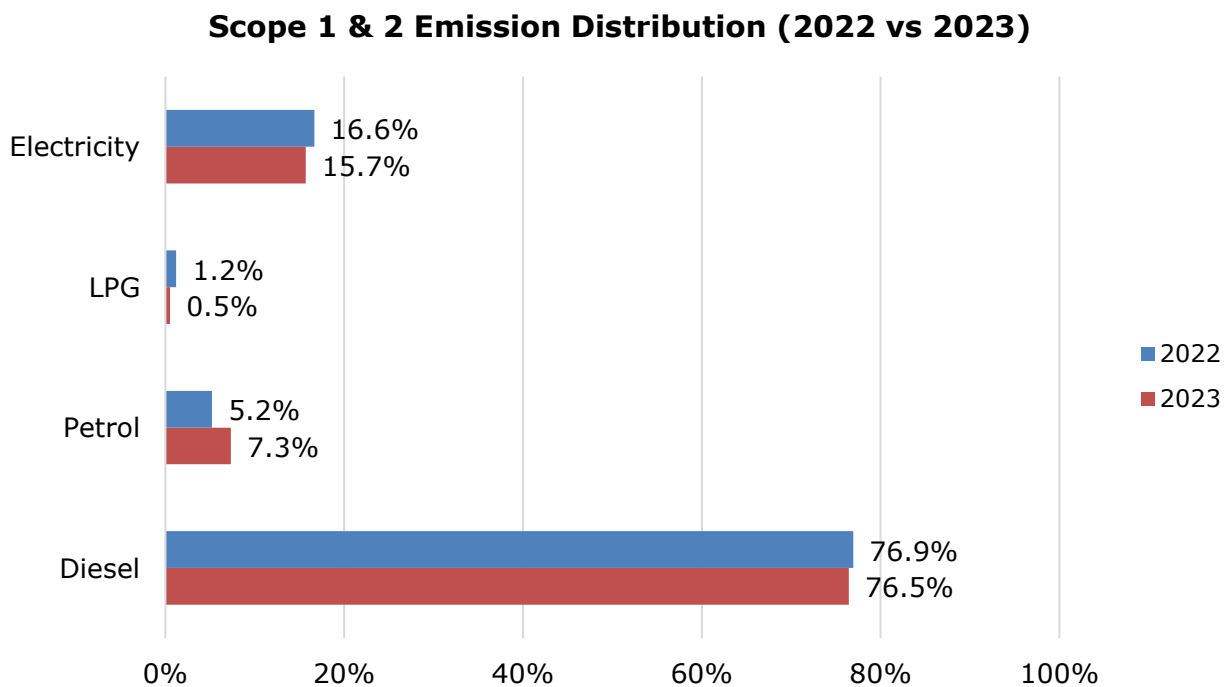
### 3.2 Scope 1 and 2 Emissions

*Graph 2 - Scope 1 & 2 Emissions*



For Scope 1 & 2, diesel accounts for around 76% of emissions, followed by electricity (15.7%) and petrol (7%).

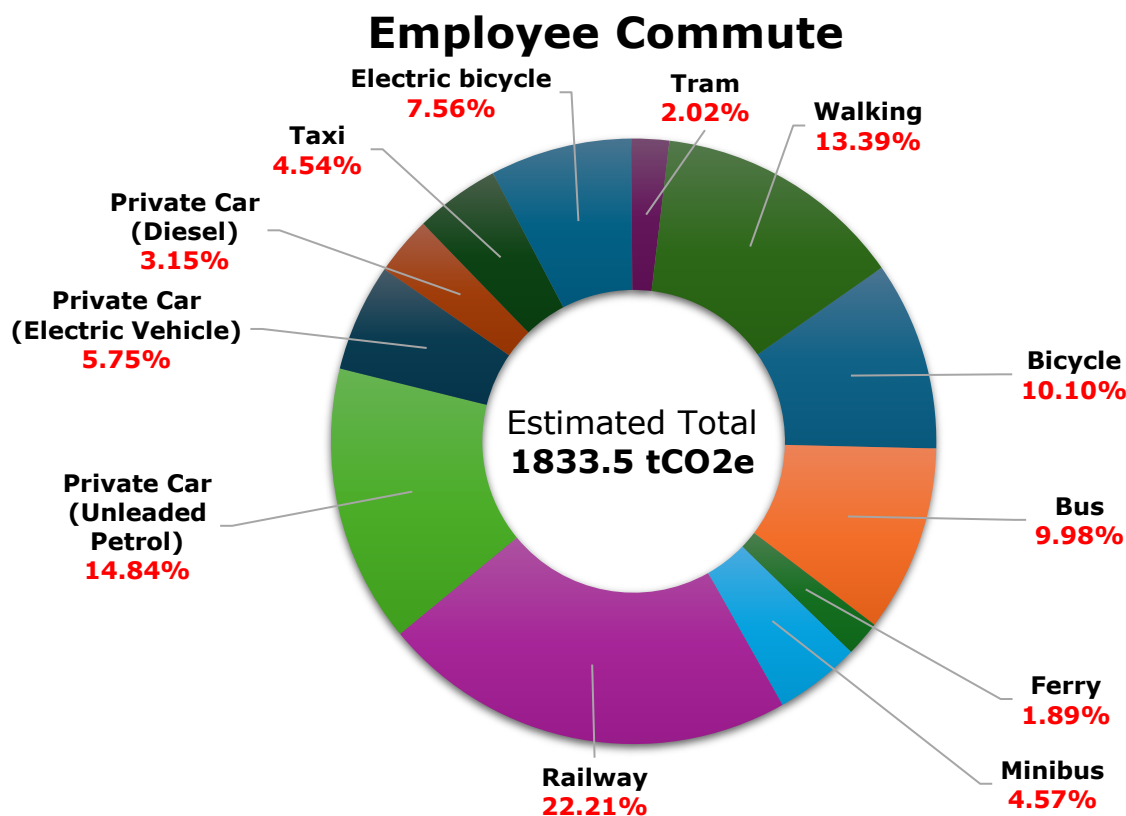
*Graph 2.1 - Scope 1 & 2 Distribution Comparison*



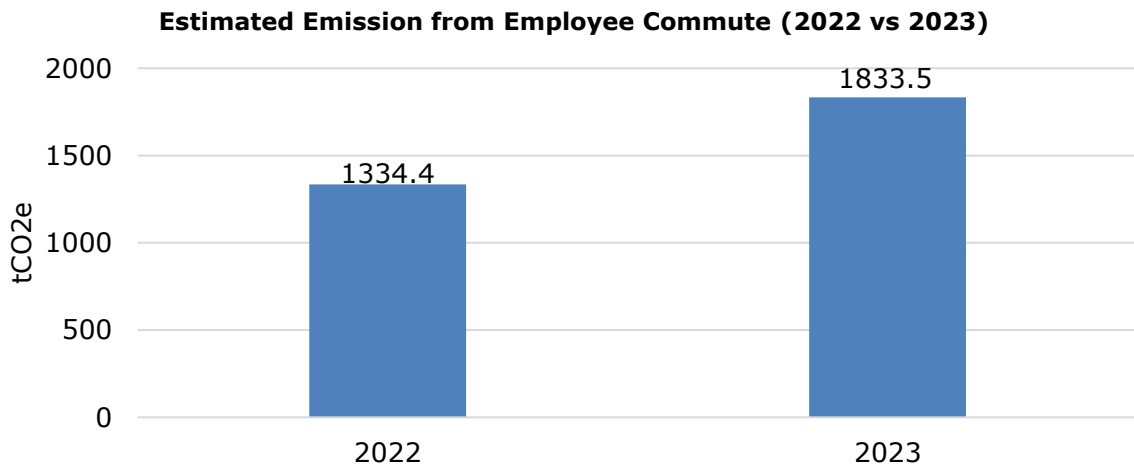
The composition of Scope 1 & 2 emissions in 2023 is similar to that of 2022.

### 3.3 Scope 3 Emission

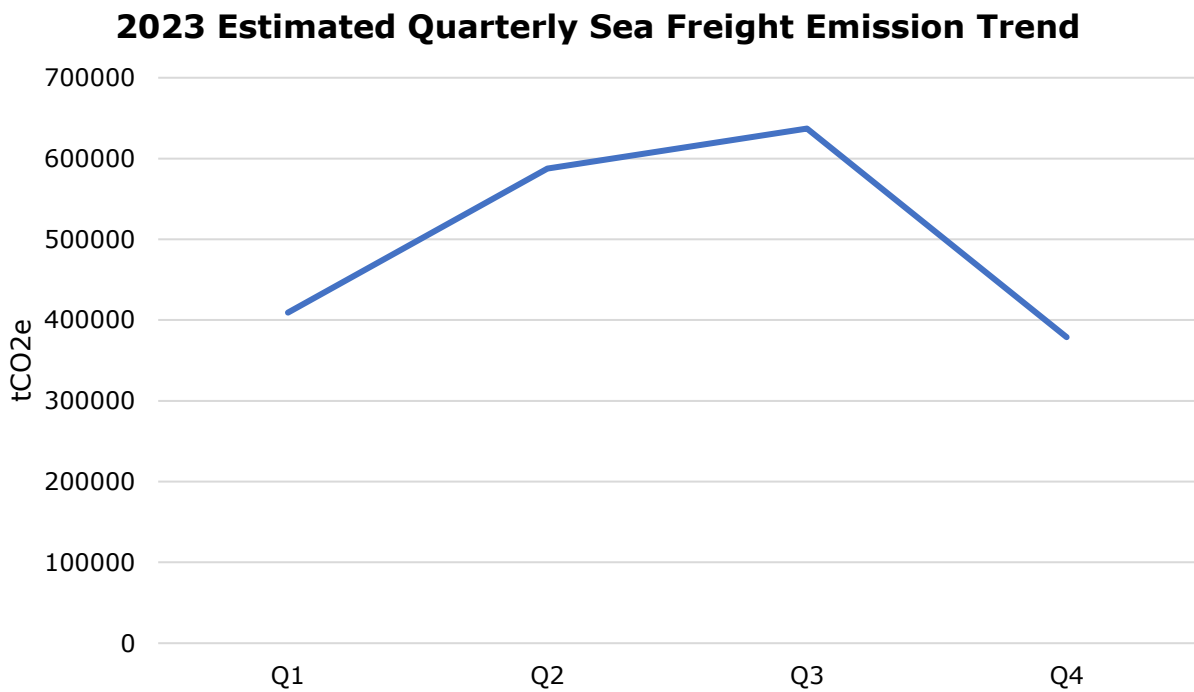
Graph 3.1 – Scope 3 Emission - Employee Commute



Most of the daily employee commute mileage (40%) is via various types of public transport. Nearly a quarter (23.49%) is attributed to walking and cycling. Overall, the employee commutes emitted 1833.5 tCO<sub>2</sub>e in 2023, representing a 37.4% increase from 2022. This rise may be attributed to the pandemic situation and remote working in 2022, which affected the employee commuting patterns.

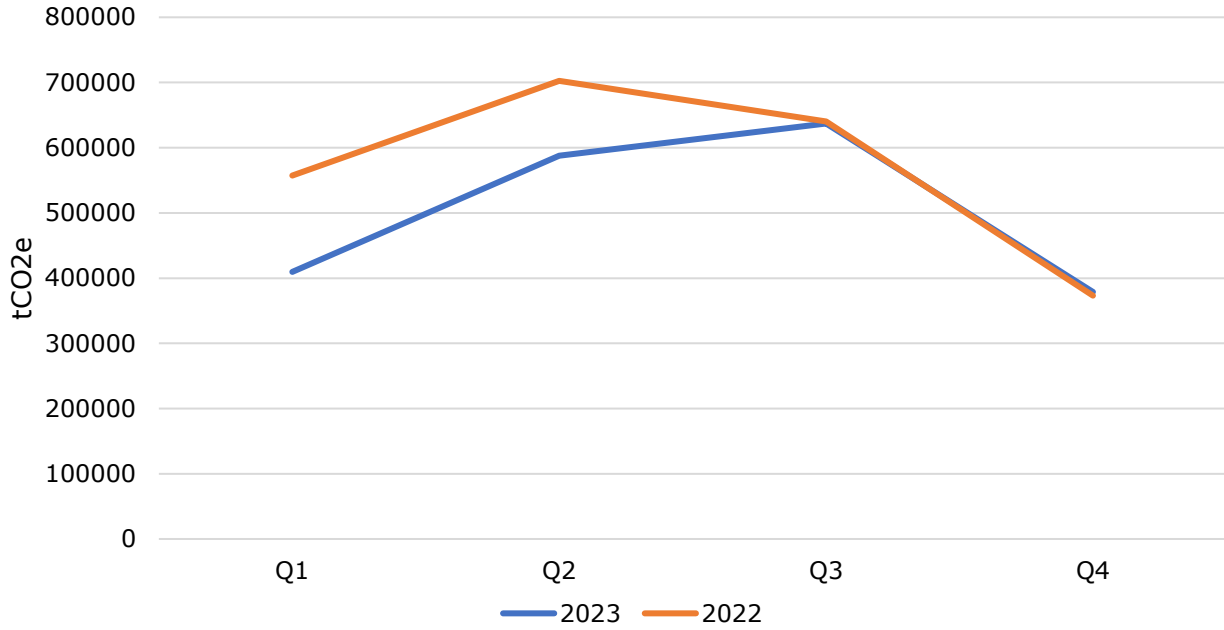


*Graphs 3.2 – Scope 3 Emission -Sea Freight Transportation*



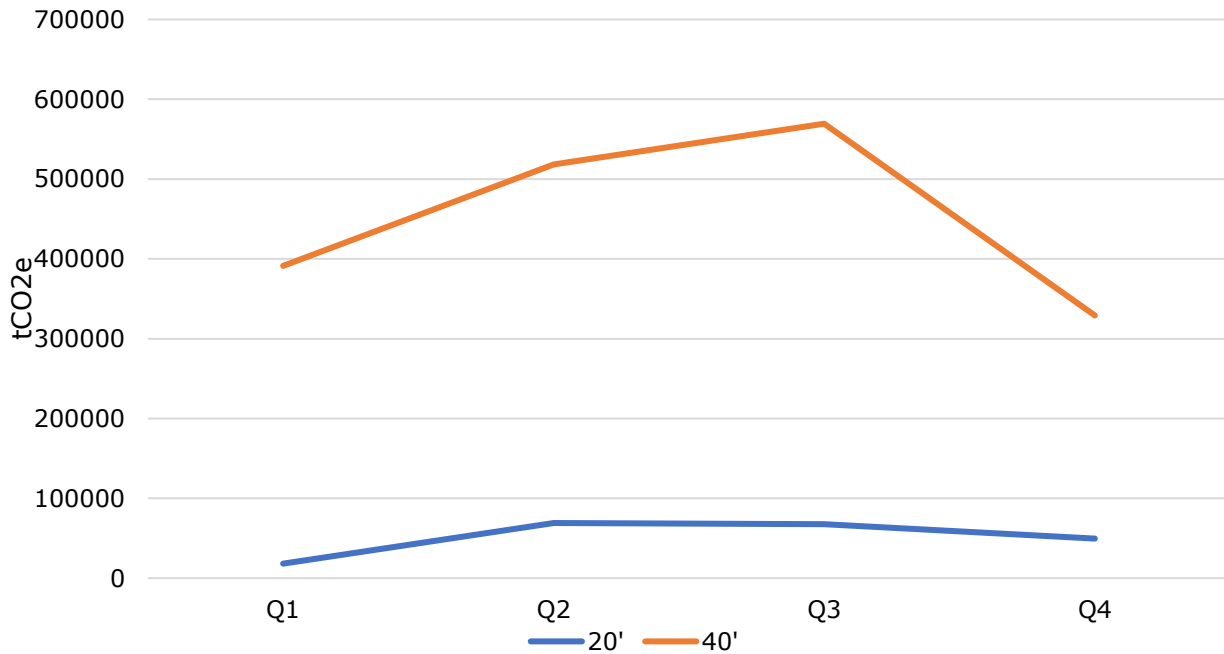


### Estimated Quarterly Sea Freight Emission Trend (2023 vs 2022)



In 2023, our sea freight transport emission peaks at Q3, which is different from 2022 (Q2).

### Estimated 20' and 40' Emission Quarterly Trend



The emission from the transportation of 40' containers accounts for the majority of our sea freight transport emissions.

### 3.4 Summary

In 2023, our total estimated carbon emission are 2,040,981.043 tCO<sub>2</sub>e, representing an 11.2% reduction compared to 2022.

*Table 1 – 2023 Carbon Emission Summary*

<b>Emission Scope</b>	<b>CN</b>	<b>HK</b>	<b>Total</b>	<b>Change (%)</b>
Scope 1 (Fuel)	21850.26	18.086934	21868.35035	8.4%
Scope 2 (Electricity)	3415.54	657.67355	4073.21259	1.1%
Scope 3			2015039.481	-11.4%
		<b>All</b>	<b>2040981.043</b>	<b>-11.2%</b>

With the carbon emission baseline defined as 2,300,000 tCO<sub>2</sub>e annually, we conclude that we comply with our target of not exceeding the baseline.

It is worth noting that most of the components in Scope 1 and 2, as well as some areas of the Scope 3 (Employee Commute and Office Consumption), increase in 2023. This may be attributed to our business returning to normal operations in 2023, while COVID pandemic still impacted activities in 2022. Consequently, carbon emissions in these areas rose as consumption increased.

However, due to the nature of our business as a Nov-Vessel Operating Common Carrier (NVOCC), the most significant source of carbon emissions is sea freight transportation, which accounts for over 98% of our total emissions. In this aspect, carbon emissions have decreased. Therefore, our overall carbon emissions have declined in 2023.

## 4. Environmental Action

Besides monitoring our carbon footprint, we are also committed to furthering environmental protection despite the limitation of our business nature. We continue to implement ISO14001 Environmental Management System.

Additionally, we launched the Environmental 19 Initiatives in 2022 as part of our efforts to address the adverse effects of our business operations on the environment. These initiatives primarily focus on waste reduction (of various kinds), energy saving, green procurement, and carbon neutrality.

A system has been established to regularly monitor the implementation progress of our offices and warehouses in both Hong Kong and mainland China.

As of the end of 2023, the average completion rate of the 19 initiatives across our sites is 86%.

## **5. Carbon Reduction and Neutralization Strategies**

As the impacts of climate change become increasingly evident, we are recognizing the need to adopt effective carbon reduction and neutralization strategies.

### **5.1 Energy Efficiency**

- 5.1.1 Replace traditional lighting with energy-efficient LED bulbs.
- 5.1.2 Regular maintenance of air conditioning system to ensure optimal performance for reducing energy consumption.
- 5.1.3 Apply cooling paint to the roof to minimize heating and cooling demands.
- 5.1.4 Replace older appliances with energy saving ones to ensure lower energy consumption.

### **5.2 Renewable Energy**

- 5.2.1 Planning installing Solar Panels to generate electricity on-site.
- 5.2.2 Purchase green electricity from the grid.

### **5.3 Green Procurement**

- 5.3.1 Develop criteria for evaluating products and services based on their environmental impact, such as energy efficiency, recyclability, and the use of sustainable materials.
- 5.3.2 Encourage the purchase of products that meet recognized environmental certification standards.
- 5.3.3 Prioritize working with suppliers who demonstrate a commitment to sustainability.

### **5.4 Fleet Transition:**

- 5.4.1 Transition company vehicles to electric or hybrid models and implement fuel-efficient driving practices.

### **5.5 Waste Management**

- 5.5.1 Implement comprehensive recycling programs that include paper, plastics, metals, and electronics. Educate staff on proper recycling practices.
- 5.5.2 Phase out single-use plastics and encourage the use of reusable boxes in operations.
- 5.5.3 Conduct regular audits to identify reduction opportunities and track progress over time.

## **5.6 Supplier Engagement:**

5.6.1 Work collaboratively with suppliers to set sustainability goals and encourage them to adopt greener practices.

## **5.7 Employee Engagement and Education**

5.7.1 Develop training sessions to educate employees about energy conservation, sustainable practices, and their role in achieving carbon reduction goals.

5.7.2 Conduct tree planting events provide an opportunity to educate employees about environmental issues and the importance of sustainability.

## **5.8 Fire Emergency Plan**

5.8.1 Integrate our fire emergency plan into the Carbon Reduction plan. By identifying fire hazards and implementing preventive measures, the plan minimizes disruptions that could hinder carbon reduction efforts. Ensuring the safety of operations is paramount, as it protects both employees and the environment.

By implementing these comprehensive reduction strategies, we can ensure effective and meaningful action towards carbon reduction.

# **6. Carbon Reduction Targets**

## **6.1 Short-term Goals**

In the next two to three years, we are setting short-term goals to significantly enhance our sustainability efforts. One key objective is to reduce overall energy consumption by 5%. To achieve this, we plan to upgrade our lighting systems, such as LED bulbs, and air conditioning systems.

Another important goal is to increase our renewable energy usage. By the end of 2025, we aim to source 5% of our energy from renewable sources. This will be accomplished through the installation of solar panels and the purchase of renewable energy certificates (RECs).

Finally, we are dedicated to engaging our employees in sustainability initiatives. Our goal is to achieve 80% participation in activities such as tree planting by 2025. To encourage involvement, we will organize various promotions and events.

## **6.1 Long-term Goals**

Looking further ahead, we have established several long-term goals that align with our vision for a sustainable future. A primary objective is to achieve net-zero greenhouse gas emissions by 2050. This ambitious goal will be realized through a

combination of reducing emissions and increasing our reliance on renewable energy sources. By implementing innovative practices and technologies, we aim to significantly lower our environmental impact over the coming decades.

In addition, we are focused on creating a sustainable supply chain. By 2030, we aim to ensure that 80% of our suppliers adhere to defined sustainability practices. To support this initiative, we will develop and implement a strict green procurement policy that encourages responsible sourcing and promotes sustainability throughout our supply chain.

We also recognize the importance of community engagement in our sustainability journey. By 2030, we aim to contribute to planting 10,000 trees in communities. This initiative will involve collaboration with local organizations and active participation from our employees in tree-planting events. Through these efforts, we hope to make a positive impact on the environment while strengthening our ties within the community.

In summary, our short-term and long-term goals reflect our commitment to sustainability and environmental stewardship. By taking concrete actions now and planning for the future, we are dedicated to creating a greener, more sustainable world for generations to come.