



圓通國際

YTO Express (International) Holdings Limited

圓通速遞（國際）控股有限公司

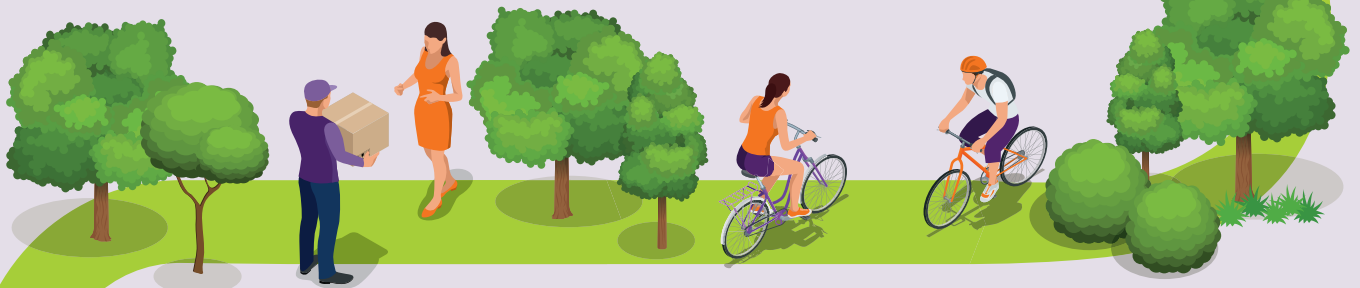
Incorporated in the Cayman Islands with limited liability
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2018

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT

Environmental, Social and Governance Report 2018



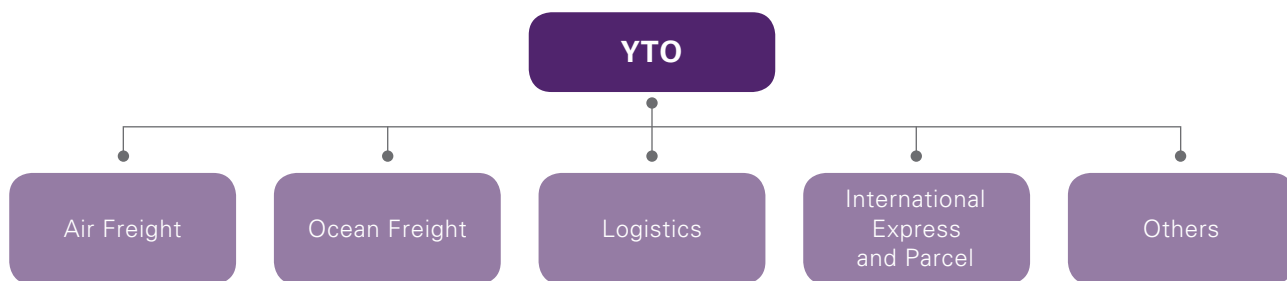
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ABOUT US

YTO Express (International) Holdings Limited ("YTO" or the "Company", together with its subsidiaries, the "Group"), headquartered in Hong Kong, is an international logistics operator with its business focused on international logistics and freight forwarding services. The Group, formerly known as On Time Logistics Holdings Limited, was established in 2013 and its major shares have been acquired by YTO Express Group Co., Ltd. (a listed company in Shanghai Stock Exchange, Stock Code: 600233.SH). The parent company of the Group, YTO Express Group Co. Ltd. and its subsidiaries, is a leading courier services provider in the PRC with its businesses spanning across express, logistics, aviation, finance, and technology sectors. On Time Group, the subsidiary of YTO, was founded in 1995. As at the end of the reporting period, YTO has 54 offices across the world, locating in more than 15 countries and territories, including the USA, Canada, the Netherlands, Japan, and Hong Kong.



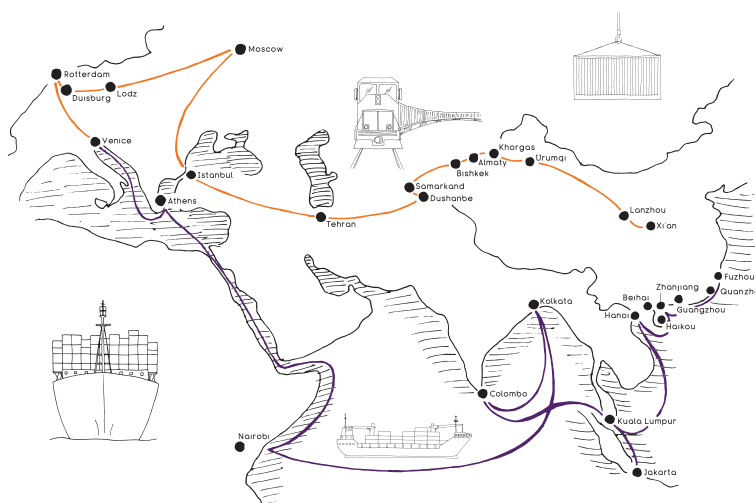
The Group's core businesses are air freight and ocean freight forwarding operations, complemented by the ancillary and contract logistics services, which include warehousing, distribution and customs clearance, international express and parcel services and the other businesses, which comprise combine shipments, trucking, general sales agency, and hand-carry services. The Group offers a comprehensive range of services to meet diverse customers' needs and create cross-selling opportunities.

To create synergy between the Group and the parent company, the Group has been putting efforts in the integration of resources, which enables us to enhance our competitiveness and thus provide more diversified and quality international logistics services. Our strategic role is to serve as an international business platform to achieve the parent company's vision of expanding globally. We will achieve the vision in three principle directions, namely "going global with the 'Belt and Road' initiative", "going global with the cross-border e-commerce business" and "going global with the Chinese enterprises".

Throughout the past 20 years, the Group has developed an experienced team, own global customs affairs network, as well as an extensive customer base covering freight forwarding agents and direct customers in different industries, including garments, footwear, and electronic products. By consolidating our strength in freight forwarding business and our worldwide network, the Group strives to be an international integrated express delivery and logistics company with international express delivery, international freight forwarding, and international express and supply chain management as our core businesses.

During the reporting period, despite the unstable economic environment, the Group is still capable of achieving impressive results, attributed to the excellent performance of our fellow employees as well as the deep integration of the Group's resources and the development breakthroughs in our new business (international express).

The Group's motto is "The World is Within Your Reach". Following the strategic development of the parent company and with resource integration, the Group is fully prepared to increase our market presence globally and expand our business to become an international integrated express delivery and logistics company.



Strategic Mission

Going global to become the world's leading integrated express delivery and logistics company with international express delivery, international freight forwarding, and international express and supply chain management as our core businesses.

Strategic Directions

1. Going global with the "Belt and Road" initiative
2. Going global with the cross-border e-commerce business
3. Going global with the Chinese enterprises

ABOUT THIS REPORT

This is the third Environmental, Social and Governance (“ESG”) Report published by the Group. This report covers the Group’s policies, measures and performances in relation to environmental, social and governance aspects during the reporting period aiming to facilitate our stakeholders to better understand the Group’s commitment and progress towards sustainability. This report includes key performance indicators (“KPIs”) of the operations within the reporting boundary. This report is available in both Chinese and English, and can be viewed or downloaded on the websites of the Group (www.ytoglobal.com) and the Stock Exchange of Hong Kong Limited (“SEHK”).

Reporting Boundary

The report focuses on the operations of air freight and ocean freight services in Hong Kong and Shanghai of the Group between 1 January 2018 and 31 December 2018 (“the reporting period”). In comparison with the last report, we have expanded the reporting boundary from the Hong Kong offices to include the Shanghai office and warehouse as well.

For easy comparison of the Group’s yearly performance and progress in sustainability, the reporting structures and methodologies of the two reports are aligned as closely as possible. While the core businesses of the Group are covered in this report, other operations are not included in the reporting scope. It is on our agenda to continuously enhance the internal data collection procedure across the Group so as to gradually expand the scope of the disclosure in the future.

Service Scopes of Air Freight and Ocean Freight Operations

Air Freight Services	Ocean Freight Services
It principally involves arranging shipment upon receipt of booking instruction from our customers, obtaining cargo space from airlines, preparing the relevant documentation, consolidation, and upon delivery to destination, arranging customs clearance and cargo handling.	(1) Less than Container Load (“Lcl”): imports and exports
	(2) Full Container Load (“Fcl”): imports and exports
	(3) Lcl – Fcl: various shipments consolidated as a full container, and then shipped and delivered
	(4) Fcl – Lcl: cargo loaded at the customer’s location and released from customs for collection or delivery to multiple consignees at the destination

Reporting Standards

This report is prepared in accordance with the “comply or explain” provisions of Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) contained in Appendix 27 of the Rules Governing the Listing of Securities on the SEHK. To further enable our stakeholders to understand our sustainability performance in aspects which are closely related to our operations, this report also includes selected key performance indicators that are categorised as “recommended disclosures” by the ESG Reporting Guide. The report adheres to the four reporting principles required by the ESG Reporting Guide, namely materiality, quantitative, balance, and consistency. For details, please refer to the table below.

Reporting Principle	What We Have Done
Materiality	ESG issues that are important to our investors and other stakeholders are disclosed in the report. We have prioritised the material issues during the reporting period through conducting stakeholder engagement exercise with the assistance of an independent consultant.
Quantitative	Quantitative and measurable KPIs are disclosed for the purpose of assessing the effectiveness of our ESG policies and measures over time. Quantitative information is accompanied by a narrative, explaining the purpose, impacts, and giving comparative data of our ESG initiatives where appropriate. A comprehensive KPI index is appended in the last chapter for readers’ easy reference.
Balance	We endeavour to give an unbiased picture of our overall ESG performance. Selections, omissions, or presentation formats which may inappropriately influence a decision or judgment by the report reader are avoided as far as possible.
Consistency	We adopt consistent methodologies to allow for meaningful comparisons of ESG data over time. Otherwise, any changes to the methods or any other relevant factors affecting a meaningful comparison are disclosed.

To ensure the accuracy of environmental KPIs, similar to the previous year, the Group has commissioned an independent professional consultancy to quantify our greenhouse gases (“GHG”) emissions through carbon assessment.

Confirmation and Approval

The information documented in this report is sourced from the official documents, statistical data, management and operation information of and collected by the Company and its subsidiaries in accordance with the policies of the Group. The Group has established internal controls and a formal review process to ensure that any information presented in this report is as accurate and reliable as possible. The report has been reviewed by the Environmental, Social and Governance Committee (“ESG Committee”) and approved by the Board of Directors in 11 June 2019. Our independent consultant CCA is responsible for overseeing and facilitating the preparation of this report to ensure its creditability and transparency.

Opinion and Feedback

Stakeholder opinions matter as they facilitate the Group to map out important ESG issues, and give us inspiration on how to improve our ESG performance. If you have any questions or suggestions regarding the content or format of the report, please contact us by:

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STAKEHOLDER ENGAGEMENT

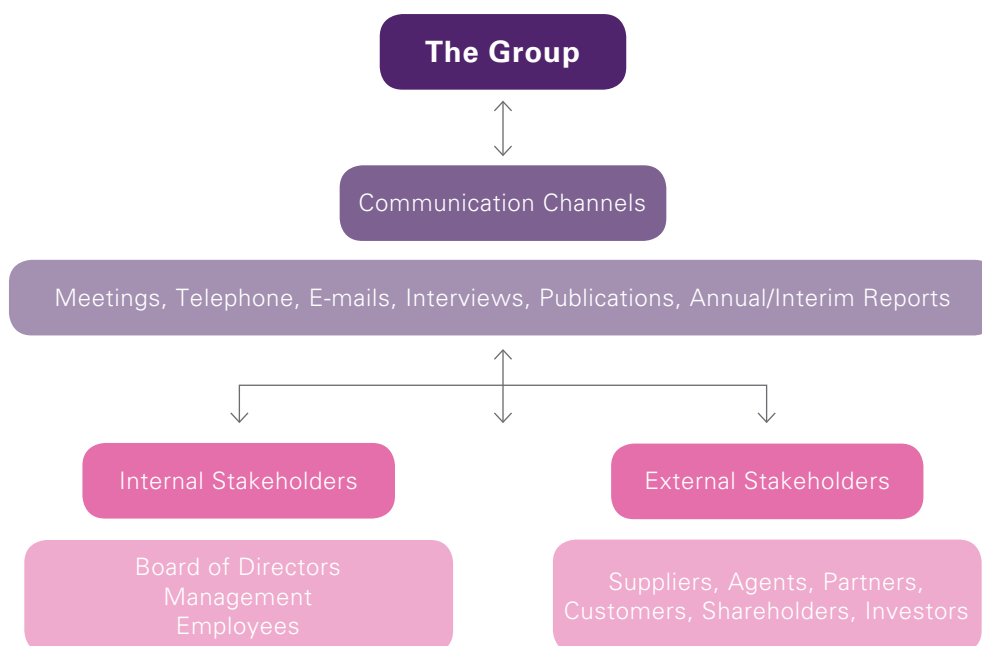
We maintain close relationships with our stakeholders, including customers, suppliers, agents, shareholders, investors, partners, governments, non-government organisations, and employees, amongst a wide range of others. We understand that stakeholders from various sectors may have different perspectives, expectation and opinions on our business practices and ESG performance. Therefore, we consider communication with stakeholders an important means for the Group to identify the matters important to our stakeholders as well as the potential risks and business opportunities in relation to sustainability.

We place a high emphasis on stakeholder engagement in our daily operation, as well as in the course of policy formulation and business development. The Group has established regular communication channels with key internal and external stakeholders and readily communicates with any identified stakeholders on specific issues on a need basis. With this two-way communication, the Group adopts a responsive, transparent and open attitude to inform, elaborate and listen to our stakeholders regarding ESG matters. Our objective is to achieve sustainability hand-in-hand with our stakeholders.

In the Group's Environmental and Social Responsibility Policy, our stakeholder communication responsibilities are clearly defined as follows:

- identify and engage key stakeholders of the Group;
- communicate with the Group's commitments and performances relating to sustainability responsibility;
- be held accountable to the Group's stakeholders for the Group's actions and omissions;
- respond, whether positively or negatively, to legitimate stakeholder claims;
- be transparent about the actions and communicate progress made with regards to the sustainability responsibility performances; and
- fully, accurately and in a timely and verifiable manner, consistently disclose the material information to appropriate regulators, stakeholders and the public.

Two-way Communication with Stakeholders



To fully undertake its stakeholder engagement responsibilities, the Group will continue to monitor the effectiveness of its communication mechanism and seek ways to strengthen interaction with internal and external stakeholders.

Material Sustainability Issues

To achieve long-term success and sustainability, the Group performs material assessment annually to identify and prioritise ESG issues which have significant impacts on its business, investors and other stakeholders. Similar to last year, we have commissioned the independent consultancy to conduct a management interview to help the Group identifying the key ESG issues.

Having taken the interview results and expert advice into consideration, the Group has been able to prioritise 3 issues from the 11 environmental and social aspects specified in the ESG Reporting Guide to be the material focus of this report. The three material issues are:

Emissions	Supply Chain Management	Development & Training
As a company providing international freight forwarding services, we recognise that emission is associated with our daily business operations, bringing impacts on the environment.	We work closely with airline companies, shipping line companies and multiple related business agents to deliver air and ocean freight services. To manage ESG impacts arising in the supply chain, an effective supply chain management is required to ensure our partners and suppliers operate in a manner that aligns with our Environmental and Social Responsibility Policy Statement ("ESG Policy").	The Group is actively looking for significant business growth by expanding its markets and enhancing its business capability. To achieve this, an experienced and talented team is a crucial success factors. Therefore, we emphasise on providing training and development opportunities for our employees.

Compared with the last report, there is a shift in material issues. Two aspects including "Uses of Resources" and "Investing in Society" are replaced by "Emissions" and "Development & Training" as the material topics this year. The shift reflects the management's view on the increasing importance of emission and supply chain management to the industry, while development and training is important in respect of nurturing talents for the industry.

MANAGEMENT MESSAGE



I am delighted to share with you the third Environmental, Social and Governance Report of YTO. Climate change can no longer be ignored in today's society. Human activities devastated the ecological balance around the world and in turn disrupt our lives as well as economic activities. Studies show that climate change could worsen global economic inequality, making the cause to mitigate climate change more urgent than ever.

International civil society is increasingly outspoken in their plead for governments to take climate action. Only with the concerted efforts of all regions and levels could this global problem be solved. As such, each one of us has a vital role to play. As an international logistics operator connecting its customers to the global economy, YTO recognises its responsibility in contributing to the solution in realising sustainable development for the benefit of all.

Globalisation and its impacts on the environment are increasingly capturing the attention of the public. Various initiatives are launched by public and private organisations to encourage a more environmentally-conscious lifestyle. Problems like over-packaging, plastic pollution and solid waste are closely related to our businesses. As a responsible business, while we continue to improve our standard of service, we are committed to reducing the environmental footprint of our operation to leave a better planet for the next generation.

To translate our dedication to contributing to society and environment into action, YTO has established the ESG Committee, which is responsible for managing the Group's social and environmental performances, including monitoring the compliance of each department with the ESG policies and the progress towards achieving goals. The ESG Committee reports directly to the Board of Directors to ensure that the Board stays informed of the performance and progress of the Group in sustainability and be accountable for it.

We have developed a comprehensive risk management mechanism and paid special attention to the potential risks and opportunities brought by issues related to sustainability. Considering the importance of a stable supply chain in its daily operation, YTO has adopted suitable measures to build and maintain close communication with partners to prevent potential problems and carry out remedial measures when necessary. Besides, from a risk management perspective, employee is crucial to the stable development of a company. A stringent occupational safety management system helps us effectively identify and manage risks in this area so that losses associated with employee welfare can be avoided.

Stakeholder engagement is an essential part of sustainability reporting and strategy planning. Collecting stakeholders' opinion allows us to ensure that the measures taken can respond to their needs and to make adjustments to the policies based on their feedback. Based on the insight of the Board of Directors and the assistance of an independent sustainability consultant, material sustainability issues and stakeholder concerns are considered as the main focus of this report.

While YTO has just kick started its sustainability reporting journey, it aims to enhance performance by formulating an overall sustainability strategy which covers reducing greenhouse gas emissions, increasing staff training and improving supply chain management. Through developing a corporate culture that is aligned with sustainability, we aim to serve as a role model to create a better and more liveable future for the community and the next generation.

We hope to hear your views on this report so that we can continue to improve on social and environmental aspects. With the support and encouragement of stakeholders, it will further motivate us to advance on our journey towards sustainability.

Yu Huijiao

Chairman

YTO Express (International) Holdings Limited

SUSTAINABILITY GOVERNANCE

To attain mid-term and long-term business targets and goals, the Group is committed to maintaining a high standard of corporate governance. We are aware that potential risks and business opportunities may arise from ESG-related issues. As such, the Group established an ESG Committee in 2016 to oversee and develop ESG strategies and policies. Comprising members of senior executives and management, the Committee is responsible to report regularly to the Board of Directors on ESG matters, while the Board is responsible to determine and evaluate on any ESG risks and to consider whether effective and appropriate ESG risk management and internal control systems are in place.

Headed by the Chief Executive Officer and Director of the Group, the Committee has developed an ESG Policy which stipulates the environmental and social responsibilities of the Group, including the Company's subsidiaries, affiliates and associated companies in Hong Kong and the world. All stakeholders in the supply chain, including the contractors, subcontractors and suppliers, and any other associated parties etc. are encouraged to adopt the policy as a form of best practice for their own respective businesses.

With a mission to make positive contributions to the society and the environment, it is the Group's commitment to operating its business in a manner that is in the interests of the society, environment and sustainable development. In the future, the Group will consider broadening the composition of the ESG Committee so as to include key officers of different functional units which may encounter ESG issues in their daily operation.

Composition of the ESG Committee	
Mr. Spencer Lam Chun Chin	Chief Executive Officer and Director
Ms. Tiffany Wong Pui Wah	Chief Finance Officer and Company Secretary
Mr. Anson Wong Man Kap	Corporate Accounting Manager

ESG Risk Management

A wide range of environmental, social and ethical issues are involved in the international freight forwarding business. The Group has established internal controls and risk management systems to manage and review the operational and financial functions. To efficiently manage the risks and capitalise on the business opportunities brought about by ESG issues, in the future the Group will conduct a comprehensive review on its day-to-day operations and incorporate ESG material issues in its risk management and assessment as to ensure timely responses and effective policies for ESG issues and risks are in place.

Side Story: Environmental Impact of E-commerce

Asia Pacific is the world's largest e-commerce market which accounted for 40% of online retailing worldwide in the first quarter of 2017. China's retail e-commerce market displayed strong growth, where sales are expected to almost triple from US\$1 trillion in 2016 to US\$2.7 trillion in 2020. All these transactions of goods inevitably need transportation and generate waste.

The boom of e-commerce coincides with a critical juncture in history in which climate change is accelerating while natural ecosystems are at breaking points. To assess and manage multiple risks in a changing world, this implies a pressing need for a profound transformation of practices and an effective sustainability governance along global value chains from production, logistics to consumption.

ENVIRONMENTAL PROTECTION

The Group understands that the essence of sustainable development is to meet the needs of the present without compromising the quality of life of our future generations. The Group at all times strives to minimise the adverse environmental impacts brought by its business operations through reducing and managing emissions and waste, as well as using natural resources properly. We are conscious of the urgent problems of global warming and climate change. The Group adopts a proactive approach to devise its sustainability strategy towards mitigating the risks of global warming. The Group's ESG Policy stipulates its commitment, principles and its efforts in environmental protection.

GHG and Air Emissions Management

Greenhouse Gas Emissions

To provide accurate disclosure of its carbon performance, the Group has commissioned a professional consultancy, to conduct a carbon assessment. The quantification process of the greenhouse gas emissions (or "carbon emission") is based on the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong the guidelines published by the National Development and Reform Commission¹ in the PRC with reference to other international standards including ISO 14064-1 and the GHG Protocol.

In the reporting period, the Group released a total of 447 tonnes CO₂-equivalent GHG emissions from the Hong Kong and Shanghai operations. Purchased electricity consumption (within Scope 2) is the largest contributor to the Group's GHG emissions, which accounted for 56% of total emissions, followed by mobile source combustion (within Scope 1) and business travel by air (within Scope 3), both accounted for 15% of total emissions.

GHG	Emissions (in tonnes of CO ₂ -e)		
	Hong Kong	Shanghai	Total
Scope 1 Direct emissions	42.7	35.2	77.9
Scope 2 Energy indirect emissions	143.9	107.5	251.4
Scope 3 Other indirect emissions	93.9	23.9	117.8
Total GHG emissions	280.5	166.6	447.1
GHG intensity (by floor area, by square metre)			0.05

Scope 1 direct emissions include mobile source combustion and fugitive emissions from fire suppression agents

Scope 2 indirect emissions include electricity consumption

Scope 3 other indirect emissions include paper disposal at landfills, freshwater processing and sewage treatment in Hong Kong, as well as air travel by employees

¹ The Guidelines for Accounting and Reporting Greenhouse Gas Emissions from China Land Transportation Enterprises (Trial)

Air Emissions

In the reporting period, air pollutants including nitrogen oxides (NO_x), and sulphur oxides (SO_x) and Respirable Suspended Particles (RSP) were generated from fossil fuel combustions by mobile vehicles.

Air pollutants	Emissions (in kg)		
	Hong Kong	Shanghai	Total
Nitrogen oxides (NO _x)	9.2	34.5	43.7
Sulphur oxides (SO _x)	0.2	1.4	1.6
Respirable suspended particles (RSP)	0.7	2.2	2.9

The Group is committed to managing and reducing carbon and other air pollutant emissions from its operations.

While carbon emissions can be hardly avoided in our office and warehouse operation, we are exploring means to minimise our carbon footprint, including reducing the frequency of business trips with the use of e-technology, replacing equipment with low energy-efficiency, and optimising operation flows in the warehouse. As for air pollutant emission, the Group encourages employees to use public transport whenever possible and to adopt environmental-friendly travelling practices including switching off idling vehicles.

To ensure continuous improvement in our emission performance, we recognise the need to review the effectiveness of existing emissions reduction measures.

Resource and Waste Management

Waste Management

We endeavor to reduce waste production and to ensure non-recyclable materials are disposed of in an environmentally responsible manner. In the reporting period, 0.02 tonnes of hazardous waste and 7.7 tonnes of non-hazardous waste were collected in Hong Kong, compared to 0.014 tonnes and 18.5² tonnes last year. On the other hand, 0.03 tonnes of hazardous waste and 7.4 tonnes of non-hazardous waste were produced in Shanghai. The significant reduction in non-hazardous waste generation this year in Hong Kong office was attributed to an increasing awareness of employees.

Hazardous waste including toner cartridges and fluorescent lamps which were collected by licensed contractors properly, while non-hazardous wastes including domestic waste which were collected and disposed of at the landfills.

Side Story: Solid Waste Management

According to World Bank's publication "What a Waste 2.0: A Global Snapshot of Solid Waste Management to 2050", almost 40% of waste is disposed of in landfills around the world. Although 33% of waste is still openly dumped, governments are increasingly recognising the risks and costs of dumpsites and pursuing sustainable waste disposal methods. As nations prosper economically, governments are seeking ways to manage waste in a more sustainable manner.

² Updated to align with the estimation method of non-hazardous waste generation for 2018

Use of Resources

During the reporting period, the main resources that the Group used included electricity for daily operations, fuel consumption for vehicle use, paper consumption and water consumption. Regarding energy use, purchased electricity is the largest type of energy end-use, mainly for office equipment.

Energy	Consumption (in MWh)		
	Hong Kong	Shanghai	Total
Petrol	132.3	99.7	232.0
Diesel	N/A	9.8	9.8
Electricity	282.1	176.3	458.4

The total amount of water consumed in the Hong Kong office was 139 cubic metre. Since there is no separated water meter for the Shanghai office and warehouse, the water consumption for Shanghai operations was not recorded.

Conserving Energy and Natural Resources

Resources are scarce, and exploitation should be avoided. The Group places a high priority in effective environment management to ensure resources are not wasted, materials and goods are reused or recycled as far as possible. We strive to achieve optimum consumption of energy and water supplies through multiple approaches, such as adopting more energy-efficient processes, enhancing awareness of users, and using new technology.

For our office operations, while we have provided energy, water, and paper-saving guidelines for our employees, we are planning to step up our efforts in environmental education to encourage our employees to be actively engaged in responsible actions that will enhance the Group's environmental performance. For our warehouse in Shanghai, we will review the operations and devise appropriate plans to conserve energy and resources.

The Environment and Natural Resources

The Group's business does not have a direct impact on the environment and natural resources. Nevertheless, the Group will work closely with partners in its supply chain to adopt the best business practices to minimise the negative environmental impacts of their business operations.

The Group abides by all related environmental laws and regulations in its daily operations, including Air Pollution Control Ordinance, Waste Disposal Ordinance, Energy Conservation Law of the PRC. During the reporting period, the Group did not identify any non-compliance cases relating to environmental laws and regulations in the reporting scope.

Side Story: Green Innovation for Logistics Industry

Two prominent trends in the process of improving the environmental performance of logistics operations worldwide are increasing collaboration between all the parties involved and a specific push to make road transport more environmentally-friendly.

While initial moves to make the logistics industry more sustainable are primarily driven by individual companies, the focus has been shifted to developing collaborative strategies and initiatives involving all players in the supply chain and the capturing, sharing and analysis of data. The development of electric mobility solutions including electric vehicles, among other technologies, are helping the logistics industry cut its carbon emissions while meeting the delivery demand resulting from growth in global trade and e-commerce.

The Group embraces green technology and innovation and will consistently work with partners towards sustainable logistics.

EMPLOYMENT AND LABOUR PRACTICES

Development and Training

Logistics and freight forwarding is a competitive industry. We remain strong in the market over the year thanks to our experienced and professional team. The Group reckons that it is its responsibility to provide training opportunities for its employees so that they can develop skills and knowledge for discharging duties at work. This is not only conducive for employees' career development and work performance enhancement, but also critical to the achievement of the Group's strategic goals. In the Group Training and Development Policy, it is stated training and development is an integral part of our operations. Responsibilities of the Human Resources ("HR") Department and heads of departments regarding training and development are also clearly set out in the document.

Training

The Group provides various types of in-house training for its employees as follows:

In-house Training	Descriptions
Mandatory Training for New Staff	All new staff is required to attend an orientation session which introduces the history of the Group, global network, organisation structure, and departmental functions, etc.
On-the-job Training	Led by departmental heads, and supervised by senior officers, employees will be guided to carry out specific tasks or roles. We also provide annual finance meeting and training for accounting staff on certain aspects such as new accounting standards and update on the Group's accounting procedures and policy. Evaluation will be conducted during and after the training.
Training on In-house Systems	We have developed various in-house IT systems to serve many functions of our operation. To familiarise employees with our own in-house systems, the IT Department or responsible departments provide training classes for our employees.
Others	For example, ESG reporting and carbon disclosure training

The Group may also from time to time, select suitable candidates to enroll in training courses, programmes and seminars related to their job duties offered by external parties. For instance, during the reporting period we sponsored employees to attend training on dangerous goods handling, leadership/management training, and regulations workshop on HKEx listing rules. The training fee will be subsidised by the Group. On the other hand, full-time employees with 12-month of service period are entitled to apply for a subsidy for a training programme related to the present job or new work assignment.

Case Study: Training in Hong Kong

We arrange routine training for our operation staff. Take the airfreight department as an example. It is required by the Hong Kong Civil Aviation Department that shippers and forwarders must ensure all dangerous goods are properly classified, packed, marked, labelled and documented before they are sent for air transportation. In compliance, we send our airfreight operation colleagues to attend the Dangerous Goods Regulations Training provided by external parties as soon as possible in order to be verified in handling such shipment.

After attending the course, they will learn how to reference the IATA Dangerous Goods Regulations manual, choose the appropriate container for air transportation, pack dangerous goods correctly and prepare documentation and labelling for dangerous goods shipment. All course fee will be covered by the Group.

Moving forward, the Group will organise training courses to enhance both professional skills and management skills of employees.

Appraisal and Development

The department managers are responsible to initiate professional development process for the employees work under the department and make training and development proposals to the HR Department. Through the performance appraisal system, managers can identify and confirm employees' training needs, validate and evaluate training and development activities on an ongoing basis.

Employment

The Group has well-established employment policies covering aspects including salary, compensation and dismissal, recruitment, working hours, rest periods, promotion and benefits, equal opportunity, and anti-discrimination. They policies are stipulated in various documents, namely the ESG Policy, Employee Handbook, the Recruitment and Hiring Policy, the Disciplinary Policy and Procedure and the Promotion Guideline. As stated in the ESG Policy, the Group is dedicated to providing labour protection, fostering positive employment relationship, and maintaining decent working conditions for employees.

The Group embraces equal opportunity. In the Group's Recruitment and Hiring Policy, we explain that a fair recruitment and selection process has been established to ensure individuals are employed solely based upon their qualifications, experience, and ability to perform the position responsibilities. We also set out clearly the conditions and restrictions for the employees' relatives to apply for an opening, while declaration must be made in such cases to avoid preferential selection.

We offer competitive remuneration and fringe benefits to attract and retain talents. We have a guideline to assure that all promotions are consistent and fair, while a fixed promotion cycle will take place annually. Promotion and internal transfer are the preferred options for vacancies.

To show its appreciation to the dedicated employees, the Group launches a share option scheme to allow eligible employees to purchase the Group's share lower than the market rate.

Diversity in a workplace keeps the workforce vibrant and energetic. We have in place a Board Diversity Policy which assesses the Board composition under diversified perspectives, including but not limited to gender, age, cultural and educational background, or professional experience. With employees around the world, we are exploring ways to promote diversity and inclusion by providing employees with guidelines and training in the future.

Labour Standards

Child labour and any form of forced labour is a serious abuse of basic human rights. As stated in the ESG Policy, the Group does not tolerate employing child labour or forced labour in any part of its business, including the employment of its suppliers and subcontractors. During the recruitment process, our HR Department performs a background check, including identity and age, to prevent hiring child labour. We also ensure the terms and conditions laid out in the employment contracts are in compliance with legal requirements.

Health and Safety

The Group pursues a healthy workforce by providing decent working conditions, creating a healthy and safe working environment, and caring for the wellbeing of its employees. The Group has incorporated health and safety policies in its ESG Policy and ISO Policy to ensure that the working environment conforms to recognised occupational safety and health standards in places where the group operates.

The Group's office operation does not involve high-risk positions. For the warehouse operation, we provide frontline staff with occupational health and safety guidelines on the manual work. A fire drill is carried out annually for all operations.

We understand the value of a happy and healthy workplace. In the future, the Group will initiate more activities that promote the physical and mental well-being of its employees, and to review the safety of the workplace on an ongoing basis.

Side Story: Mental wellbeing at the workplace

For much of our adult lives, we spend many of our waking hours at work. In recent years, our working environments have changed in unforeseeable ways thanks to factors including technological advancement. The extent and pace of change can potentially lead to physical and mental health problems, including harmful use of alcohol or other substances, absenteeism and lost productivity. Indeed, the lost productivity resulting from depression and anxiety, two of the most common mental disorders, is estimated to cost the global economy US\$1 trillion each year.

During the reporting year, the Group did not identify any non-compliance cases relating to laws and regulations on employment, health and safety, child labour and forced labour within the reporting scope, including Employment Ordinance, and the Labour Law of the PRC. There were no cases of work injury within the reporting scope.

OPERATING PRACTICES

Supply Chain Management

Supply Chain Management is vital to the Group's business. Our success is based on the long-term and trusted relationship between us and our partners along the value chain. We acknowledge that the supply chain encounters different aspects of ESG issues, which may incur environmental and social risks. As a responsible logistics company, we have a vendor management policy in place which targets to provide guidelines regarding the procurement of services and products from third parties. In addition, we also communicate with our contractors and suppliers to perform the best business practices in adherence to the Group's ESG Policy. As such, we drive our partners in the supply chain to move towards sustainability by minimising environmental impacts and maximising contribution to society.

In the supply chain for air freight and ocean freight services, it involves various vendors including airline companies, shipping line companies, carriers, co-loaders, transportation companies and related business agents. Our Vendor Management Policy stipulates the composition of Vendor Committee should include top management, corporate function heads, station management heads, and departmental management heads. The Committee serves to oversee the proper functioning of the supplier selection process and make decisions when necessary.

To minimise the ESG risks in our supply chain, we perform due diligence in the supplier selection process, through means such as inviting more than one quotation and conducting a detailed background check on the potential vendors. We have incorporated social and environmental performance into our consideration criteria in supplier selection. Those criteria are but not limited to quality assurance, occupational health and safety and environmental protection. An annual evaluation exercise is also conducted to evaluate if vendors' lives up to our standards and expectation.

In the future, the Group will continue to strengthen its communication and collaboration with partners to enhance the ESG performance along the value chain.

Product Responsibility

We deliver goods everywhere in the world through our air and ocean freight services. The Group strives to make its delivery timely and safely to the hands of its customers. Maintaining a high quality of customer services is always the goal of the Group.

Number of Complaints related to Products and/or Services	Number of Recalls due to Safety and Health Reasons	Number of Identified case(s) of Leaks, Thefts or Loss of Customer Data
0	0	0

Efficiency is a key in the operation of freight businesses. The Group has developed and updated regularly the Operation Workflow Manual on air freight and ocean freight handling. We adopt ISO 90001 standards in our operation to maintain a high standard of services delivery. We import and export cargoes packed with all kinds of goods, so we pay special care and attention to safety and security. Below are some of the detailed handling procedures concerning safety specified in the Manual:

Air Freight

Types of Cargoes	Procedures
Dangerous goods ("DG")	<ul style="list-style-type: none">• At least two persons with licenses are arranged to handle DG cargoes• Only license holders are allowed to handle the documentation and cargoes• Labeling, packing method and marking on the cargoes should strictly follow the specific requirements for DG
Commodities include batteries	<ul style="list-style-type: none">• Check battery type and the corresponding safety information before handling• Pass to Dangerous Goods Regulations certified persons to handle it as DG cargoes

Ocean Freight

Types of Cargos	Procedures
Dangerous goods	<ul style="list-style-type: none">• Ensure all the documentation, handling procedures and ability of the carriers meet our DG handling requirements
Temperature sensitive cargoes	<ul style="list-style-type: none">• Check carefully the type of cargoes and the required temperature• Arrange reefer container• Ensure a good and precise control on the temperature for the entire voyage
Wooden packing material	<ul style="list-style-type: none">• Appoint certified fumigation vendors to conduct fumigation for required wooden packing material• Obtain fumigation certificate from Asia Pest Control Limited upon completion of the fumigation• Arrange trucking to pick up the cargoes from fumigation center and deliver to sea freight warehouse

Proper labelling is important for identifying, locating and organising the cargoes. Different types of labels are developed to display important information of the goods such as quantity, origin, and destination. Dangerous cargoes should carry DG labels.

Intellectual Property Rights

We recognise the importance of intellectual property (“IP”) protection. The Corporate Human Resources Department provides guidelines on IP protection of our assets, including logos, patents, trademarks and service marks, domain names, copyrights for both hardware and software and etc. The use of all the copyrighted materials of the Group should be authorised from the Corporate Human Resources Department. We require, as stated in the Code of Conduct, each employee who has access to or in control of the proprietary information, to provide adequate safeguards to prevent its abuse or misuse. The Group respects the protection of IP rights of others as well.

Customer Data Privacy

The Group values data privacy. As stated in the Employee Handbook, all the collected information concerning customer data and other company information is confidential and hard copies should be shredded before disposal.

Customer Satisfaction

Customer satisfaction is the goal of our services. We are keen to better understand the needs of customers. The Group collects from time to time their feedback on service quality, on time delivery, time management, and employees’ performance through various communication channels, such as customer site visits.

The Group’s air and ocean freight forwarding business does not involve in direct advertising and marketing activities. During the reporting year, there were no cases of non-compliance in relation to laws and regulations on product responsibility, including Regulation of the People’s Republic of China on the Customs Protection of Intellectual Property Rights, Personal Data (Privacy) Ordinance, within the reporting scope.

Anti-corruption

The Group operates its business with integrity and fairness. We do not tolerate any forms of corruption activities including bribery, extortion, fraud and money laundering. The Group communicates its anti-corruption policies in the documents include Code of Conduct, ESG Policy, Entertainment Policy, and Policy for Employees to raise concerns about improprieties.

In Hong Kong, all employees have to comply with the Prevention of Bribery Ordinance. Permission must be obtained from the Group for employees solicit or accept any advantages from clients, suppliers, agents, co-loaders or any persons in connection with their duties. Providing and accepting entertainment or gifts may have a possible conflict of interest. As stated in the Group’s Entertainment Policy, employees should avoid those situations which might be perceived or construed as providing or receiving an incentive for any commercial transaction.

The Policy for Employees to Raise Concerns about Improprieties set out the whistleblowing process for the employees to report on any suspected misconduct or malpractice within the Group. The reporting and investigation process is designed in a way to ensure the confidentiality of the whistle-blower. The whistleblowing policy aims to guarantee a fair and independent investigation and appropriate follow-up actions to be taken.

During the reporting period, there were no cases of non-compliance to anti-corruption laws and regulations, including Prevention of Bribery Ordinance, and Anti-Money Laundering Law of the PRC, within the reporting scope.

COMMUNITY INVESTMENT

The Group is dedicated to making a positive impact on people, culture and communities in where we operate. As part of the Group's community responsibilities, which are stated in the ESG Policy, we take on our commitment to invest and support the community through a diverse range of initiatives, including offering donations or sponsorships and participating in volunteering services.

During the reporting period, the Group is in the process of formulating its long-term community investment strategy to serve the best interest of the sustainable development of the communities. In addition to coming after the traditional ways of making charity donations, we are seeking ways to leverage our niche expertise and network to strategically fill the social gap, which has not been covered by the government and non-governmental organisations.

We are also keen on fostering a caring and volunteer culture within the Group. In the future, we will look for opportunities to collaborate with non-governmental organisations to engage our employees in community services.

ESG PERFORMANCE AT A GLANCE

Environmental Performance

Environmental KPIs	Quantity	Unit
Air pollutant emissions		
Nitrogen oxides (NO _x)	43.7	kg
Sulphur oxides (SO _x)	1.6	kg
Respirable suspended particles (RSP)	2.8	kg
Greenhouse gas emissions		
Scope 1 Direct emissions	77.9	tonnes CO ₂ -e
Scope 2 Energy indirect emissions	251.4	tonnes CO ₂ -e
Scope 3 Other indirect emissions	117.8	tonnes CO ₂ -e
Total greenhouse gas emissions	447.1	tonnes CO ₂ -e
Greenhouse gas intensity (by floor area)	0.05	tonnes CO ₂ -e/square metre
Total hazardous waste produced		
Total hazardous waste	0.05	tonnes
Hazardous waste intensity (by floor area)	0.005	tonnes/000' square metre
Total non-hazardous waste produced		
Total non-hazardous waste	15.1	tonnes
Non-hazardous waste intensity (by floor area)	0.002	tonnes/square metre
Energy consumption		
Petrol	232.0	MWh
Diesel	9.8	MWh
Electricity	458.4	MWh
Total energy consumption	700.2	MWh
Energy intensity (by floor area)	0.08	MWh/square metre
Water consumption		
Total water consumption ³	139	cubic meter
Water intensity (by floor area)	0.09	cubic meter/square metre

Scope 1 direct emissions include mobile source combustion and fugitive emissions from fire suppression agents

Scope 2 indirect emissions include electricity consumption

Scope 3 other indirect emissions include paper disposal at landfills, freshwater processing and sewage treatment in Hong Kong, as well as air travel by employees

³ Includes water consumption at Hong Kong offices only. For Shanghai office and warehouse, the Group will record the total amount of water consumption and disclose in the coming year.

Social Performance – Employment and Labour Practices

Operations		Gender	Below 30	30 to 40	41 to 50	Above 50	Total workforce	Male to female ratio	Male to female salary ratio ³
Number of employees	Shanghai Warehouse	Male	5	13	2	1	299	1.3:1	1.4:1
		Female	0	1	1	0			
	Shanghai Office	Male	23	46	7	2			
		Female	26	49	4	1			
	Hong Kong Office	Male	15	37	14	4			
		Female	11	21	12	4			
			Chief Executive level management	Senior managerial level	Middle managerial level	General employees			
	Operations	Gender							
	Shanghai Warehouse	Male	0	1	2	18			
		Female	0	0	1	1			
	Shanghai Office	Male	1	6	9	62			
		Female	0	7	7	66			
	Hong Kong Office	Male	6	9	25	30			
		Female	2	6	17	23			

Operations		Gender	Below 30	30 to 40	41 to 50	Above 50	Total number	New employees rate
New employees	Shanghai Warehouse	Male	3	5	0	0	62	21%
		Female	0	0	0	0		
	Shanghai Office	Male	12	5	1	0		
		Female	11	6	1	0		
	Hong Kong Office	Male	5	2	0	0		
		Female	3	2	2	4		

Operations		Gender	Below 30	30 to 40	41 to 50	Above 50	Total employee turnover	Employee turnover rate
Employee turnover	Shanghai Warehouse	Male	4	1	0	0	60	20%
		Female	0	0	0	0		
	Shanghai Office	Male	7	10	1	0		
		Female	3	12	1	0		
	Hong Kong Office	Male	3	3	2	0		
		Female	6	5	2	0		

³ The salary is paid in HKD and RMB in Hong Kong and Shanghai operations respectively. A conversion rate of RMB to HKD of 1.15 is adopted in the calculation.

	Gender	Number of work-related fatalities	Number of work-related injury	Work-related fatality/injury rate (per 1,000 workforce)	Number of days lost due to work injury	Lost days due to work injury	Number of days of absence from work	Absentee rate
Work related fatality and/or injury	Male	0	0	0	0	0	1,169	1.6%
	Female	0	0		0			

	Operations	Gender	Chief Executive level management	Senior management	Middle management	General employees	Total	Percentage (%) of employees trained
Number of trained employees	Shanghai Warehouse	Male	N/A	0 (0%)	0 (0%)	8 (44%)	83	28%
		Female	N/A	N/A	0 (0%)	0 (0%)		
	Shanghai Office	Male	0 (0%)	0 (0%)	2 (22%)	16 (26%)		
		Female	N/A	1 (14%)	1 (14%)	16 (24%)		
	Hong Kong Office	Male	1 (17%)	5 (56%)	13 (52%)	9 (30%)		
		Female	1 (50%)	3 (50%)	3 (18%)	4 (17%)		

	Gender	Chief Executive level management	Senior management	Middle management	General employees	Total / Average Training Hours
Total training hours	Male	18	152	233	84	857
	Female	105	117	70	78	
Average training hours (per employee)	Male	2.6	9.5	6.5	0.8	2.9
	Female	52.5	9.0	2.8	0.9	

	Operations	Gender	Chief Executive level management	Senior management	Middle management	General employees	Total	Percentage (%) of employees receiving regular appraisals
Employees receiving regular appraisals	Shanghai Warehouse	Male	0	1	2	18	299	100%
		Female	0	0	1	1		
	Shanghai Office	Male	1	6	9	62		
		Female	0	7	7	66		
	Hong Kong Office	Male	6	9	25	30		
		Female	2	6	17	23		

Social Performance – Supply Chain Management

	Location	Hong Kong Office	Shanghai Operations	Percentage (%) of suppliers to which the standards are being applied
Number of Suppliers	Asia	376	230	100%
	Europe	90	5	
	North America	23	1	
	South West Pacific	4	0	
	Middle East	9	3	
	South America	8	1	
	Africa	8	0	

ESG REPORTING GUIDE CONTENT INDEX

Material Aspect	Content	Page Index/ Remarks
A. Environmental		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	11-13
A1.1	The types of emissions and respective emissions data	12,21
A1.2	Greenhouse gas emissions in total	11,21
	Intensity of greenhouse gas emissions	11,21
A1.3	Total hazardous waste produced	12,21
	Intensity of total hazardous waste produced	21
A1.4	Total non-hazardous waste produced	12,21
	Intensity of non-hazardous waste produced	21
A1.5	Description of measures to mitigate emissions and results achieved	12
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	12
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	11
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	Direct and/or indirect energy intensity by type	21
A2.2	Water consumption in total	13,21
	Water intensity	21
A2.3	Description of energy use efficiency initiatives and results achieved	13
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	13; No issue in sourcing water
A2.5	Total packaging material used for finished products	Not applicable
	Packaging material intensity	Not applicable

Material Aspect	Content	Page Index/ Remarks
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	11
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	13
B. Social		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	15
B1.1	Total workforce	22
	Total workforce by gender, employment type, age group and geographical region	22
B1.2	Employee turnover rate	22
	Employee turnover rate by gender, age group and geographical region	22
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	16
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B2.2	Lost days due to work injury	23
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	16

Material Aspect	Content	Page Index/ Remarks
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	14-15
B3.1	Percentage of employees trained	23
	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	23
B3.2	Average training hours completed per employee	23
	The average training hours completed per employee by gender and employee category	23
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	16
B4.1	Description of measures to review employment practices to avoid child and forced labour	16
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	17
B5.1	Number of suppliers by geographical region	24
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	17
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	17-19
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	17
B6.2	Number of products and service related complaints received and how they are dealt with	17
B6.3	Description of practices relating to observing and protecting intellectual property rights	19
B6.4	Description of quality assurance process and recall procedures	18
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	19

Material Aspect	Content	Page Index/ Remarks
B7 Anticorruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	19
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	19
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	19
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	20
B8.1	Focus areas of contribution	20
B8.2	Resources contributed to the focus area	20