



0636.HK

Kerry Logistics  
Network Limited

Incorporated in the British Virgin Islands and continued  
into Bermuda as an exempted company with limited liability

S U S T A I N A B I L I T Y  
R E P O R T  
2 0 2 3



## OUR CORE VALUES

# VOICE

**VALUE CREATION** We create real value for our clients, employees and shareholders through innovative solutions, rewarding careers and financial growth. **OPENNESS** We believe in true openness and transparency throughout our company. Our management actively encourages open communication and dialogue at every level of the organisation. **INTEGRITY** Our business is built on integrity. We follow clear ethical guidelines and strictly enforce them throughout the company. **COMMITMENT** As a service provider we are committed to the success of our clients. We are fully dedicated to all projects and assignments we take on. We are also committed to our employees' career development and to meeting shareholders' expectations. **EXCELLENCE** We believe in excellence and practise a continuous process of improvement and innovation.



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THE ONE · IN ASIA

## COMPANY OVERVIEW

# KLN AT A GLANCE

Kerry Logistics Network Limited (“KLN” or the “Company”) and its subsidiaries (the “Group” or “KLN Group”) is a global third-party logistics (“3PL”) company with the strongest foothold and most extensive coverage in Asia and possesses a highly diversified business portfolio. It is incorporated in the British Virgin Islands and continued into Bermuda to become an exempted company with limited liability. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 636).

The Group offers an extensive array of supply chain solutions, encompassing integrated logistics (“IL”), international freight forwarding (air, ocean, road, rail and multimodal) (“IFF”), e-commerce, industrial project logistics and infrastructure investment.

As it continues to grow rapidly, KLN has created a vast network of global connections, enhancing intercontinental, international, and local connectivity through its comprehensive logistics services across over 59 countries and regions, spanning half of the world’s emerging markets, including the Mainland of China, India, Southeast Asia, the CIS, Middle East, LATAM and other locations.

## QUICK FACTS



# 59

countries & territories



# 33,000+

employees worldwide



# 69M ft<sup>2</sup>

land & facilities



# 6,000+

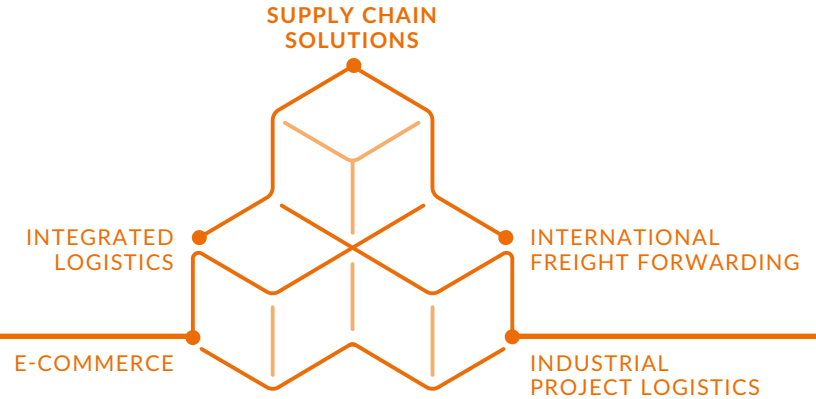
self-owned operating vehicles



Note: Figures as at 31 December 2023

COMPANY OVERVIEW

# OUR CORE SERVICES

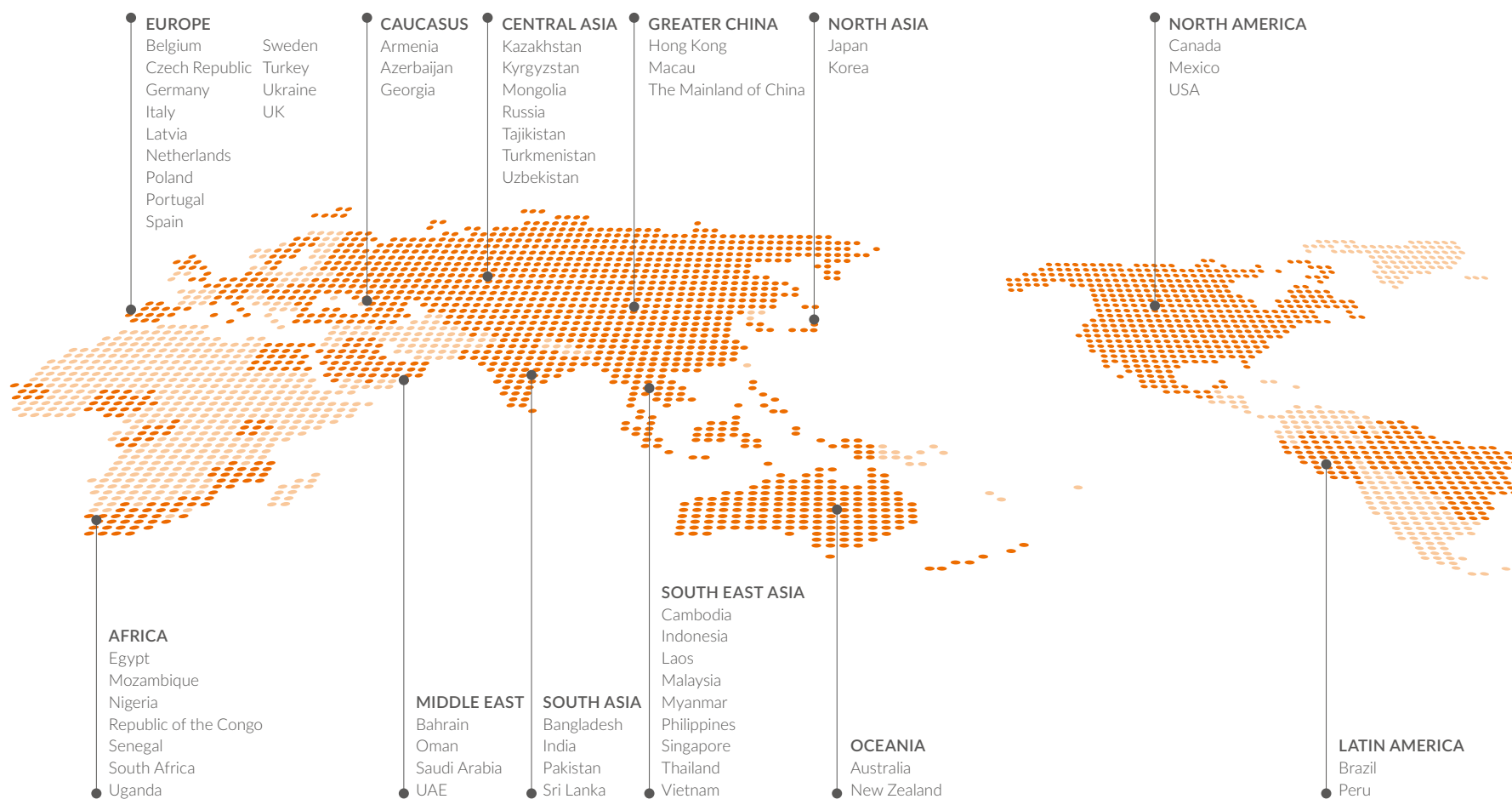


## END-TO-END SOLUTIONS WITH HIGH SUPPLY CHAIN EFFICIENCY



# GLOBAL FOOTPRINT

## ASIA'S LEADING 3PL WITH A GLOBAL PRESENCE



Note: Figures as at 31 December 2023

COMPANY OVERVIEW

# FINANCIAL HIGHLIGHTS

HK\$M

<b>REVENUE*</b> <b>47,408</b>  <b>42%</b> ▼	<b>SEGMENT PROFIT*</b> <b>IL</b> <b>1,295</b>  <b>7%</b> ▼	<b>IFF</b> <b>1,394</b>  <b>70%</b> ▼	<b>CORE OPERATING PROFIT*</b> <b>2,207</b>  <b>61%</b> ▼
<b>CORE NET PROFIT*</b> <b>1,214</b>  <b>69%</b> ▼	<b>PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS</b> <b>791</b>  <b>78%</b> ▼	<b>FINAL DIVIDEND</b> <i>HK CENTS PER SHARE</i>  <b>13</b>	<b>GEARING**</b>  <b>49.1%</b> <i>GROSS</i>

\* For continuing operations only

\*\*Including cash and bank balances classified as held for distribution, and bank loans associated with assets classified as held for distribution

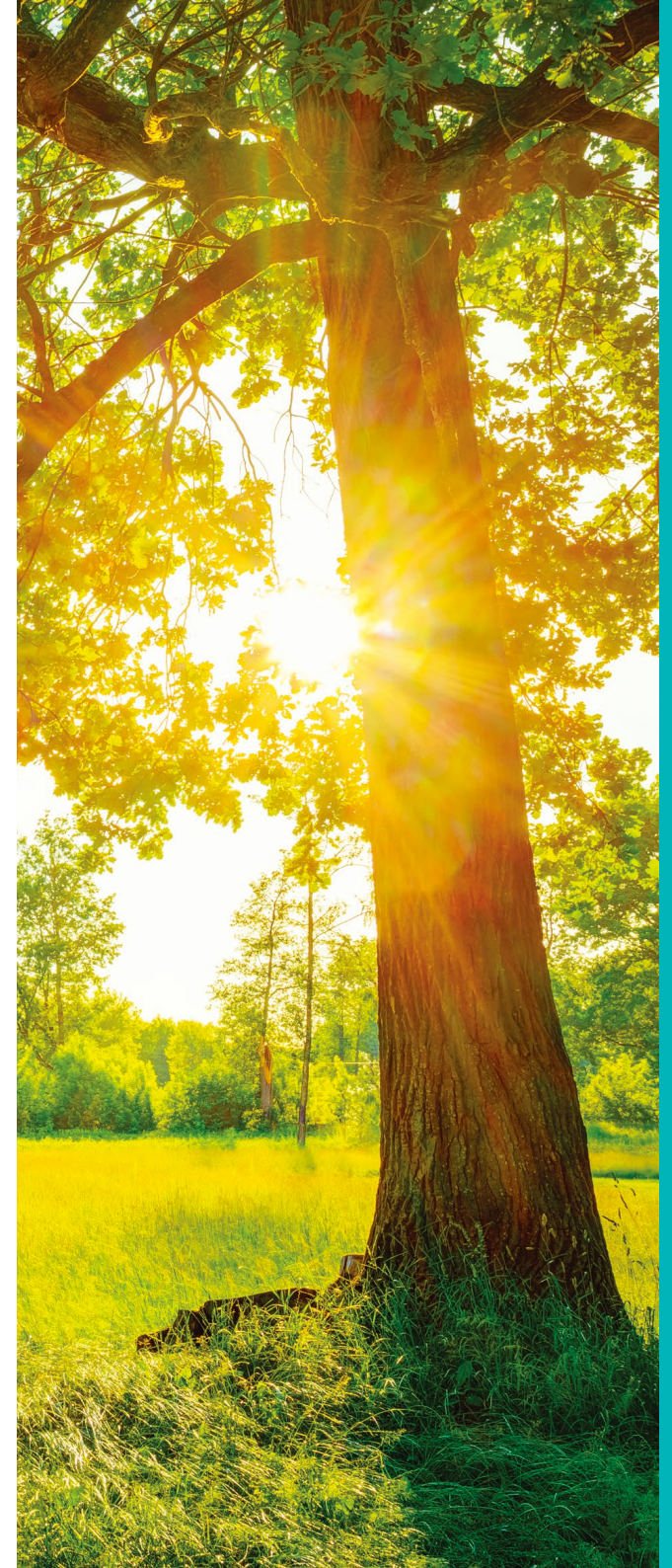
## FOCUS

# SUSTAINABLE LOGISTICS SOLUTIONS IN ACTION

The Group continues to redefine business-as-usual in the logistics industry by committing itself to generating long-term value for its stakeholders, the environment and society at large. We ensure the effective delivery of our [Sustainability Vision Statement](#), which we launched in 2021, by following our three key principles of sustainability: **Commitment, Action and Transparency.**

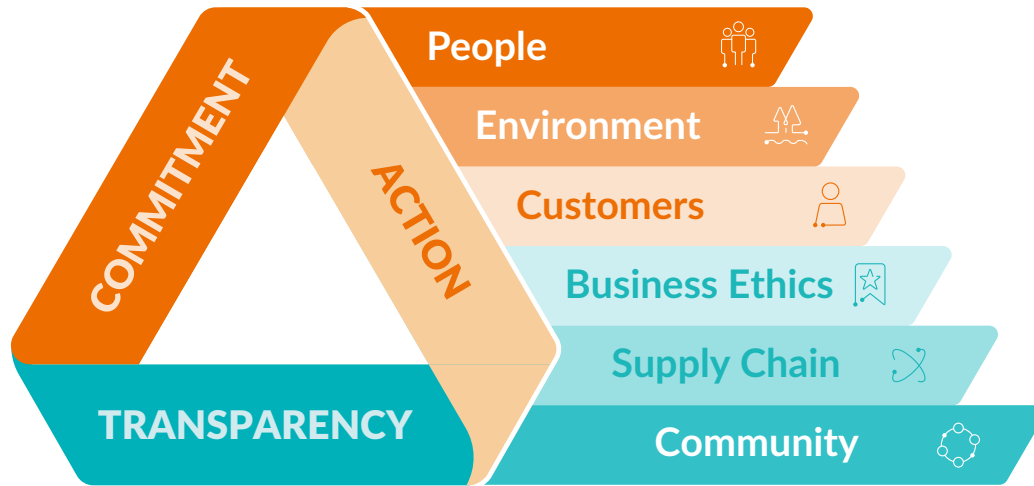
Every individual within the Group, from our board of directors (“Board”) and leadership team right the way through to our executives

and our business partners, is jointly working towards our goal of pursuing responsible and positive business growth. Our success is measured by our impact on our six sustainability pillars: People, Environment, Customers, Business Ethics, Supply Chain and Community. Recognising these pillars ensures that we hold ourselves accountable as we work towards being the leader in the 3PL industry within Asia Pacific.





## THREE PRINCIPLES & SIX PILLARS



Principle	Commitment	Action	Transparency
	Making long-term commitments and setting near-term targets to address global challenges	Taking tangible action	Communicating the Group's approach to sustainability in a transparent manner
How KLN delivers	In response to the climate crisis, we have committed to achieving net zero carbon emissions from our operations and value chain by 2050. We have also committed to adhere to the principles of the United Nations Global Compact ("UNGC") and to report our progress transparently through the UNGC platform.	We have organised specific training to empower our board, management, and staff to put environmental, social and governance ("ESG") considerations at the heart of their daily decision making. We actively encourage investment in renewable energy equipment across our operations where it is feasible to do so.	We recognise the role of carbon offsets in achieving net zero and the importance of climate-related financial disclosures to our stakeholders. We are committed to increasing the transparency of our disclosure in tandem with demonstrating how we limit our impact on climate change.

## FOCUS

# BOARD STATEMENT

Dear Stakeholders

In 2023, the world grappled with a series of crises ranging from climate change to geopolitical and socioeconomic instability. Despite these challenges, the Group has continued to realise its vision of delivering scalable sustainable logistics solutions and improved its ESG practices.

### FOSTERING SUCCESS THROUGH ROBUST GOVERNANCE

We are pleased to report that the Group continues to make significant progress towards achieving its sustainability ambitions, with a strong governance structure serving as the backbone of its success. KLN stands among a leading group of listed companies in Hong Kong to have established a Board-level sustainability committee. With the support of a Sustainability and a Risk Management Committee, the Board is responsible for overseeing our ESG programme and communicating related issues to our senior management and leadership. Our Sustainability Action Teams take a top-down approach to ensuring

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Our belief in implementing Sustainable Logistics Solutions in Action is at the heart of our strategy for pursuing responsible growth. It will steer our path towards meeting our ESG targets as we strive to create long-lasting value for our stakeholders.”

the incorporation of our ambitious ESG agenda into our daily operations by directing collaboration between key internal departments and with our valued business partners.

### ADVANCING OUR CLIMATE AND SUSTAINABILITY STRATEGY

The Group continues to take major strides towards achieving its net zero target by 2050 and making climate-related financial disclosures. We have successfully completed the first phase of our climate risk assessment to identify material climate-related risks that could impact our operations. To address major challenges such as collecting Scope 3 greenhouse gas (“GHG”) emissions data, we have developed a sophisticated tool that helps us analyse our emissions data and identify hotspots for reducing our areas of highest impact.

Additionally, we have conducted a feasibility and impact assessment to evaluate and strengthen our decarbonisation initiatives. Taking a bottom-up strategy, our Sustainability Action Teams have further

developed a plan to work collaboratively with business partners and other key stakeholders towards our collective decarbonisation and net zero ambitions.

Meanwhile, we invited a global provider of financial and ESG information to deliver training to our Board on emerging ESG issues and challenges, and we continue to upskill our management and staff by providing training on the fast-changing sustainability landscape.

### ENHANCED DIALOGUE AND ENGAGEMENT WITH STAKEHOLDERS

After listening to stakeholder feedback, and in line with our commitment towards achieving net zero through increased use of green energy, we have provided additional funding to our business units worldwide to promote the implementation of sustainability initiatives including the adoption of solar panels and investment in electric vehicles.

This year, we have devoted more resources to gathering valuable input from both internal and external stakeholders. Our global operational teams participated in focus groups to help us gather useful insight on the progress of our existing sustainability initiatives, areas for improvement and the support needed to further our ESG ambitions. For example, during the focus group discussions, our teams discussed operational challenges caused by the drought affecting the Panama Canal, which may have been exacerbated by climate change. In addition, we surveyed the opinions of wide-ranging stakeholder groups to ensure a holistic review of our sustainability performance and identify material issues.

The feedback collected through the revamped stakeholder engagement exercise this year will help to inform our business decision-making and our sustainability priorities for the coming year.

## AN UNWAVERING DEDICATION TO PEOPLE

Taking care of our people in every aspect of their life is the topmost priority at KLN and forms the basis for our WE KARE. The Group is committed to creating a safe and secure workplace for its people by continuing to enhance work safety training and improve the working environment. We continue to strive towards a culture which celebrates diversity and inclusion. This year, in our pursuit of well-rounded perspectives, we have strengthened the diversity of both our Board and our Sustainability Committee by welcoming individuals from a variety of different gender, cultural, educational and professional backgrounds. Furthermore, we have continued to invest in upskilling our employees at all levels, through training programmes on a range of sustainability topics.

The strategies and achievements we have set out above illustrate the improvements we have made in the areas of human rights, labour, environment and anti-corruption, which are among the Ten Principles of the UNGC. This report serves as our annual

Communication on Progress (“COP”) for the UNGC and acts as our commitment to ensuring that UNGC principles are firmly embedded in our strategy, culture and daily business operations. It will help to guide the goals and vision of the Group in the years to come.

The Group is determined to make its mark by taking the lead to set new standards of sustainability within the third-party logistics sector in Asia Pacific. The support of our stakeholders – employees, customers, and partners alike – is essential to achieving our sustainability aspirations. With renewed resilience and an evergreen passion for sustainability, we will continue to work hand-in-hand with our stakeholders to focus our efforts on creating a safer, greener and better-connected world.

Board of Directors

26 March 2024

FOCUS

2023

# KEY HIGHLIGHTS



## Strategy and Governance

- Completed first phase of Climate Risk Assessment
- Strengthened diversity and training for Board and Sustainability Committee
- Expanded our in-person stakeholder engagement on sustainability to include our global suppliers and employees

## OUR SIX PILLARS



### People

- Worked actively to extend WE KARE to other regions
- Recruited **50** talented young executives across **7** regions
- Supported the Racial Diversity & Inclusion Charter for Employers in Hong Kong



### Business Ethics

- Updated our **Global Anti-Bribery Policy**, highlighting the relevant declarations and approvals requirements
- Launched a **Phishing Campaign** to ensure employees are aware of the latest developments of cybersecurity and data privacy practices



### Environment

- Performed in-depth study of **Scope 3 GHG emissions** in relation to value chain operations
- Installed **>2,400** solar panels on the Singapore warehouse's rooftop that supply **58%** of the warehouse's annual total electricity consumption
- Adopted **paperless** corporate communication practice with shareholders



### Supply Chain

- Reached **100%** of key suppliers to promote our business code of conduct
- Used **>960,000** units of RCS100 Recycled Claim Standard-approved recycled PE bags, achieved a **three-fold increase** compared to 2022
- Engaged with key suppliers through a forum to promote industry best green practices



### Customers

- Reduced waiting time for loading and improved productivity by **270%** by adopting the **KOOLBee** sorting robots in Hong Kong, the Mainland of China and Singapore
- Adopted the **KOOLKiosk and Autonomous Mobile Robot** to boost operational efficiency
- Achieved **full compliance** with the FIDI Accredited International Mover Standard for import and export relocation operations



### Community

- Continued promoting the Volunteer Service Scheme, resulting in a **more than two-fold increase** in the number of volunteer hours since 2022
- Collaborated with various Non-Governmental Organisations and social enterprises, focusing on the support to the children & youth, the underprivileged, the elderly and the environment

## ACCREDITATIONS



**MSCI**  
ESG RATINGS

CCC | B | BB | BBB | **A** | AA | AAA

**A**



**CDP**  
DISCLOSURE INSIGHT ACTION

Climate Change Score **B**



Hang Seng Corporate  
Sustainability Index  
Series Member 2022-2023

**A**

## AWARDS

- **BEST COMPANY BOARD**
- **BEST ESG**

2023 All-Asia (Ex-Japan) Executive Team (Overall Small & Midcap) - 2nd Place (Transportation Sector)

Institutional Investor

- **JADE AWARD**
- **BEST SUSTAINABILITY TEAM**

The Asset ESG Corporate Awards 2023

The Asset Magazine



- **ESG BENCHMARK AWARDS - SILVER AWARD**
- **OUTSTANDING SUSTAINABILITY & DIVIDEND GROWTH AWARD**

ESG Achievement Awards 2022/2023

Institute of ESG & Benchmark



### PIONEERING AWARD FOR ESG DISCLOSURE CONTRIBUTION

Hong Kong Green and Sustainability Contribution Awards 2023

Hong Kong Quality Assurance Agency



### ESG LEADING ENTERPRISES 2023

Bloomberg Businessweek/Chinese Edition



- **ELITE OF SUSTAINABILITY PERFORMANCE AWARD**
- **EXCELLENCE IN DECARBONISATION AWARD**

Ming Pao ESG Award 2023

Ming Pao and the Institute of ESG and Benchmark



# AWARDS

## 10 YEARS PLUS CARING COMPANY

The Hong Kong Council of Social Service



## HONG KONG GREEN ORGANISATION

Environmental Campaign Committee, Environment and Ecology Bureau



## SOCIAL ENTERPRISE SUPPORTER 2023

Fullness Social Enterprises Society



- AWARD OF EXCELLENCE IN CORPORATE GOVERNANCE
- AWARD OF EXCELLENCE IN ESG

Hong Kong Corporate Governance & ESG Excellence Awards 2023

The Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy of Hong Kong Baptist University



- JOYFUL@HEALTH WORKPLACE - ENTERPRISE/ORGANISATION CATEGORY: GRAND AWARD
- MENTAL HEALTH FRIENDLY SUPREME ORGANIZATION AWARD - ENTERPRISE ORGANISATION CATEGORY
- JOYFUL@HEALTHY WORKPLACE - DISTINCTION IN PHYSICAL ACTIVITY PROMOTION
- JOYFUL@HEALTHY WORKPLACE - DISTINCTION IN HEALTHY EATING PROMOTION
- BEST PRESENTATION AWARD - SILVER AWARD

The 18th Occupational Health Award

Occupational Safety & Health Council



## STRATEGY

# SUSTAINABILITY FRAMEWORK

The adoption and continued development of a robust sustainability framework acts as a guide for the Group's corporate strategy and helps to future-proof its business. Aligned with leading international sustainability and reporting standards, the Group's sustainability framework underpins the ambition of delivering sustainable logistics solutions. The framework integrates the Ten Principles of the UNGC into the goals and strategies it sets for KLN business units, prioritising the achievement of the United Nations Sustainable Development Goals ("UN SDGs") targets.

KLN's key principles of Commitment, Action and Transparency, alongside its responsibility to hold itself accountable to people and the planet, acts as a guarantee that it will operate in line with its sustainability framework. The Group meets its obligation to transparency by annually disclosing its sustainability progress and alignment with global standards and principles through annual sustainability reports and its UNGC COP disclosures. Adhering to the framework ensures the Group fulfils its role as a responsible corporate citizen, weathers global disruption, and maintains its pursuit of long-term and sustainable growth.



# SUSTAINABLE LOGISTICS IN ACTION

THREE PRINCIPLES

COMMITMENT, ACTION & TRANSPARENCY

SIX PILLARS

  
**People**

  
**Environment**

  
**Customers**

  
**Business Ethics**

  
**Supply Chain**

  
**Community**

FOCUS AREAS

- Employee engagement and care
- Fostering safety and wellbeing
- Upholding labour standards and human rights
- Creating a diverse, equal and inclusive workplace
- Nurturing and developing talent

- Tackling climate change
- Climate-related financial disclosures
- Minimising environmental footprint

- Delivering excellence in logistics solutions
- Boosting innovation

- Adhering to business standards
- Protecting data privacy and security

- Sharing our ESG values with suppliers

- Caring for the community

CONTRIBUTING TO UN SDGS



8.5  
8.6



12.2 12.5  
13.1 13.3



17.16



16.5  
16.6



8.8



17.17

ADHERING TO THE TEN PRINCIPLES OF THE UNGC IN THE AREAS OF

HUMAN RIGHTS | LABOUR | ENVIRONMENT | ANTI-CORRUPTION



STRATEGY

# SUSTAINABILITY TARGETS

The Group is committed to meeting its duties as a corporate citizen by embracing the values of the UN SDGs, which act as the global agenda for achieving sustainable development of an equitable society by 2030. Because success in sustainable development requires collective action from both the public and private sectors, the Group will collaborate with its partners, suppliers and stakeholders to contribute to these global goals. In 2021, the Group identified five priority UN SDGs that are closely aligned with its sustainability pillars and framework, recognising these areas have the greatest potential for positive impact. Throughout 2023, the Group made significant progress towards these priority SDGs, and it has outlined its plan to further align its targets with the SDGs in 2024.

## IMPLICATION OF UN SDGS FOR KLN GROUP

<p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p> 	<p><b>Actions in 2023</b></p> <p>The Group enhanced the diversity of its Board and Sustainability Committee by hiring staff from different ethnic, gender, educational and professional backgrounds. At its headquarters in Hong Kong, the Group endorsed the Racial Diversity &amp; Inclusion Charter for Employers and collaborated with university to launch scholarship programmes and offer more internship opportunities.</p>	<p><b>Plans in 2024</b></p> <p>The Group will continue to expand WE KARE globally with initiatives for the wellbeing of its employees, family and community.</p> <p>The Group will strive for our commitment to create a diverse and inclusive workplace for our people that prohibits any form of discrimination by enhancing policy, culture and the work environment.</p> <p>The Group will collaborate with educational institutions to provide internship opportunities or sponsorship programmes to nurture and develop youths.</p>
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<p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<p><b>Actions in 2023</b></p> <p>The Group rolled out the replacement of plastic packaging materials with 100% compostable bio-based alternatives and provided more cost-effective alternatives, like 50% post-consumer waste polyethylene for stretch film to minimise waste generation.</p>	<p><b>Plans in 2024</b></p> <p>The Group embeds principles of sustainability when designing its products and services and will continually educate its value chain partners on improving their sustainability practices. We will also continue to champion efforts in fleet modernisation and adopting electric and hybrid equipment.</p>
<p><b>13</b> CLIMATE ACTION</p> 	<p><b>Actions in 2023</b></p> <p>The Group has developed a tool that helps analyse its emissions data and identify hotspots for reducing areas of highest impact.</p> <p>The Group has completed the first phase of our Climate Risk Assessment and kept exploring the mid-term targets in line with scientific rationale.</p>	<p><b>Plans in 2024</b></p> <p>The Group will develop an assessment tool to guide its regions or countries to evaluate the feasibility of decarbonization project(s) and possibility for adopting more renewable energy in its operating sites, in order to establish a clearer carbon reduction target and its pathway. The Group will continue to upgrade LED lights to higher efficiency alternatives.</p>
<p><b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS</p> 	<p><b>Actions in 2023</b></p> <p>The Group has updated its Global Anti-Bribery Policy and continues to train staff and value chain partners on its Business Partner Code of Conduct to uphold to high standards of integrity and ethics.</p> <p>No violations of KLN's policies have been detected this year.</p> <p>The Group has engaged with key suppliers through a forum to promote industry best green practices.</p>	<p><b>Plans in 2024</b></p> <p>Ethics training, covering topics including anti-corruption and data privacy, will continuously be provided to all Board members and employees. The transparent disclosure will be continued for better accountability.</p>
<p><b>17</b> PARTNERSHIPS FOR THE GOALS</p> 	<p><b>Actions in 2023</b></p> <p>The Group continues to make efforts to identify how it can contribute positively to society through humanitarian aid services, volunteering, collaborations with NGOs and business partners on community outreach activities.</p> <p>We select business partners that comply with our strict standards on human rights, labour and environmental practices.</p>	<p><b>Plans in 2024</b></p> <p>The Group will encourage employees involvement in volunteering to contribute to the community by the Volunteer Service Scheme. The Group will engage with NGOs and social enterprises, establishing strategic partnerships to generate positive social impact to the community.</p>

## STRATEGY

# SUSTAINABILITY JOURNEY

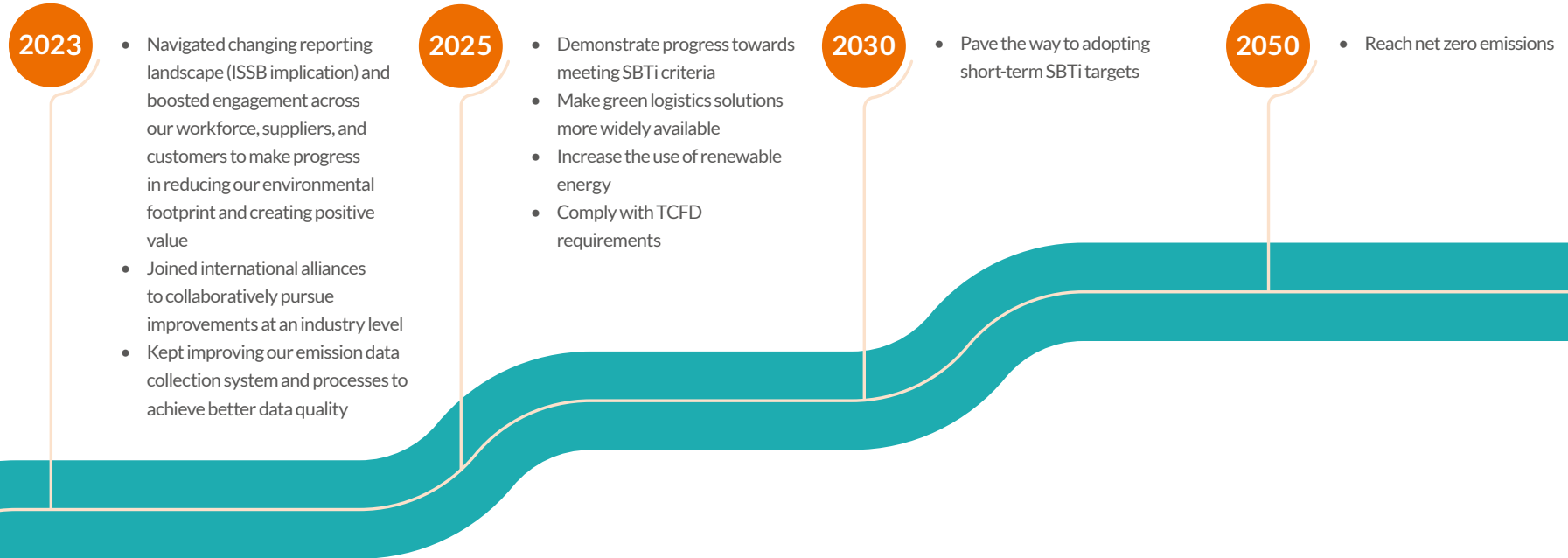
Sustainability has long been a critical element of KLN Group's strategies and long-term development, given the significant and lasting benefits sustainable operation can create for the environment, people and society. The Group started its sustainability journey with the publication of its first Corporate Social Responsibility Report in 2014. Since then, the Group has continuously strengthened its commitment to sustainability, enhanced transparency in its disclosure, and made tangible steps towards addressing its priorities. In 2020, the Group set out a comprehensive three year roadmap to outline the direction of its sustainability goals, which provided a structured framework to measure progress against the commitments it had made. In 2021, the Group launched its Sustainability Vision Statement and adopted the principles of the UNGC and UN SDGs to help establish clear focal points for its long-term strategy.

KLN Group is dedicated to delivering value responsibly, acknowledging the urgency of the global climate crisis. In light of this ongoing challenge, the Group committed to disclosing its operational risks and opportunities in accordance with Task Force on Climate-Related Financial Disclosures ("TCFD") recommendations from 2022. The Group has since gone beyond mere compliance with the reporting standards by establishing robust data management infrastructure, which will pave the way towards effective management of its environmental footprint and accurate identification of improvement areas. By collecting detailed data, exploring green solutions, and studying the requirements of the Science-Based Targets Initiative ("SBTi"), the Group is committed to achieving its ambitious net zero goal by 2050, ensuring sustainability and resilience in a rapidly changing world.

In 2023, the Group made several significant steps towards better ESG practice. In preparation for meeting the disclosure requirements of the International Sustainability Standards Board ("ISSB"), we are analysing the financial impact of climate change and exploring the adoption of SBTi, while continuously improving our data collection processes. Because transparency is one of the three principles of our Sustainable Logistics Solutions in Action ethos, we have further committed to enhancing disclosure on our website. Our sustainability achievements are reflected in our improving ESG ratings. For example, our Hang Seng ESG Indexes' rating has risen from A- to A, in recognition of our unwavering commitment to sustainable practices.

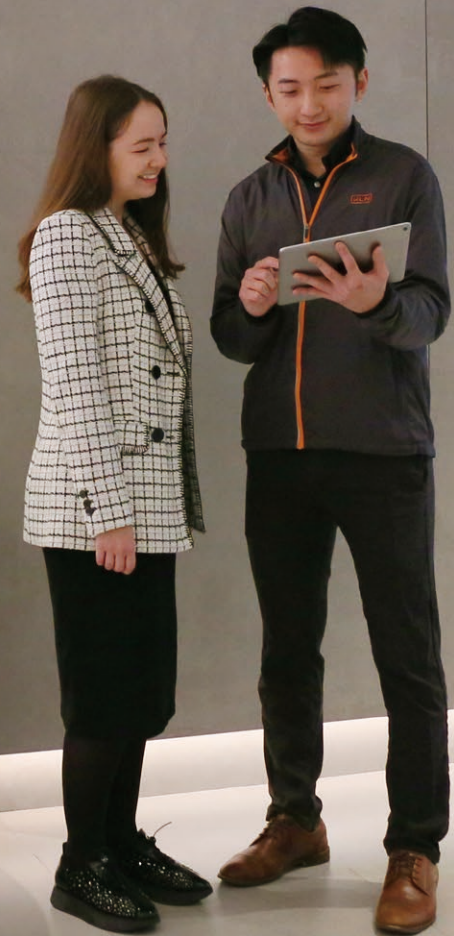
In the 2023 Carbon Disclosure Project (“CDP”) assessment, the Company achieved a B grade, placing us in the Management Band. It represents a notable improvement of two grades compared with our performance in 2022. It is worth highlighting that our score surpasses both the regional average for Asia, which stands at C, and the average for the intermodal transport and logistics sector, which is also at C. We

implemented significant measures and initiatives to enhance our sustainability practices, resulting in the improved CDP score. This accomplishment reflects our continued commitment to addressing and managing our carbon emissions and environmental impact.





# GOVERNANCE



## GOVERNANCE

# STAKEHOLDER ENGAGEMENT

Active engagement with stakeholders and a thorough understanding of their needs and expectations are important to the Group's ability to create long-term success for its business partners, staff, customers, shareholders, and

society. Feedback from key stakeholders, which is gathered by management and external consultants, plays a pivotal role in the improvement of the Group's sustainability strategy, goals, and policies. We have established

various communication channels to collect and encourage insight and feedback from stakeholders. The information collected is regularly shared with the Board to ensure it is well informed about emerging stakeholder concerns and evolving ESG priorities.

## KEY STAKEHOLDERS



<sup>1</sup>V.O.I.C.E. stands for Value creation, Openness, Integrity, Commitment and Excellence

This year, the Group dedicated additional time and resources to improving our stakeholder engagement and materiality assessment of ESG matters. We recognise the significance of adopting a double materiality perspective which considers both the effect of our decisions on KLN's business success and their impact on people and the environment. Through thorough assessment and active solicitation of stakeholders' perspectives and concerns, we aim to align our sustainability strategy more effectively with their

needs and expectations. Our updated approach reinforces our commitment to strengthening our stakeholder engagement, responsiveness, and accountability.

### RESPONDING TO STAKEHOLDER NEEDS

The Group acknowledges the significance of fostering constructive stakeholder dialogue and collaboration as a cornerstone of maintaining

mutually beneficial relationships with stakeholders. KLN gathers stakeholders' opinions and expectations through regular conversations, meetings, focus groups and events to enhance awareness of opportunities, address concerns, and stay aligned with evolving expectations. By adopting an inclusive and transparent approach, the valuable input provided by stakeholders will contribute to KLN's improvement in performance, vision and objectives.

Key Stakeholders	Concerned Topic	KLN's Response
Internal stakeholders – Board of Directors	Anti-corruption	The Group has updated its <a href="#">Global Anti-Bribery Policy</a> , which has enhanced our governance among employees, management and third parties. Regular risk assessments and audits are conducted across internal operations and business partners to ensure adherence to KLN's anti-corruption policy and code of conduct.
Internal stakeholders – Employees	Anti-corruption	Regular training and assessments on anti-corruption and ethics are provided to staff at all levels to ensure thorough understanding of policies and improve awareness. Per the Group's revised policy, staff are also required to sign off on an anti-bribery declaration during onboarding, annual appraisals and specific business situations that warrant additional prudence.
Analysts/Bankers/Investors/Shareholders	Customer relations and satisfaction	The Group holds training for employees to improve their knowledge of KLN's products and services and build customer relationships. We utilise a smart 360-degree customer feedback mechanism through which customers can easily share and resolve their grievances.  Additionally, we continue to organise monthly and quarterly business review meetings with key clients to ensure quality delivery of services and proactively improve our performance.
Suppliers/Contractors	Anti-corruption	The Group ensures that all business partners, suppliers and associated third parties endorse its anti-corruption declarations and agreements and attend regular training on this matter.
Customers	Data security and privacy	The Group's <a href="#">Privacy Policy</a> and <a href="#">Information Security Policy</a> ensure that the highest level of vigilance is maintained when managing and processing stakeholder data. Frequent training and simulation exercises are provided to employees to ensure full understanding of these policies and awareness of the latest developments in data breaches and cyber threats.
Community	Data security and privacy	The Group continues to employ the Information Security Management System ("ISMS"), which is aligned with the ISO27001 standard, which guides employees on how to protect information from cyberattacks and breaches. We also ensure that our business partners are fully compliant with our IT and data security standards and policies from the establishment of a business relationship with them.

## PAPERLESS COMMUNICATION

In alignment with the new Rule 2.07A of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Bye-laws of the Company, we have taken a significant step towards going paperless when communicating with our shareholders. Starting from 31 December 2023, we have adopted an electronic method for disseminating future

corporate communications to our shareholders, and printed copies will only be provided upon request. This initiative reflects our commitment to sustainable practices and reducing our environmental footprint. By transitioning to electronic communications, we aim to minimize paper usage, reduce waste, and contribute to the preservation of our natural resources.

## MATERIALITY ASSESSMENT

The Group conducts an annual outreach programme to engage key internal and external key stakeholders as part of its materiality assessment process. In 2023, we proceeded a rigorous four-phase process to identify and rank material sustainability issues based on their significance, taking into account the magnitude of KLN’s impact in each respective area.

## FOUR-PHASE PROCESS



## MATERIALITY ASSESSMENT RESULTS

The table below indicates the 24 sustainability topics under each of the Group's six sustainability pillars.





The table below presents the key material topics identified through stakeholder engagement in 2023, categorised according to the Group's six sustainability pillars. The Group takes a long-term

perspective on effectively managing our commitment and action to address these topics. We align them with the strategies of the six pillars and develop policies that help to facilitate the

achievement of our goals. The corresponding actions taken by the Group are addressed in the relevant chapters of this report.

Pillars	Key Material Topics	GRI Standards	Report Chapter
Business Ethics	Anti-corruption	GRI 205	Our Business Ethics
	Data security and privacy	GRI 418	
People	Occupational health and safety	GRI 403	Our People
	Human rights and labour standards	GRI 408, GRI 409	
Customers	Customer relations and satisfaction	-	Our Customers
	Service and product quality management	GRI 416	
Environment	Pollution prevention and management	GRI 305	Our Environment
	Energy efficiency	GRI 302	
Community	Community engagement	GRI 413	Our Community
	Community investment	GRI 413	
Supply Chain	Supply chain risk management	GRI 308, GRI 414	Our Supply Chain
	Supplier engagement	-	

## FOCUS GROUP SUMMARY

In an effort to seek further insight from our management teams, we organised focus groups with leaders from our IL and IFF businesses. Members from Southeast Asia, Greater China, Europe and North America joined us for an energetic in-person discussion in November 2023 on pressing sustainability issues in their respective sectors.

Focus group participants were briefed on the latest industry best practice and developments covering climate action, packaging optimisation, occupational health and safety, and human rights. Participants were briefed on KLN's latest initiatives, accomplishments, and future

targets in each of the areas. They included the use of solar panels in selected facilities, route optimisation, introducing bio-based packaging, our pandemic response, and partnerships with Non-Governmental Organisations ("NGOs") focused on creating equal opportunities for ethnic minorities.

During the session, participants discussed environmental and social risks that directly affected their divisions and shared practices on what their respective regions and teams were doing to address these risks. They further discussed any challenges and opportunities for the future and their perspective on how the Group could support these initiatives. For instance, they explored the need for a just transition and

being a socially responsible business in the time of increasing extreme weather events. This open approach to dialogue allowed us to obtain a global perspective about how an important regional sustainability-related risk could be better managed and coordinated at a Group level. The focus groups further provided valuable insight for our management and Sustainability Action Teams to redefine their targets and offer additional support and will help to shape the Group's overall sustainability strategy.

Following the success of our focus groups, we will continue to explore different ways of engaging with our stakeholders effectively on sustainability issues.

## GOVERNANCE

# GOVERNANCE STRUCTURE

A robust governance structure is essential to the Group's business success and long-term sustainability achievements. The Group's sustainability governance framework, set out in the diagram below, ensures sustainability issues are effectively incorporated into business operations in a way that gives senior management sufficient oversight. The Board is responsible for overseeing the Group's overall governance, including the formulation and execution of a long-term corporate sustainability strategy.

KLN has taken the initiative to establish a Board-level sustainability committee as

we believe Board oversight is necessary to implement the principles stated in our Sustainability Vision Statement. The Board's responsibility for the Group's sustainability strategy is supplemented by the active participation of the Sustainability Committee ("SC") and the Risk Management Committee ("RMC"). At an execution level, the Integrated Management System ("IMS") Committee, ESG Taskforce, and Global Management Board assume accountability for aligning the sustainability strategy with the Group's comprehensive suite of sustainability measures and initiatives. To facilitate the successful implementation of the Group's ESG

projects in both its Hong Kong operations and global ventures, a dedicated Sustainability Action Team ("SAT") is formed, comprising of representatives from business and functional units.

This top-down approach has significantly enhanced the Group's ability to implement sustainability-related policies. With the involvement of the Board and effective communication between board members and the ESG Taskforce, the Group takes a proactive approach to addressing ESG issues, including early preparation for ISSB S1 and S2 standards.

# SUSTAINABILITY GOVERNANCE



\* Formerly known as Global Executive Committee

Governance	Members	Roles
Board	All Board Members	Overall responsibility for the Group's ESG strategy and reporting including ongoing review of progress made against sustainability goals and targets
Sustainability Committee	Executive Director and Heads of Finance, Company Secretariat, Human Resources & Administration, Quality & Risk Management and Investor Relations	Evaluate sustainability-related risks and opportunities, recommend ESG strategies and monitor sustainability reporting
Risk Management Committee	Chief Executive Officer and Heads of Finance and Quality & Risk Management	Strengthen oversight of sustainability and climate related risks and system effectiveness
Integrated Management System Committee	Chief Executive Officer and Heads of Business and Functions Units	Work closely with departments, frontline employees and workers to identify, assess and manage various risks across the Group's operations related to OHS, quality, environmental, climate-related risks and supply chain security
ESG Taskforce	Delegates of Sustainability Committee	Facilitate communication, cooperation and collaboration among the Board and Business and Functions units on sustainability and climate-related issues
Global Management Board	Board Members and Senior Management	Work with global business units to implement and monitor the Group's climate-related business strategies
Sustainability Action Teams	Dedicated Representative from Business and Functions Units	Implement policies and measures to ensure the sustainability and climate-related goals and objectives set out by the Group are achieved

## STRENGTHENING ESG EXPERTISE IN OUR LEADERSHIP

The Board and management team play a central role in addressing ESG priorities and opportunities. As such, they have taken steps to enhance their understanding and expertise in material sustainability topics to ensure effective decision making.

The Company has made an effort to enhance Board diversity by considering factors such as gender, background, and nationality when

it makes new appointments. This strategic approach aims to engender a broader and more comprehensive perspective within the Board and in steering the Group's sustainability vision. During the Reporting Period, the Board comprises individuals with diverse backgrounds, bringing together academic professors, entrepreneurs, treasurers, accountants, lawyers, and others. Three female Board members ensure a balanced representation of viewpoints.

To ensure the Board is well-informed and knowledgeable, all members have undergone

thorough training on ESG topics including climate change, cybersecurity and social issues. The five members who sit on our SC have been carefully selected to ensure a well-rounded composition. Most of the committee members have obtained the ESG Reporting Certification from The Hong Kong Chartered Governance Institute and received training to broaden their expertise in sustainability matters.

## GOVERNANCE

# RISK AND COMPLIANCE MANAGEMENT

### RISK MANAGEMENT

The Group is keenly aware of the environmental, social, and economic risks associated with its business operations. To identify potential risks, opportunities, and impacts, a thorough assessment of each segment of the value chain is undertaken. In order to safeguard the interests of its business activities and stakeholders, the Group has implemented a comprehensive risk management strategy, which is supplemented

by a well-established and robust corporate governance structure, accompanied by internal policies and procedures that further strengthen its effectiveness.

The Group's approach to addressing sustainability risks is guided by its corporate risk management framework, with oversight from the RMC, SC, and IMS Committee. Our risk assessment methodology incorporates internationally

recognised standards, including ISO 9001 Quality Management, ISO 45001 Occupational Health and Safety Management, ISO 22000 Food Safety Management, ISO 27001 Information Security Management, ISO 28000 Supply Chain Security Management, ISO 14001 Environmental Management, and ISO 13485 Quality Management for Medical Devices. The key sustainability risks affecting the Group's operations in 2023 are listed below.

Sustainability Risks	Impact on the Group	Status and Responses
Financial Risks	Potential financial risks include rising interest rates and a decrease in purchasing power and consumption levels. These factors can negatively impact the Group's bottom line by increasing the cost of borrowing or reducing the demand for logistics services. Currency fluctuation and geopolitical instability can further complicate financial management.	<p>The Group's approach to risk management seeks to minimise the potential adverse effects caused by the unpredictability of financial markets by identifying, evaluating, and managing financial risks in the Group's individual operating units.</p> <p>The Group conducts regular risk assessments and has developed contingency plans to mitigate the impact of financial downturns. The Group continues to diversify its business portfolio, geographical footprint, and customer profile to minimise the impact of economic turbulence. For further information on how the Group manages financial risk, please refer to the Group's Annual Report 2023.</p>
Climate Change	The Group's business can be affected by both climate-related physical and transition risks in a variety of ways. Physical risks such as rising sea levels, extreme heat, coastal flooding, extreme precipitation, typhoons and droughts can directly affect the Group's operations, supply chain, and overall business performance. Transition risks such as changes in technology and policies relating to climate change can impact the value chain and competitiveness of the Group's business and strategy.	<p>The Group has made a carbon reduction commitment and has conducted a Group-level climate-related assessment to identify potential risks. We have started the process of setting Science-based Targets and developed a tool that helps us analyse our targeted emission reduction areas.</p> <p>Furthermore, we have conducted a feasibility and impact assessment to understand the practicability of our potential decarbonisation initiatives and planned to extend our climate training to employees at across different levels.</p> <p>For more details on the Group's approach to managing climate-related risks, please refer to the section titled "Climate-related Financial Disclosures" in this report.</p>
Cyber Security	<p>Due to the nature of its business, the Group collects, processes and stores confidential information. To protect its stakeholders, the Group is subject to relevant laws and regulations regarding the protection of data.</p> <p>Potential cyber-attacks may threaten the confidentiality, integrity and availability of data and cause disruption to its operations.</p>	<p>Cyber security specialists have been appointed to investigate any incident and ensure the Group's systems are secure. We also conduct regular trainings to ensure employees are aware of the latest developments around data privacy and security.</p> <p>The Group continues to enhance its security systems and will take every action necessary to protect both its customers and the organisation against any future disruption.</p>

## POLICIES AND GUIDELINES

The Group has established a comprehensive library of policies to guide its conduct and ethics in governance, social and environmental matters to reinforce the sustainability framework. To enhance transparency and maintain consistent high standards across its value chain, the Group communicates the policies and expectations clearly to all of its suppliers and business partners, as well as publicly publishing its policy statements on the Group's website – [“Governance – Policies”](#).

## REGULATORY COMPLIANCE

Ensuring regulatory compliance is of utmost importance to the Group. The Group operates with absolute respect for the distinct laws and regulatory standards in its various operating territories, taking note of the nuanced differences that exist. To safeguard the integrity of its operations, the Group's compliance management is overseen by the Audit and Compliance Committee (“ACC”), which continuously evaluates the effectiveness of policies and processes to ensure compliance and adherence to best practice. In accordance with its enterprise risk

assessment framework, the Group conducts comprehensive assessments of compliance risks by identifying the laws and regulations which have the potential to significantly impact operations within specific jurisdictions.

Any breach of, or non-compliance with, laws and regulations may adversely affect the business, financial conditions and operations of the Group. The potential impacts are as follows:

- Regulatory or legal action brought against the Group or its employees that could result in fines, penalties and/or imprisonment
- Negative impact to the Group's share price and/or potential future earnings resulting from loss of confidence among investors and customers
- Interruption to the business resulting from adverse events, such as systems shutdown, suspension of the business, cyber extortion, employee injuries, environmental pollution
- Damage to the reputation or brand of the Group, for example, negative media coverage and public censure

The Group's compliance policies and guidelines ensure that it monitors and adheres to the laws and regulations in its operating territories, which are detailed in the relevant sections of this report. The Group is committed to staying abreast of the latest regulatory developments and will provide appropriate training for relevant employees to maintain its high compliance standards. In 2023, there were no non-compliance cases which resulted in significant fines or non-monetary sanctions.



# OUR PEOPLE



8 DECENT WORK AND ECONOMIC GROWTH





At KLN, we value our people and aim to create a rewarding experience for them at every stage of their career. As a 3PL company with a global footprint, we believe that the diversity and unique capabilities of each individual in our workforce is our biggest strength and contributes greatly to our success. By investing in upskilling our workforce and emerging talent, we aim to create a progressive and inclusive workplace culture that optimises the capabilities of every team member. We recruit our workforce from a wide range of talented individuals across the globe and aspire to create a workplace environment where every individual feels secure, included, esteemed, and respected.

### Our Targets

- Enhance employee wellbeing through the WE KARE Caring Platform, underpinned by five Key Caring Elements, namely: Fitness Care, Wellness Care, Work-life Care, Family Care and Community Care
- Foster a fair and respectful working environment for all colleagues that is free from discrimination on the grounds of gender, pregnancy, marital status, age, disability, family status, ethnic origin, race or religious belief
- Nurture and develop the skills of young talents and employees through training and development, as well as collaboration with external organisations

### Our Prioritised SDGs and Targets



- Target 8.5: Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
- Target 8.6: Substantially reduce the proportion of youth not in employment, education or training

### Our Focus Areas

- Employee Engagement and Care
- Fostering Safety and Wellbeing
- Upholding Labour Standards and Human Rights
- Creating a Diverse, Equal and Inclusive Workplace
- Nurturing and Developing Talent



# KLN GROUP'S WORKFORCE

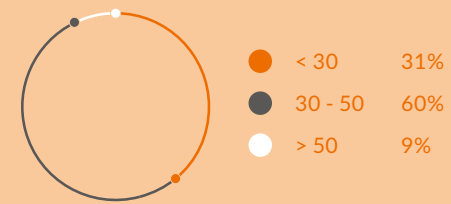
## TOTAL WORKFORCE (EMPLOYEE)

33,130

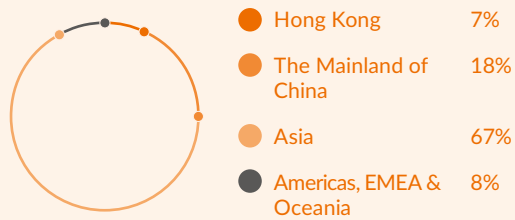
## EMPLOYEE BY GENDER



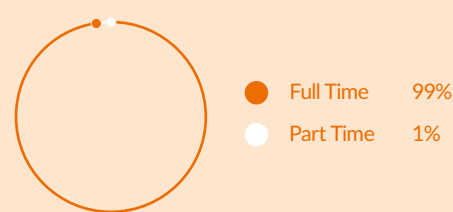
## EMPLOYEE BY AGE GROUP



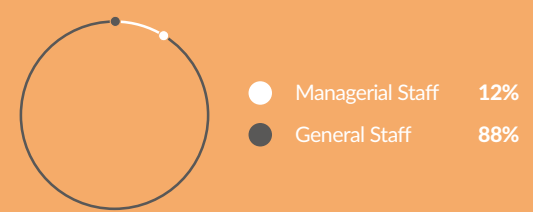
## EMPLOYEE BY REGION



## EMPLOYMENT BY TYPE



## EMPLOYEE BY CATEGORY



## EMPLOYEE ENGAGEMENT AND CARE

Nurturing our talents and helping them succeed in their professional and personal lives is deeply embedded in our culture. We encourage and create open communication channels that facilitate constructive dialogue and encourage the free flow of ideas and feedback at every level. By doing so, we aim to cultivate a spirit of inclusivity, where every employee feels comfortable and confident in contributing their perspectives, ultimately driving continuous improvement throughout the Company.

This year, the Group focused on emphasising the caring and positive nature of its working environment, such that all our employees experience a state of mental and physical well-being. As a part of this, the Group organised a range of initiatives and events, specifically catering to the needs of different business units and regions.

In Brazil, we offer our employees a food allowance, medical assistance and contribute to their professional development by organising training sessions and funding external educational programmes. We also carried out an annual Organisational Climate Survey to gauge the satisfaction of our employees and continually improve our human resource management practices.

Within the Mainland of China, we organised an event to coincide with International Children's Day, which allowed colleagues to bring their children on a "Fun Study Tour Day" in the Summer Palace. It offered colleagues a chance to spend quality time with their children, taking a break from their work to enjoy a relaxing and educational study tour. In compliance with the laws and regulations of the Mainland of China, we have fulfilled our obligations by participating in a range of employee social security plans. These plans encompass pension, medical, work-related injury, maternity, and unemployment insurance. We have also made contributions to the housing provident fund on behalf of our employees, consequently providing employees with solid protection.

Within our Myanmar operations, we have built a strong team spirit through monthly birthday gatherings and a Christmas celebration. As an

expression of gratitude for their contribution and dedication, we presented long-serving employees with a five-year service award. These activities contribute to a vibrant culture and create memorable experiences for our workforce.

We have taken significant steps to ensure our office spaces are fully accessible, providing equal opportunities for all members of our workforce to excel professionally. The recent renovation of our Singapore office was specifically aimed at enhancing its accessibility and inclusivity for all our employees.

Our WE KARE<sup>2</sup> platform launched last year has received recognition at the Occupational Health and Safety Award Presentation in Hong Kong, securing five prestigious awards. This achievement is a testament to the Group's unwavering dedication in promoting WE KARE across five different pillars: Fitness Care, Wellness Care, Work-life Care, Family Care & Community Care.

Building upon the success of the WE KARE platform, we have been actively working to extend its reach to other regions. Highlights are as described below:

<sup>2</sup>KARE stands for KLN + CARE.

## SINGAPORE

### WorkWell Webinar

- Deliver knowledge of age-specific common injuries, and how to manage and prevent them and learn about good posture and a good ergonomic set-up at work

### Breast Cancer Awareness Campaign

- Promote the importance of health screening relating to breast cancer and the idea of “the best prevention is early detection”

## THE MAINLAND OF CHINA

- Conduct sports day, fitness day, basketball and pingpong competitions to encourage colleagues to do more exercise
- Organise outing and hiking activities, giving a chance to colleagues to have work-life balance
- Conduct a “Fun Study Tour Day” for colleagues and their kids on the International Children’s Day to share caring and happiness

## FOSTERING SAFETY AND WELLBEING

We go above and beyond in maintaining a working environment that is safe, hygienic, vibrant and ergonomically designed for our employees and business partners. Our commitment to these principles is outlined in our [Occupational Health and Safety \(“OHS”\) Policy Statement](#), which serves as a guiding framework to prioritise the health and wellbeing of our own workforce and also that of our partners. We ensure this policy is executed at a strategic level by providing comprehensive healthcare benefits and running wellbeing campaigns and at an operational level by scheduling regular breaks and providing rest facilities.

We are bound by the Occupational Safety and Health Ordinance in Hong Kong and all applicable OHS laws and regulations in every applicable jurisdiction that have a significant impact on the Group.

## SAFETY MANAGEMENT SYSTEM

The Group has in place an OHS system which helps us continually improve on the quality of our safety management process and eliminate health risks and occupational hazards for our employees.

Complying with the ISO 45001 standard, this system holistically covers all our business activities, including but not limited to logistics services, e-commerce and express, facilities management, international freight forwarding services, trucking, and distribution of a variety of cargo.

Our key approach to implementing the OHS system and policy is as described in the table below:

Hazard Identification and Risk Assessment	<p>The establishment of the Group's IMS Committee serves the purpose of recognising, evaluating, and effectively handling OHS hazards and risks throughout our operations.</p> <p>To ensure a thorough evaluation of hazards and risks, the Group seeks the active engagement of IMS Committee members and frontline employees from all departments to gather diverse perspectives. Periodic reviews take place every six months or in response to significant operational changes, fostering a culture of continuous improvement and advancement.</p> <p>We engage with an independent professional firm to regularly perform an audit of the OHS system, ensuring its efficiency and efficacy.</p>
Incident Reporting and Investigation	<p>All employees and workers are actively encouraged to report any potential work-related hazards using transparent and established communication channels. Each report is then forwarded to the IMS Committee and workers' representatives for appropriate follow-up actions. The Group's OHS policy explicitly guarantees that employees and workers have the right to withdraw from work without facing any negative consequences in instances where they encounter hazardous situations.</p>
Communication and Participation	<p>The Group takes a proactive approach to communicating and involving employees and/or workers to execute ongoing enhancements to the OHS system.</p> <p>Employees are granted convenient access to safety guidelines and procedural manuals, enabling them to recognise hazards and evaluate the associated risks effectively.</p> <p>Regular meetings are held between employee and/or worker representatives and the Group's IMS Committee, where they collaboratively review the efficacy of the OHS management system and identify potential areas for further enhancement.</p>

## WORKPLACE SAFETY IN THE VALUE CHAIN

We are dedicated to supporting our business partners in creating a safe and secure working environment for their workers and employees. Hence, we provide them with training and workshops, encourage open dialogue and questions, and conduct frequent checks to ensure they make steady improvements in their OHS performance.

Prior to beginning work with a contracted third party, we require that they provide sufficient evidence of compliance with KLN's Contractor OHS Code. We also conduct thorough safety risk assessments to ensure that our business partners are fully compliant with our policies and regional and international safety standards.

## OPERATIONAL SAFETY

Ensuring the safety and well-being of our employees is a top priority at KLN. We have implemented stringent safety measures and comprehensive training programmes to create a secure work environment.

This year, we introduced a mandatory occupational safety and health training to raise awareness among our operations team.

The training equips them with the necessary knowledge and skills for maintaining a safe workplace and in turn ensuring their safety and protection.

We are proud of the progress made in providing a safety-centric work environment. With comprehensive training, we prioritize operational safety, as they contribute to our operations' success.

## TRAINING AND BUILDING AWARENESS

To ensure the highest standards of safety, we run comprehensive training and capacity building programmes for our employees across the globe. Training is customised to meet the needs of each business unit and department, as well as specific regional statutory requirements.

This year, we began an initiative to record and circulate safety training in the form of videos to our employees worldwide, which helped them access training at their convenience and refresh their knowledge at any time.

At our operations in the Mainland of China, we invite external safety experts from agencies affiliated to the Emergency Management Bureau, including the fire brigade and fire protection

association instructors, to offer safety training to our staff. We also provide customised training based on the working conditions and season. For example, workshops focused on heatstroke prevention are held in the summer, fire safety knowledge training and evacuation drills take place during the winter, and we organise fire safety training in the autumn. This helps improve our employees' safety awareness and emergency response. Meanwhile, regular safety inspections are held prior to holidays and special events that trigger a surge in demand for our services. During these inspections, various areas including the offices, computer rooms, power distribution rooms, warehouses, cargo operating areas, equipment areas, monitoring systems and vehicles are checked for safety and any shortcomings are rectified.

We ensure a good understanding of maintaining a secure working environment in Singapore by conducting safety and security briefings, spill kit training, working at height training and a drivers' safety induction.

At our Hong Kong headquarters, all truck drivers attended Road Safety Awareness training conducted by the Hong Kong Police Force, as well as a defensive driving course organised by licensed driving school. Additionally, we

collaborated with Hong Kong St. John Ambulance to offer certificate courses in First-Aid, Adult Cardio-Pulmonary Resuscitation, and Automated External Defibrillation Provider. These courses equipped employees with the skills to effectively handle injuries. Furthermore, new staff members joining our logistics division were invited to a foundation training programme that provided essential knowledge on workplace safety and incident management.

We recently implemented a core policy in Canada focused on employee health and safety, emphasizing our commitment to a safe and healthy workplace. The policy aligns us with the Partners in Protection (“PIP”) programme under the Canada Border Services Agency (“CBSA”), granting us a variety of benefits such as faster border clearances through designated Free and Secure Trade (“FAST”) lanes, and decreased border examination rates.

We continue to update our guidelines to meet the highest standards in the industry, covering topics such as hazard warning signs, accident reporting and investigation methods, environmental policies, and disciplinary action for safety violations, in order to establish a safer work environment, lower the chance of accidents and injuries, and streamline our CBSA compliance procedures.

In 2023, we have communicated the initial version of these compliance procedures and guidelines to all warehouse employees in Canada. We are continually working on customising our communications and updating our policy to better suit the needs of our diverse workforce.

Categories	Training Topics
General Safety	<ul style="list-style-type: none"> <li>• OHS training for new joiners</li> <li>• Regular refresher training</li> </ul>
Safe Operations in Offices and Warehouse	<ul style="list-style-type: none"> <li>• Working with display screen equipment</li> <li>• Handling of hazardous goods in the workplace</li> <li>• Standard manual handling procedure</li> <li>• Preventive and protective measures</li> </ul>
Fire Safety	<ul style="list-style-type: none"> <li>• Facilities for fire safety in the office, warehouse and daily life</li> <li>• Fire hazards in the workplace</li> <li>• Introduction of firefighting equipment</li> </ul>
First Aid	<ul style="list-style-type: none"> <li>• Basic first aid</li> <li>• Cardiopulmonary resuscitation (“CPR”)</li> <li>• Automated external defibrillator (“AED”)</li> </ul>

Additionally, we require employees to stay abreast of ESG issues and hence offer training on topics such as ethical issues, safety and also offer a sustainability awareness training. They are also required to attend trainings on our key priority areas, such as the anti-corruption, cybersecurity, conflict of interest, etc.

## EMPLOYEE HEALTH AND WELLBEING

The Group places paramount importance on cultivating a healthy lifestyle and positive mental wellbeing among our staff. We offer a range of physical and mental healthcare benefits to our staff, the details of which are outlined below.

### MENTAL HEALTH

We recognise that prioritising the mental health of our employees is key to ensuring positive personal growth and a solid work-life balance. Hence,

we offer our employees and their direct family members access to a 24-hour counselling hotline. We continue to provide the Mental Health Outpatient Benefit scheme, which was introduced last year, as a means to further support the mental wellbeing of our employees.

Similarly, we have launched the Employee Assistance Programme (“EAP”) within our Australian operations, which provides free and confidential counselling support to our colleagues.

### PHYSICAL HEALTH

We support our employees in building a healthy lifestyle by offering a workspace that encourages them to be physically active and promotes healthy eating habits. For instance, where available, employees can join our comprehensive fitness programme. We also offer fruit and healthy

snacks at our offices, making healthy food easily accessible at all times. Our working environment is ergonomically designed to improve posture and prevent injuries.

Within the Mainland of China, we hosted a series of activities such as a sports day, fitness day and held basketball and ping-pong competitions to encourage employees to exercise more often.

We also organised a Family Day Trip, where our colleagues in Hong Kong explored the outdoors, and enjoyed spending time in nature along with their families.





## UPHOLDING LABOUR STANDARDS AND HUMAN RIGHTS

We are dedicated to ensuring the safety, wellbeing and human rights of all individuals associated with our business and in the surrounding communities where we operate. Taking extensive measures to uphold the human rights of individuals within our own operations and throughout the entire value chain, we ensure that employees and workers feel secure in raising their concerns with us. One such measure includes ensuring that our [Social Responsibility Policy Statement](#) and [Business Partner Code of Conduct](#) are being strictly adhered to by our own operations as well as our business partners. In complying with all international laws and regional statutory regulations and laws in regions of significant operations, we take a zero-tolerance stance towards any form of child and forced labour, corporal punishment and discrimination.

We exercise a heightened level of caution and prudence in our interactions with suppliers and business partners, prioritising ethical and responsible practices. During our supplier screening process, we filter out suppliers which violate the principles of human rights, have an unfavourable working environment or treat their workers unfairly. We have implemented a stringent requirement for third parties to provide evidence certifying their adherence to human rights, child labour and forced labour standards. Those who fail to submit these essential documents are not considered for engagement or partnership.

After engaging with third parties, we conduct frequent labour rights assessments, inspections and audits to award each a rating that reflects their practices. In the event that a third party continually receives an unsatisfactory rating or fails to show improvement in its practices, we immediately terminate our business relationship. As of 31 December 2023, none of our business relationships have been terminated on the grounds of human rights and ethical labour standards.

## CREATING A DIVERSE, EQUAL AND INCLUSIVE WORKPLACE

The Group values diversity within its workforce and the range of unique perspectives, values, skills and experiences that come with it. We place significant emphasis on treating every employee with equal respect, irrespective of factors such as age, ethnic origin, gender, or religious beliefs, honouring their individual identities and experiences.

The Group's Global Equal Opportunities Policy firmly prohibits all forms of harassment or discrimination, while its Social Responsibility Policy Statement demonstrates a steadfast commitment to eliminating any instances of discrimination. The Group complies with the Sex Discrimination Ordinance in Hong Kong and all applicable employment laws and regulations in every applicable jurisdiction that have a significant impact on the Group. During the Reporting Period, the Group recorded no incidents of discrimination.

### THE RACIAL DIVERSITY & INCLUSION CHARTER FOR EMPLOYERS

KLN supports "The Racial Diversity & Inclusion Charter for Employers" with the Equal Opportunities Commission in Hong Kong. The collaboration aims to promote the principles of ethnic diversity and inclusion in the workplace and work towards the charter goals of having an Inclusive Policy, Inclusive Culture and Inclusive Work Environment.

### PROVIDING EQUAL OPPORTUNITIES

Across all our employment, training and career progression practices, we have embedded principles of egalitarianism and fairness. We strive to ensure that our talent is provided with equal opportunities and that all appraisals and career advancement decisions are based purely on performance and merit. We are committed to proactively including individuals with special needs and disabilities in our recruitment process.

### CREATING AN INCLUSIVE WORKPLACE

The Group endeavours to cater to the needs of employees from diverse backgrounds, religious beliefs, and ethnicities. Some of the Group's offices provide facilities such as disabled washrooms and prayer rooms. At our Singapore operations, we ensure employees can observe traditions by allowing them to leave early during religious holidays.

The Group proactively runs initiatives to promote employees' awareness of human rights, anti-discrimination, and equal opportunities. A dedicated channel has been established to collect and address employee concerns and complaints related to workplace equality, ensuring a prompt and effective response.

### GATHERINGS IN THE FESTIVE SEASON

- Hari Raya Puasa Lunch – Hari Raya is a momentous religious festival observed by Muslims worldwide, marking the end of Ramadan, the sacred month of fasting. This occasion commemorates the spirit of gratitude, forgiveness, and community. All Malay and Indian employees came together to share lunch and enjoy a sense of unity.
- Deepavali Celebration – Deepavali, the revered Hindu festival of lights, holds significant cultural importance and is recognised as an official holiday in Singapore. During this festive occasion, celebrants adorn their homes, temples, and workplaces with beautifully lit diyas (oil lamps), candles, and lanterns. To mark the festival, our colleagues came together to handcraft diya lamps and join in with singing alongside the elderly community.

## NURTURING AND DEVELOPING TALENT

KLN is deeply committed to the growth and development of young talent, with a focus on cultivating future leaders. We provide comprehensive upskilling through our own training programmes and offer a variety of opportunities for continuous learning and growth. Our aim is to create an environment that supports the professional and personal development of our employees, fostering the next generation of ambitious leaders who embody our vision of creating a world-class logistics network.

### DEVELOPING TALENT AND LEADERS

To demonstrate our commitment to delivering sustainable logistics solutions, we provide diverse apprenticeship, internship, and placement programmes. These initiatives are specifically designed to attract and invest in young talent. Additionally, we have implemented comprehensive training initiatives across our operations, enabling employees to enhance their knowledge and continually expand their skill sets.

### YOUNG EXECUTIVES ACADEMY

The Group nurtures future leaders by fostering their growth through the Young Executives Academy (“YEA”). This is KLN’s designated platform to support the development of employees at different stages of their careers, ranging from student interns to managers. Through the YEA programme this year, we successfully recruited 50 talented young executives from Singapore, Thailand, Malaysia, Indonesia, Kazakhstan, the Mainland of China and Hong Kong.

With two distinct programmes, the YEA ensures that individuals receive customised learning experiences that align with their specific professional development needs at different stages in their career:

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#### Management Trainee (“MT”) Programme

- Nurtures fresh graduates, regardless of their academic background, to become the Group’s future business leaders
- This year, a stream-based approach has been adopted to best suit the needs of our core business lines
- Offers rotation across different business streams with overseas exposure

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#### Internship Programme

- A six-month programme
  - Allows candidates to gain hands-on experience and explore interests for career progression
  - Outstanding interns are fast-tracked to the Group’s MT programme after graduation
-

### APPRENTICESHIP PROGRAMME IN COLLABORATION WITH THE VOCATIONAL TRAINING COUNCIL OF HONG KONG

This year we partnered with the Vocational Training Council (“VTC”) in Hong Kong, to create well-defined career paths for young individuals. Through this joint effort, the identified promising student was provided with hands-on internship experience together with vocational training programmes, integrating theoretical knowledge with practical application. The employability and readiness for real-world challenges was greatly strengthened. The partnership allowed us to make a positive impact to the community and leverage valuable resources to fulfil our duties as a responsible corporate.

### SCHOLARSHIP PROGRAMMES

Scholarship programmes collaborated with the university in Hong Kong, namely “Kerry Logistics Network Scholarship for Global Service-Learning Programmes” & “Kerry Logistics Network Scholarships”. These programmes aim to provide financial assistance to students with a passion for volunteering initiatives and cultural exchanges, as well as those with stellar academic performance and conduct. Scholarship recipients of the former programmes are eligible to participate in various overseas community services programmes during their summer break. Additionally, we also offer internship opportunities to the scholarship recipients to enable the youth to gain valuable work experience and broaden their horizons.

### TRAINING AND PROFESSIONAL DEVELOPMENT

This year, we facilitated the learning and development of our employees through the Group’s own training programmes and by offering financial assistance to pursue external educational programmes.

Internal training takes the form of orientation training for new joiners and periodic job nature-specific training for existing employees. We use a training matrix to identify each employee’s attributes and customise training based on their business division and learning needs. In Brazil, assessments are carried out every six months on the basis of this customised individual development plan. In the Mainland of China, training is focused on improving software skills and enhancing industry knowledge for new hires. Furthermore, we utilised the Kerry Reading platform to deliver training online. At our Singapore operations, we operate a job rotation programme to allow employees to gain a broader understanding of different roles and functions within the organisation.



# OUR ENVIRONMENT



The Group has a clear sustainability vision that is anchored in well-defined goals and a strategic approach. The vision gives the Group a platform to create a positive environmental impact and generate value for our stakeholders and the environment where we operate.

To enhance its understanding of its environmental footprint, the Group has undertaken a thorough carbon assessment. The process of quantifying GHG adheres to the guidelines<sup>3</sup> established by the Electrical and Mechanical Services Department and the Environmental Protection Department of Hong Kong. Moreover, it references internationally recognised standards, including the Greenhouse Gas Protocol, the ISO 14064-1 standard, and the Global Logistics Emissions Council (“GLEC”) Framework.

### Our Targets

- Achieve net zero emissions from our operations and value chain by 2050
- Reduce energy and water consumption in our operations
- Adopt green energy and gradually replace conventional energy consumption
- Reduce consumption of packaging materials and increase the proportion of sustainable packaging material
- Improve education and raise awareness among stakeholders through training and campaigns
- Develop more green logistics solutions to offer to customers

<sup>3</sup>Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong

### Our Prioritised SDGs and Targets



- Target 12.2: Achieve the sustainable management and efficient use of natural resources
- Target 12.5: Substantially reduce waste generation through prevention, reduction, recycling and reuse
- Target 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
- Target 13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

### Our Focus Areas

- Tackling Climate Change
- Climate-related Financial Disclosures
- Minimising Environmental Footprint

## TACKLING CLIMATE CHANGE

The urgent nature of climate change means action is needed worldwide to reach net zero by 2050, in line with the objectives of the Paris Agreement. As a leading global logistics solutions provider,

the Group is committed to strengthening its operational resilience and assuming a proactive role in the fight against climate change. The Group's [Climate Change Policy Statement](#) outlines its contributions to environmental protection across four principal dimensions: mitigation, adaptation, resilience, and disclosure.

### BUILDING RESILIENCE TO CLIMATE CHANGE

The Group's extensive business activities are exposed to a wide range of climate-related risks. To effectively address these risks, the Group has taken proactive measures across its operations and value chain. It is actively exploring the integration of its risk management processes and policies with the recommendations put forth by the Financial Stability Board's TCFD. In preparation for climate-related financial disclosure, the Group has been working towards aligning its operations with the International Financial Reporting Standards (“IFRS”) S1 and S2 standards, published by the ISSB in 2023. These standards, together with the TCFD recommendations, serve as a comprehensive framework for assessing and disclosing climate-related risks and opportunities. The Group has implemented several initiatives, including emissions and energy management, optimised route planning, enhanced fleet and facility efficiency, transition to renewable energy sources, adoption of sustainable packaging materials, and waste reduction and recycling.

## DECARBONISING OUR LOGISTICS OPERATIONS

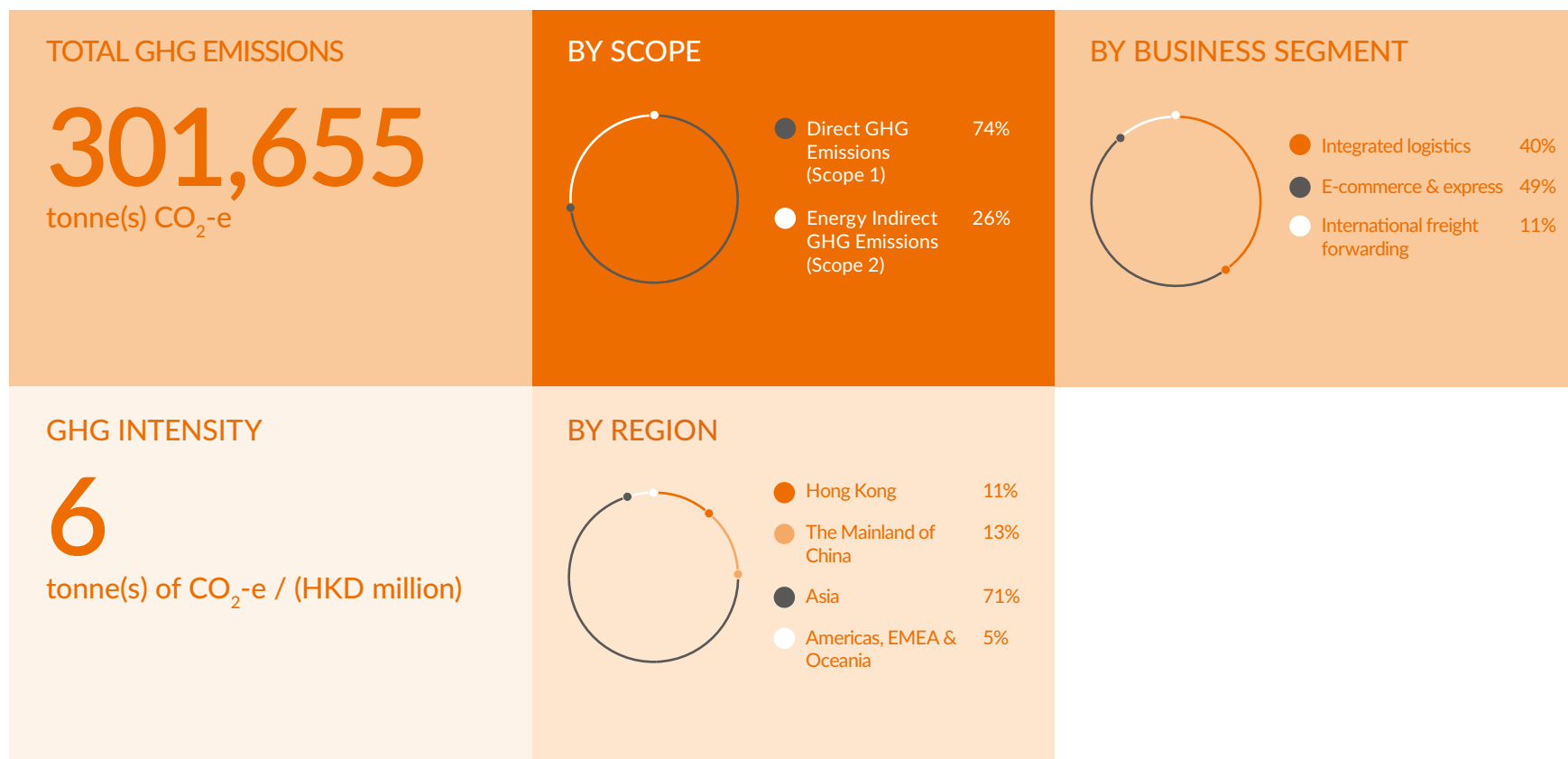
The Group acknowledges the growing need to limit the effects of global warming and recognises the role that it can play through decarbonisation. KLN is at the forefront of driving transformation towards a more sustainable logistics industry through its commitment to achieving net zero emissions by 2050. The Group has accelerated its efforts to reduce carbon emissions in four key areas:

- Carbon Reduction
- Energy Efficiency and Renewable Energy Adoption
- Carbon Offsetting
- Transparency of Disclosure

## CARBON REDUCTION TARGETS

The Group is committed to exploring new and innovative strategies aimed at reducing its carbon footprint. In alignment with its dedication to minimising environmental impact, the Group is actively studying the establishment of a baseline figure for its GHG emissions across its global operations. A comprehensive summary of the carbon

## GHG EMISSIONS (SCOPE 1+2) IN 2023



assessment is presented on the subsequent page, outlining key statistics for the year 2023. The assessment primarily focuses on the Group's transport services, i.e. air freight and shipping, considering the significant role these emissions play in its operational activities. For further details, please refer to the Environmental Performance Data section within the appendices of this report. Meanwhile, an in-depth study is under way to evaluate Scope 3 emissions related to the Group's broader value chain. In 2023, the Group has engaged with external consultants to perform a screening for all scope 3 categories, which we have identified Scope 3 Category 4 (Upstream transportation and Distribution) as the major contributor of KLN's Scope 3 emission.

## SCIENCE-BASED TARGETS

KLN recognises importance on the adoption of science-based targets to mitigate GHG emissions and drive sustainable growth. Science-based targets enable the development of quantifiable and measurable reduction objectives that align with the latest scientific evidence, providing companies with a robust framework to achieve net zero. In line with the Group's vision to lead the logistics industry towards a sustainable future, the Group continuously seeks to improve its emissions tracking methods and proactively explores opportunities to establish definitive, science-based targets for emissions reduction.

## ENERGY EFFICIENCY AND RENEWABLE ENERGY

The Group is constantly conducting research into new technology and processes aimed at optimising energy consumption, while it continues to invest in renewable energy. Prioritising the pursuit of energy efficiency in its fleet and facilities through the optimisation of logistics routes and the exploration of energy-saving measures, the Group remains committed to improving the sustainability of its operations. KLN will continue to drive energy efficiency across its road transport and warehouse operations and is committed to increasing its utilisation of renewable energy in the short-term.

### ENERGY EFFICIENCY

The Group's energy efficiency measures are focused on two areas: road transport and warehouse operations. Further details are set out in the table below:

Metrics	2023 (tonnes of CO <sub>2</sub> -e)	2022 (tonnes of CO <sub>2</sub> -e)	2021 (tonnes of CO <sub>2</sub> -e)
Other Indirect GHG emission (Scope 3) – Category 4: Upstream Transportation and Distribution	2,149,700	2,070,159	2,383,660
GHG removals from newly planted trees	9	6	8



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## Road Transport

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Operational Efficiency	<ul style="list-style-type: none"><li>• Enhancing route planning</li><li>• Instilling responsible behaviour through measures including carrier capacity optimisation, mileage yield monitoring, driver training, and regular fleet maintenance</li><li>• Adopting energy-efficient electric forklifts to replace traditional fuel forklifts</li><li>• Reviewing standard operating procedures during loading and unloading to save energy and reduce emissions</li><li>• Monitoring daily fuel consumption by respective departments to ensure energy consumption remains within limits</li></ul>
Sustainable Logistic Solutions	<ul style="list-style-type: none"><li>• Providing optional logistics solutions with lower carbon emissions. For example in Hong Kong, the Group promotes the use of more flexible and greener road freight options between Hong Kong and Macau</li></ul>
Fleet Modernisation	<ul style="list-style-type: none"><li>• Adopting electric and hybrid vehicles</li><li>• Phasing out vehicles with lower emissions standards</li></ul>

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## Warehouse Operations

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Building Envelope	<ul style="list-style-type: none"><li>• Reducing energy loss from cold storage facilities by replacing a low efficiency cold plant system at one of the Groups' cold storage facilities in Hong Kong in 2023, which resulted in a 20% reduction of energy consumption</li><li>• Confirmed plans to introduce Balanced Wave Technology in a warehouse in Hong Kong to reduce electric consumption from air-conditioning by 15%</li></ul>
Lighting	<ul style="list-style-type: none"><li>• Replacing fluorescent lights with more energy-efficient light-emitting diode ("LED") alternatives</li><li>• Expanding the use of LED lights to logistics facilities in Thailand, Singapore, the Mainland of China and Oceania</li><li>• Adopting motion sensor lights to improve energy savings at new logistics facilities in Hong Kong</li></ul>
Air Conditioning and Refrigeration System	<ul style="list-style-type: none"><li>• Implementing maintenance plans aimed at efficiency, such as regular cleaning of dust filters and fan coils</li><li>• Procuring environmentally friendly air conditioners in the Mainland of China</li><li>• Using refrigerants at one of the Group's cold storage facilities in Hong Kong with an environmentally friendly mixture of natural gases (ammonia and carbon dioxide)</li></ul>

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## RENEWABLE ENERGY AND CLEAN MOBILITY

The Group is committed to emissions reduction by increasing its use of renewable energy sources and implementing electrification measures for transport and equipment, whenever viable. The proliferation of clean energy technology presents valuable opportunities for reducing the dependence on fossil fuels and minimising the Group's environmental impact. KLN embraces advancements in green energy and technology, recognising their potential to help it operate sustainably. These developments enable the Group to offer alternative green logistics solutions to its customers, further underscoring its commitment to environmental responsibility.

### MAKING OUR OPERATIONS GREENER

#### IMPLEMENTATION OF SOLAR PANELS

The Group installed solar panels at warehouses in Hong Kong, the Mainland of China, Thailand and Singapore. The installation of a new solar roof is under way at Kerry Siam Seaport, Thailand, which has been completed in 2023 and generated over 520,000 kWh of renewable energy in less than a year of implementation. Meanwhile, more than 2,400 solar panels have been installed on the roof of a warehouse site in Singapore. The panels reduce emissions by providing 58% of the facility's total electricity consumption.

### ADOPTING ELECTRIC VEHICLES AND EQUIPMENT

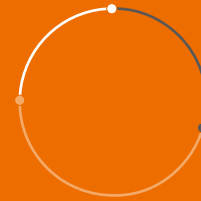
The Group is a pioneer in transitioning to electric, hybrid and low emissions vehicles across its operations in Hong Kong, the Mainland of China, Thailand and Oceania. In fact, KLN is the first logistics company to use electric trucks in Hong Kong. Electric and hybrid trucks are undergoing a second round of assessment and trials to determine whether they can be implemented gradually in Hong Kong and Thailand. Meanwhile the Group has installed electric vehicle ("EV") charging stations at its Hong Kong headquarters to bolster infrastructure in preparation for the increased use of electric trucks. Furthermore, in Hong Kong, Thailand and Oceania, the Group has replaced traditional fuel forklifts with electric alternatives, which has helped to further reduce emissions.

## ENERGY CONSUMPTION IN 2023

### TOTAL ENERGY CONSUMPTION

1,174,387  
MWh

### BY BUSINESS SEGMENT

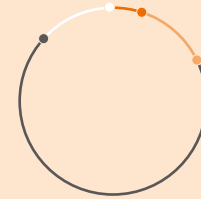


Integrated Logistics	29%
E-commerce & Express	47%
International Freight Forwarding	24%

### ENERGY INTENSITY

23  
MWh/(HKD million)

### BY REGION



Hong Kong	6%
The Mainland of China	12%
Asia	69%
Americas, EMEA & Oceania	13%

### CARBON OFFSETTING

Carbon offsetting is a process that enables companies to invest in environmental projects by purchasing carbon credits equivalent to the GHG emissions generated through their business activities. The Group turns to carbon offsetting to balance out its environmental impact in situations where it is unable to avoid or reduce emissions

through alternative methods. In accordance with the Group's [Carbon Offset Policy](#), the initiative involves the acquisition of high-quality carbon credits from certified organisations which serves as a valuable tool for immediate action. Meanwhile the Group continues to work on implementing long-term emissions reduction strategies that contribute to its net zero goal.

### TRANSPARENCY AND DISCLOSURE

KLN is firmly committed to transparency and accountability when disclosing its sustainability progress and achievements. The Group places great emphasis on accurately and responsibly measuring its performance to enable stakeholders to make an accurate assessment of its sustainability progress. KLN makes this information available

to the public through official channels, such as its comprehensive sustainability reports, ensuring a transparent account of its sustainability practices.

In order to cultivate trust and credibility among investors and customers, KLN proactively participated in CDP's climate change survey in 2023 and received continuous improvement. This involved transparently disclosing the comprehensive actions taken by the Group to address climate change, meticulously measuring its environmental footprint, and actively promoting sustainable practices throughout its operations. By actively engaging in the survey, KLN set a benchmark for its performance against industry peers, identified areas for improvement, and demonstrated its commitment to transparency. Participation in the survey contributes to the Group's ongoing efforts to build trust and credibility with its stakeholders.

## CLIMATE-RELATED FINANCIAL DISCLOSURES

As part of our Sustainability Vision Statement, we are committed to aligning ourselves with the recommendations of the TCFD. The recommendations form the basis for the International Sustainability Standards Board's IFRS Sustainability Disclosure Standard, which

act as a guide for businesses to categorise, manage and report on climate-related risks. The Group has developed a three-year approach to further enhancing its climate-related governance initiatives, embedding climate-related considerations into its strategy, conducting a more in-depth assessment of climate-related risks and incorporating the relevant findings within its enterprise risk management system.

In the initial phase, the Group has directed its focus towards identifying climate risks (Phase 1). During the second year, an assessment will be conducted to evaluate the financial impact

associated with climate-related risks (Phase 2). In the third year, the Group will concentrate on formulating a robust climate change adaptation plan (Phase 3). In the meantime, it will set quantitative short, mid, and long-term emissions reduction targets to track performance and ensure continued progress towards achieving the Group's net zero commitment. The Group's climate-related progress for the Reporting Period is as follows:

<p><b>GOVERNANCE</b></p> <ul style="list-style-type: none"> <li>• Reviewed and approved the Phase 1 climate risk assessment</li> <li>• Set out plans to enhance stakeholder engagement on climate-related issues, targeting investors, customers, and employees</li> <li>• Planned to extend climate-related training to employees at various levels</li> </ul>	<p><b>STRATEGY</b></p> <ul style="list-style-type: none"> <li>• Enhanced the disclosure on Phase 1 assessment results by regional operations</li> <li>• Developed an internal tool for analysing emissions data and providing guidelines for targeted emission reduction areas</li> <li>• Highlight KLN's active engagement with ocean carrier for decarbonisation efforts</li> </ul>
<p><b>RISK MANAGEMENT</b></p> <ul style="list-style-type: none"> <li>• Identified material climate risks and conducted scenario analysis to assess the climate risk impact on the Group's physical assets</li> <li>• Identified and shortlisted vulnerable assets for Phase 2 financial impact assessment</li> </ul>	<p><b>METRICS AND TARGETS</b></p> <ul style="list-style-type: none"> <li>• Conducted a current state assessment on emissions and identified Scope 3 emissions as the primary contributor to the Group's total carbon footprint</li> <li>• Conducted feasibility and impact assessment on potential decarbonisation initiatives</li> <li>• Began the process of developing SBTi-aligned targets</li> </ul>

## GOVERNANCE

### BOARD OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

The Group demonstrates its commitment to sustainability at all levels including the Board, management, and functional units. The Board has ultimate accountability for overseeing the Group's strategic approach to sustainability and climate-related issues. Quarterly Board meetings are the opportunity to discuss climate-related risks and opportunities and the KLN's SC attends to provide an update on any new sustainability developments. The Group's Climate Change Policy Statement is further reviewed and approved by the Global Management Board, comprising Board members and senior management. They are also accountable for overseeing the development and adoption of the policy. Regular training workshops are conducted for Board members to enhance their understanding of climate-related issues.

The RMC, chaired by the Chief Executive Officer, is responsible for strengthening oversight of climate-related risks. The SC, chaired by an Executive Director, is responsible for overseeing the materiality of climate-related issues, recommending, and implementing strategies to mitigate climate-related risks, and ensuring that the Group's sustainability objectives and performance are reported accurately and transparently.

The Group has established several management teams and committees to ensure that climate related risks and opportunities are assessed and managed across the Group. For more details, please refer to the section titled "Governance Structure" in this report.

During the Reporting Period, the Group engaged an external consultant to conduct a comprehensive review of the identified risks. The consultant then examined the risks, presenting its findings to the SC. Subsequently, the SC communicated the results to the Board and, following a thorough review, the Board approved the Phase 1 Climate Risk Assessment Result. The approval underscores the proactive commitment of senior management and the Board to manage climate-related risks.

Moreover, the Group has improved data management efficiency and data quality through the introduction of a new ESG data management system. It will allow clearer assignment of data management responsibilities and facilitate a deeper analysis of our ESG performance. To maintain transparency and accountability, the Group utilises regular reporting mechanisms, both internally and externally. These mechanisms provide clear insight into the progress made toward achieving the net-zero commitment.

Looking ahead, the Group is committed to enhancing stakeholder engagement on climate-related issues, fostering transparent and inclusive interactions with investors, customers, and employees. Additionally, the Group aims to extend climate-related training to more employees. This initiative is designed to enhance overall awareness of, and engagement with, climate issues, ensuring that employees across the Group are equipped with the knowledge and understanding to actively contribute to the Group's climate goals.

## STRATEGY

### STRATEGY TO ADDRESS ACTUAL AND POTENTIAL IMPACTS OF CLIMATE-RELATED RISKS

#### *EVALUATING CLIMATE-RELATED RISKS AND OPPORTUNITIES*

During the Reporting Period, the Group engaged an external consultant to evaluate its climate-related opportunities and risks over various time horizons with reference to the TCFD recommendations. The Group's vulnerability and preparedness regarding climate-related risks have been assessed to determine which risk factors are most significant to KLN's business operations. With the consideration of both 1.5°C and 3°C scenarios, potential risks that have been identified in the medium or long-term time horizons include physical risks such as sea level rise, extreme

heat, coastal flooding, extreme precipitation, typhoons, and droughts, as well as transition risks such as the price impact of fuel and technology investments, and rising carbon prices. Such risks may potentially impact the Group in the form of increased operational costs, lost revenue due to service disruptions, impact on transport routes or a decrease in employee productivity.

Meanwhile, potential opportunities to be exploited include increasing consumer demand for environmentally friendly logistics solutions and the use of lower emission sources of energy to support the Group's resilience to carbon tax or carbon price fluctuations. These may allow the Group to take advantage of new revenue streams and avoid potential cost impacts.



## OVERVIEW OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

Category	TCFD Taxonomy	Specific Risk/ Opportunity	Time Horizon	Detailed Description	Potential Impact	Potentially Impacted Regions
Transition Risk	Technology	Price impact of fuel and technology investments	Medium Term	As the prices and investments to replace existing technology increase, it is expected that the costs of air freight, shipping, and road transport will also increase. This is because transport companies will incur upfront costs and timing decisions related to these increases. For example, transport companies may need to invest in new technology to reduce the amount of fuel consumed, or they may need to invest in fuel-efficient vehicles to reduce costs and emissions.	<ul style="list-style-type: none"> <li>Increase in operational cost</li> </ul>	<ul style="list-style-type: none"> <li>Thailand</li> </ul>
Transition Risk	Policy	Carbon price	Medium Term	Carbon prices are expected to rise, which could lead to increased instability in business operations. This could have a significant effect on internal environmental management, operating decision-making, and operating costs for the company.	<ul style="list-style-type: none"> <li>Increase in operational cost</li> </ul>	<ul style="list-style-type: none"> <li>The Mainland of China</li> <li>Thailand</li> </ul>
Transition Opportunity	Reputation and Market	Consumer demand for environmentally friendly logistics solutions	Long Term	With the increased focus on climate change and environmental protection, more customers are looking for environmentally friendly logistics solutions. This presents an opportunity for companies to capitalise by providing different green logistics solutions. For example, companies could provide services including carbon offsetting, sustainable packaging, green delivery. Additionally, providing such services can help companies attract more environmentally conscious customers and build long-term relationships.	<ul style="list-style-type: none"> <li>New revenue stream due to shift in market demand</li> </ul>	<ul style="list-style-type: none"> <li>The Mainland of China</li> <li>Thailand</li> <li>USA</li> </ul>
Transition Opportunity	Energy Source and Resilience	Use of lower emission sources of energy	Medium/ Long Term	The use of alternative fuels can help the Group to become more resilient to any increases in carbon taxes or carbon prices by reducing total emissions from operations. In addition, utilising alternative fuels can help companies to meet environmental regulations and demonstrate their commitment to sustainability.	<ul style="list-style-type: none"> <li>Avoided cost impact</li> </ul>	<ul style="list-style-type: none"> <li>The Mainland of China</li> <li>Thailand</li> </ul>

Category	TCFD Taxonomy	Specific Risk/ Opportunity	Time Horizon	Detailed Description	Potential Impact	Potentially Impacted Regions
Physical Risk	Chronic Physical Risk	Sea level rise	Long Term	Rising sea levels may disrupt shipping services and affect transport routes due to ports and facilities experiencing sea level rise. Sea level rise can cause flooding, erosion, and other damage to ports and related facilities, which can result in delays and other disruption to shipping services.	<ul style="list-style-type: none"> <li>Loss of revenue due to service disruptions</li> <li>Increased operational expenses due to the impact on transport routes</li> </ul>	<ul style="list-style-type: none"> <li>Hong Kong</li> <li>The Mainland of China</li> <li>USA</li> </ul>
Physical Risk	Chronic Physical Risk	Extreme heat	Medium/ Long Term	<p>Sustained higher temperatures over time or extreme heat waves may potentially lower employees' productivity and result in higher energy costs for cooling infrastructure.</p> <p>Extreme heat may also negatively affect transport routes due to its impact on railway tracks, roads and runways. High temperatures can cause the tracks, roads and runways to buckle, which can cause delays and other disruption to transport.</p>	<ul style="list-style-type: none"> <li>Increased operational costs due to decrease in employee productivity,</li> <li>Increased operational costs of cooling and impact on transport routes</li> <li>Loss of revenue due to service disruptions</li> </ul>	<ul style="list-style-type: none"> <li>Thailand</li> </ul>
Physical Risk	Acute Physical Risk	Coastal flooding	Long Term	Coastal flooding due to storms, high tides, and surges can damage or destroy assets, warehouses, ports, and other property, resulting in significant losses. Storms, high tides, and surges can overwhelm coastal areas, leading to flooding and erosion. This can damage or destroy assets, infrastructure, and property, resulting in significant losses.	<ul style="list-style-type: none"> <li>Loss of revenue due to service disruptions</li> <li>Increased operational expenses due to impact on transport routes</li> <li>Damage to assets and increasing repairing costs</li> </ul>	<ul style="list-style-type: none"> <li>Hong Kong</li> <li>The Mainland of China</li> </ul>



Category	TCFD Taxonomy	Specific Risk/ Opportunity	Time Horizon	Detailed Description	Potential Impact	Potentially Impacted Regions
Physical Risk	Acute Physical Risk	Extreme precipitation	Long Term	Extreme precipitation, such as heavy rain, snow, or hail, can cause significant damage, including flash flooding, which can damage assets, infrastructure, disrupt services, and make it difficult for people to access essential services.	<ul style="list-style-type: none"> <li>Loss of revenue due to service disruptions</li> <li>Increased operational expenses due to impact on transport routes</li> </ul>	<ul style="list-style-type: none"> <li>Thailand</li> <li>The Mainland of China</li> </ul>
Physical Risk	Acute Physical Risk	Typhoons	Medium/ Long Term	Typhoons may cause extensive flooding, property and infrastructure damage (road transport and electricity supply), service disruption (transport and delivery), which can lead to significant economic impact.	<ul style="list-style-type: none"> <li>Loss of revenue due to service disruptions</li> <li>Increased operational expenses due to impact on transport routes</li> <li>Damage to assets and increasing repairing costs</li> </ul>	<ul style="list-style-type: none"> <li>Hong Kong</li> <li>The Mainland of China</li> <li>Thailand</li> <li>USA</li> </ul>
Physical Risk	Chronic Physical Risk	Droughts	Medium/ Long Term	Increased frequency of droughts can cause significant disruption to shipping operations, as it can impact shipping routes. Droughts can reduce water levels in rivers and other waterways, making them too shallow for ships to navigate.	<ul style="list-style-type: none"> <li>Loss of revenue due to service disruptions</li> </ul>	<ul style="list-style-type: none"> <li>The Mainland of China</li> </ul>

## CONDUCTING LOCATION-SPECIFIC CLIMATE-RELATED RISK ASSESSMENT

The vulnerability of the Group's assets will vary depending on the characteristics such as the asset's structure, materials, location, and surrounding environment. Therefore, the Group has conducted a detailed location-specific climate-related risk assessment to determine the potential threat posed to KLN's warehouses, transfer centres, offices, and other physical assets. The results will be incorporated into the Group's strategic decision-making and future financial planning processes.

Following the completion of the Phase 1 assessment, a targeted selection process identified 84 assets for further examination, recognising them as high-risk assets susceptible to physical climate risks. The geographic distribution of these assets introduces diverse challenges. For instance, locations in Hong Kong are prone to typhoons, while certain regions in the Mainland of China face risks associated with coastal flooding, extreme precipitation, and drought. In Thailand, assets are susceptible to the impacts of typhoons and extreme heat, and in the USA, the risks include typhoons and rising sea levels.

Acknowledging the unique vulnerabilities of each high-risk asset, the Group is intensifying its focus on risk mitigation strategies. This comprehensive approach involves additional due diligence and operational reviews, reflecting the necessity for heightened attention and care to address specific climate-related challenges facing each asset.

To ensure a robust and informed approach, the Group has engaged third party consultant to develop a financial impact assessment methodology and perform a quantitative analysis of key risks and opportunities. The Group plans to apply the same approach to understanding the financial impact of each potential risk identified.

This proactive approach aims to provide a more precise understanding of potential financial implications, thereby enhancing the Group's ability to make informed decisions in the face of climate-related risks and opportunities.

## DEVELOPING A CLIMATE RESILIENCE STRATEGY

Recognising the substantial transition climate risk associated with emission reduction, the Group understands the need to embark on the decarbonisation journey. The Group has taken significant steps to mitigate climate risks by developing an internal tool that serves as a comprehensive guideline and identifies focus areas for the Group. This tool has proven instrumental in pinpointing emissions data across various regions and business activities, enabling the Group to formulate a targeted emissions reduction plan. For more detailed information on our emission reduction initiatives, please refer to the "Tackling Climate Change" section.

In addition, the Group has proactively collaborated with carriers to address emissions at the source. As a substantial portion of Scope 3 emissions originates from ocean carriers, the Group organised an ocean summit to engage with carriers and encourage the development of SBTi-aligned goals. This strategic approach aims to significantly reduce the Group's Scope 3 emissions, supporting the Paris Agreement's objective to limit global warming.

The Group has consistently advocated transparency and accountability by urging carriers to disclose fleet and fuel consumption data through platforms such as EcoVadis or the CDP. This initiative not only aligns with our sustainability goals but also positions the Group as a leader in the transition to a low-carbon economy. Through collaborative efforts with carriers, the Group demonstrates its commitment to achieving emission reduction targets and actively contributing to industry-wide decarbonisation efforts.

## RISK MANAGEMENT

As a multinational company principally focused on integrated logistics and international freight forwarding businesses, adverse weather effects, increased temperatures and other impacts brought about by climate change will undoubtedly affect the maintenance and full utilisation of the Group's existing transport routes around the world. The Group ensures that climate-related risks are accounted for in its business strategies and operations, through the development of contingency plans, active monitoring and management of risks, as well as staying informed of any new policies and changes in the market that could affect the Group's operations.

## CLIMATE RISK ANALYSIS OF OUR BUSINESS OPERATIONS

The Group has conducted a thorough climate risk analysis of its business operations with the assistance of external consultants, with the aim of ensuring climate risks are reflected proportionally in the overarching risk management policy. The climate risk analysis was split into two parts, analysing both 1.5°C and 3°C scenarios.

The first part consisted of an indicative analysis of all physical and transition climate risks, taking into consideration the three facets of severity, likelihood, and vulnerability, as well as considering both short-term and long-term trends. The process provided a foundational understanding of the potential risks at various scales.

The second part consisted of an in-depth analysis of climate risks faced by physical assets owned or operated by the Group, prioritised by economic output and concentration of assets in the respective geographical location to provide a granular assessment of physical assets and allow for a more targeted evaluation. Leveraging reputable data sources such as the Intergovernmental Panel on Climate Change ("IPCC") and the World Resources Institute ("WRI") and employing advanced analytical tools like the Global Change Assessment Model ("GCAM"), the assessment integrated historical climate data, geographical vulnerability, and market trends into a comprehensive framework.

Furthermore, the assessment included a scenario analysis, examining different climate scenarios and their potential implications. This forward-looking approach anticipated the impact of varying climate conditions on the Group's operations, providing insight into potential future challenges and opportunities and enhancing its preparedness and adaptability.

After completing the Phase 1 assessment, specific vulnerable assets have been identified and shortlisted for detailed assessment in Phase 2. This subsequent phase will analyse the financial implications associated with the climate risks affecting the Group. A comprehensive mitigation plan will then be formulated, aiming at minimising the adverse effects. The plan will include strategic measures and targeted action to enhance the Group's resilience and responsiveness to potential financial challenges posed by climate change, ensuring a proactive and effective risk management approach.

## METRICS AND TARGETS

### MEASURING AND REPORTING ENVIRONMENTAL PERFORMANCE AND CLIMATE-RELATED PROGRESS

The Group captures a variety of climate-related metrics that allow it to measure its environmental performance against its stated goals. The Group annually reports its Scope 1, 2 and selected Scope 3 GHG emissions in accordance with the Listing Rules and in line with the GHG Protocol. A comprehensive account of the Group's environmental metrics is disclosed in "Appendices – Environmental Performance Data".

## ACHIEVING NET ZERO EMISSIONS BY 2050

In 2021, the Group has pledged to achieve net zero emissions from its operations and value chain by 2050. To provide a clear trajectory for emissions reduction, the Group is currently in the process of setting goals aligned with the SBTi. This involves setting short-, medium- and long-term targets using a rigorous science-based methodology aligned to the GHG Protocol Corporate Standard and the Guidance.

Within the SBTi framework, specific emphasis is placed on setting Scope 3 emissions reduction targets, recognising the impact of these indirect emissions throughout the value chain. Consequently, a comprehensive mapping exercise has been carried out and identified seven categories of Scope 3 relevant and material to KLN's value chain.

A thorough current state assessment of emissions has been conducted by the Group, revealing that Scope 3 emissions are the primary contributor to its total emissions footprint. Due to the significance of Scope 3 emissions, the Group understands the need for enhanced data collection procedures. Plans are underway to improve the accuracy and breadth of Scope 3 emissions data to give us a better understanding of the environmental impact of our value chain.

Simultaneously, we are working with stakeholders to ensure we accurately understand their decarbonisation efforts. The Group is actively exploring decarbonisation solutions such as alternative fuels for air freight and sea freight, and the design of low carbon logistics solutions for customers. A thorough assessment of the feasibility and impact of potential initiatives has been conducted, paving the way for a comprehensive decarbonisation roadmap.

The Group is committed to nurturing engagement with stakeholders on climate-related issues. This commitment extends beyond routine interactions, encompassing initiatives such as the organisation of our annual ocean summits. These events are constructive platforms to foster collaboration, in line with the Group's determination to address climate challenges.

## MINIMISING ENVIRONMENTAL FOOTPRINT

The Group acknowledges the importance of mitigating the impact of its business activities on the environment and natural resources. As such, the Group has published an [Environmental Policy Statement](#) that articulates its commitment to upholding high standards of pollution prevention, resource preservation, and compliance with relevant regulations. This policy enshrines the Group's dedication to responsible environmental stewardship, ensuring the implementation of robust measures to minimise its ecological footprint and safeguard natural ecosystems.

### ENVIRONMENTAL MANAGEMENT SYSTEM

The environmental management practices adopted by KLN are guided by the ISO 14001 standard. The Group's operations in Hong Kong, the Mainland of China, Singapore, and some countries in Europe are certified by ISO 14001. By keeping abreast of best practice and adhering to all applicable laws and regulations, the Group strives to prevent environmental damage arising from its operations.

### AIR EMISSIONS AND SPILLAGES

The Group has proactively initiated measures to combat air pollution by gradually phasing out vehicles that do not meet stringent emissions standards. For more comprehensive information on these initiatives, please refer to the section titled "Tackling Climate Change – Decarbonising Logistics Operations".

Air Emissions in 2023	Tonnes
Nitrogen oxides (NO <sub>x</sub> )	1,907
Sulphur oxides (SO <sub>x</sub> )	3
Respirable suspended particulates (RSP)	118

Given the Group's responsibility for the storage and transfer of chemical materials on behalf of its customers, it maintains stringent protocols to prevent spillages or fires. These protocols encompass a range of measures, including meticulous storage and handling procedures for hazardous materials, regular equipment maintenance, and comprehensive training programmes on spill response and emergency protocols. By adhering to these protocols, the Group upholds the highest standards of safety and minimises the risk of incidents or accidents.

### WASTE MANAGEMENT

Waste management plays a vital role in the Group's comprehensive sustainability strategy. KLN is dedicated to reducing waste creation, minimising landfill utilisation, and continually exploring ways for waste reduction by adhering to the core principles of Reduce, Reuse, Recycle, Replace. In the forthcoming years, the Group will tirelessly pursue innovative approaches to waste management, ensuring alignment with these guiding principles and fostering a sustainable waste management framework.

Strategy	Practices
<p><b>REDUCE:</b> Reduce consumption at the source</p>	<ul style="list-style-type: none"> <li>• Reduce consumption of inbound and outbound packaging material (pallets, carton boxes, cardboard containers, dunnage and lashing materials) by combining packaging at each delivery point. For example in our Hong Kong warehouses, 50% post-consumer waste Polyethylene (“PE”) for stretch film has been used</li> <li>• Reduce paper consumption by switching to electronic archives and documents, online communication and electronic approvals instead of paper documents. For example an electronic proof of delivery (“EPOD”) system which uses QR code has replaced the use of paper in Hong Kong warehouses. From the end of 2023, KLN will only send paper copy corporate communications to its shareholders upon request</li> <li>• Encourage double-sided printing</li> </ul>
<p><b>REUSE:</b> Reuse materials or products in their original forms</p>	<ul style="list-style-type: none"> <li>• Use of re-treaded tyres to extend their life cycle where appropriate</li> <li>• Reuse of carton boxes</li> <li>• Reuse of paper printed on one side</li> </ul>
<p><b>RECYCLE/RECOVER:</b> Recycle materials that would otherwise be disposed of as waste and turn them into new products</p>	<ul style="list-style-type: none"> <li>• Recycle regulated electrical equipment (“REE”) under the Producer Responsibility Scheme on Waste Electrical and Electronic Equipment (“WPRS”) in Hong Kong</li> <li>• Recover heavy metals from the waste of electrical and electronic equipment (“WEEE”), for example, obsolete computers, electronic goods, customers’ products</li> <li>• Promote the use of recycled paper</li> <li>• Recycling of coffee grounds and food waste</li> <li>• Responsibly manage the recycling of paper archives with the assistance of professional recycling companies</li> </ul>
<p><b>REPLACE:</b> Replace materials with environmentally friendly alternatives</p>	<ul style="list-style-type: none"> <li>• Replace carton boxes and wooden pallets with more durable or recycled alternatives, such as logistics carts, plastic tote boxes and plastic pallets</li> <li>• Adopt bio-based plastics packaging material in some logistics projects to replace fossil-based plastics</li> <li>• Print the Group’s annual reports on Forest Stewardship Council (“FSC”) certified paper</li> </ul>

### DEPLOYING A FOOD COMPOSTING MACHINE

A major contributor to Hong Kong’s mounting landfills is food waste, which emits the greenhouse gas methane. The Group decided to reduce its own food waste footprint by installing a food composting machine in the cafeteria at its Hong Kong headquarters. By converting food waste into effluent water, this initiative has a three-pronged effect: reduction of waste sent to landfills, prevention of methane released into the atmosphere, and less fuel consumed to transport food waste to landfill sites. Initiatives like this underline KLN’s ambition to reduce its environmental footprint in every aspect of its operations.

### RECYCLING DAILY WASTE

Waste is a problem of resource misallocation. When people do not have an effective way to give out their unwanted items and take back what they need, waste is created while some people in society remain in need.

At our headquarters, we have employed a leading one-stop recycling service provider to offer smooth and easy office recycling. The service helps us to recycle more than 90% of office waste.

In 2023, we have successfully recycled around 800 kilograms of office wastes through the scheme.

## HANDLING HAZARDOUS WASTE

As part of its rigorous control of hazardous waste handling, all of the Group's Hong Kong warehouses are registered "Chemical Waste Producer(s)", as specified under local regulations. Major waste categories include lubricating oil, organic solvents, pesticides, fluorescent tubes, refrigerants, and printed circuit boards. The Group only engages with licensed waste collectors to handle hazardous waste with potential to damage the environment.

Waste in 2023	
Hazardous waste	54
Non-hazardous waste	20,113

Waste in 2023	
Hazardous waste intensity	<0.1 tonne(s)/ (HKD million)
Non-hazardous waste intensity	0.4 tonne(s)/ (HKD million)

## PACKAGING MATERIALS

Packaging constitutes an essential element of the Group's storage, distribution, and transportation services. KLN's packaging consumption comprises three primary components: shrink-wrap film, boxes, and pallets. These components play a crucial role in ensuring the safe and efficient handling of products throughout the supply chain.

The Group has committed to prioritising the use of durable and recycled materials as a means to reduce overall raw material consumption. In its operations in the Mainland of China, stringent adherence to national green packaging standards governs the procurement of packaging materials. In Thailand, the Group has successfully launched parcel boxes composed entirely of 100% recycled materials, while ensuring that all packaging incorporates a minimum of 70% recycled content.

To minimise packaging waste, KLN will actively collaborate with its suppliers to enhance recyclability through the exploration of innovative packaging materials and formats. By fostering close relationships with partners and embracing sustainable practices, the Group aims to continuously enhance its packaging sustainability performance, furthering its commitment to environmental stewardship.

## IMPLEMENTATION OF BIOBASED PACKAGING MATERIAL

Recognising the significant contribution of the industry to packaging waste, the Group is proactively implementing measures to transition towards sustainable alternatives. A noteworthy initiative undertaken in Hong Kong involves the replacement of plastic with sustainable bio-based packaging materials. These bio-based packaging solutions, derived from natural resources and agricultural waste, are 100% compostable and contain no fossil-fuel-based components. Moreover, our Singaporean team uses recyclable pallets, safety shoe material made of recycled materials, reduced-thickness plastic stretch film, and has replaced bubble-wrap with paper filler to minimise packaging waste. Importantly, greener packaging exhibits comparable strength and elasticity to conventional plastics, ensuring optimal functionality and performance across various packaging categories including stretch film, void fill, bubble sheets, and courier bags.

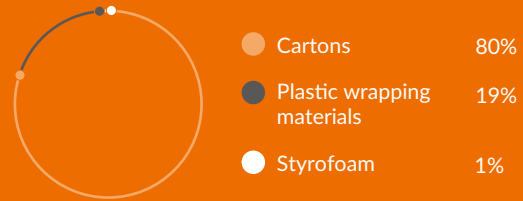
To encourage broader adoption of sustainable packaging materials, the Group procured a substantial quantity of 7,500 kilograms of bio-based film in 2023. This proactive step underlines the Group's unwavering commitment to embracing environmentally friendly solutions and mitigating the impact associated with packaging materials. By taking a leadership role on greener packaging, the Group sets a commendable example for the industry, showcasing its dedication to sustainable practices and environmental responsibility.

## PACKAGING IN 2023

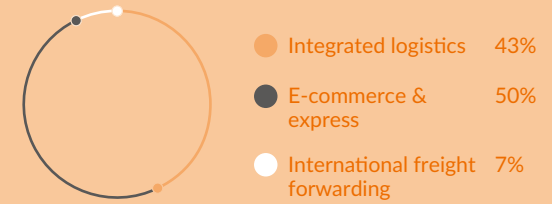
TOTAL PACKAGING CONSUMPTION

**5,672**  
tonnes

BY TYPE



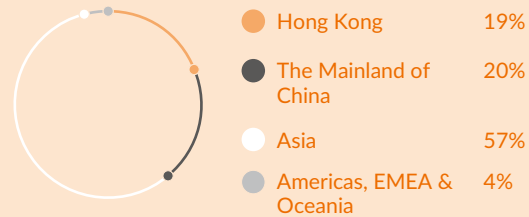
BY BUSINESS SEGMENT



PACKAGING MATERIAL INTENSITY

**0.1**  
tonne(s)/(HKD million)

BY REGIONS





## WATER EFFICIENCY

The Group's business activities do not rely on water resources, as water consumption is primarily limited to essential domestic purposes such as drinking and sanitation within KLN's operations. The Group actively encourages its employees and stakeholders to adopt water conservation practices, underscoring the significance of responsible water usage. The Group continuously monitors and is unaware of any water shortage difficulties in regions where it conducts business and has not faced trouble in locating sufficient water supplies for its operations.

KLN deeply appreciates the significance of water as an invaluable resource and actively fosters a culture of water conservation throughout its business operations. Despite its minimal water consumption, the Group maintains a steadfast commitment to managing its activities in a manner that safeguards water resources and minimises its operational water footprint. KLN remains resolute in its pursuit of options to reduce water consumption, and stands prepared to take decisive action whenever necessary to uphold this commitment.

## GREEN BUILDINGS

The Group understands that optimisation of the environmental performance of its logistics facilities plays a critical role in reducing emissions and conserving resources, and these factors are taken into account in the development of new facilities or the upgrade of existing buildings. The Group's Tai Po Product Customisation and Consolidation Centre ("PC<sup>3</sup>") and Kerry Tampines Logistics Centre in Hong Kong and Singapore respectively achieved the Leadership in Energy and Environmental Design ("LEED") (Gold) recognition, through the use of energy-efficient technologies and resource-conservation measures such as high-efficiency lighting and heating, ventilation, and air conditioning ("HVAC") systems, and the collection of rainwater to irrigate plants. PC<sup>3</sup> is the first industrial building in Hong Kong to be accredited with the Hong Kong Building Environmental Assessment Method ("HK-BEAM") (Gold).

### CONTINUING OUR ENERGY-SAVING INITIATIVES IN BUILDINGS

In 2023, the Group's Hong Kong division has trialled the adoption of a smart LED lighting system, the replacement of a cold store central cooling system, new photon technology at PC<sup>3</sup> and installation of solar panels at multiple warehouses. The Group hopes to have the results of photon technology's pilot scheme by Q3 2024 before it makes a decision on wider implementation.

## ENVIRONMENTAL COMPLIANCE

The Group is compliant with all relevant environmental regulations and takes its compliance obligations seriously, including the Air Pollution Control Ordinance in Hong Kong as well as all other applicable environmental laws and regulations in applicable jurisdiction that have a significant impact on the Group.



# OUR CUSTOMERS

17 PARTNERSHIPS FOR THE GOALS



The Group's commitment to continuously improving its products and service quality is evident in its enduring customer relationships and is clearly laid out in its [Quality Policy Statement](#). By maintaining a resilient value chain, we strive to deliver value to our partners. We aim to integrate sustainability throughout our supply chain, offering end-to-end sustainable solutions through exceptional services and ongoing innovation.

This year, we explored a new dimension of collaboration with our customers by examining their sustainability performance through ESG certifications like the EcoVadis sustainability ratings and carbon emission reports. By setting the example, we sought to inspire our customers to enhance their sustainability practices, strengthen our understanding of their operations, and increase transparency for our internal stakeholders.

### Our Targets

- Continually explore and adopt technological innovations to optimise our operational efficiency and strive to improve the quality of our products and services
- Explore new avenues to collaborate with customers with regards to innovation and sustainability

### Our Prioritised SDGs and Targets



- Target 17.16: Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries

### Our Focus Areas

- Delivering excellence in logistics solutions
- Boosting innovation

## DELIVERING EXCELLENCE IN LOGISTICS SOLUTIONS

### IMPROVING CUSTOMER SATISFACTION

To maintain excellent standards of service, we proactively schedule monthly or quarterly business reviews with key customers, where we thoroughly assess and evaluate our performance. In the event that a complaint is received or an incident of non-compliance with our quality standards is discovered, we immediately take the necessary corrective actions. Subsequent customer review meetings are held to collaboratively sketch out improvement plans

and frequent follow-up meetings are organised to check on our progress. Where areas for improvement are identified, we ensure we publicise key insights across all of our divisions by holding a region-wide workshop. In the Mainland of China, we use customer satisfaction surveys to gather feedback, gain insight into our strengths and weakness and identify areas for improvement.

This year, the Group achieved full compliance with the FIDI Accredited International Mover ("FAIM") Standard for our import and export relocation operations, which is audited by an independent third-party organisation. This certification validates our consistent quality of service, high supply chain performance and compliance with industry standards on a global stage.

Our quality review process complements our 360-degree customer complaint mechanism, through which customers can easily lodge and resolve their grievances. When complaints are received, we guide our staff to take an empathetic approach, provide a written response within 24 hours and take the required remedial actions. This year within our Myanmar operations, we held a series of training sessions to improve employees' product and service knowledge, build customer relationships and turn complaints into opportunities to improve our performance. In 2023, the Group did not receive any customer complaints that had a significant impact on its operations.

## STREAMLINING CUSTOMER FEEDBACK MANAGEMENT THROUGH ARTIFICIAL INTELLIGENCE

In the Mainland of China, we have begun to use an artificial intelligence system to efficiently manage and automate the customer feedback process. This tool automates the aggregation of feedback and complaints received from various platforms, including our company email, social media and live chat. Using the Plan-Do-Check-Act (“PDCA”) framework, it ensures our customer service teams can focus their attention solely on formulating and implementing solutions. The system provides an automated dashboard showing customer service agent performance and the status of customer complaints, so managers can ensure responses are made in a timely and effective manner. After the issue is resolved, feedback in the form of a customer happiness score is automatically updated in the system, which motivates our staff to keep improving their performance. Our investment in digital solutions underpins our culture of continuous learning and growth, enabling us to better understand our customers’ needs and enhance our products and services to exceed their expectations.

## BUILDING LASTING CONNECTIONS WITH OUR VALUED CUSTOMERS

At our Hong Kong headquarters this year, we sought to engage with our key customers in the following meaningful ways:

1. **Charity Run 2023:** A key client in the beauty and cosmetics industry organised a charity run to raise money for a cancer care centre and increase awareness about skin health. Nearly ten staff members of our operations team took part and helped to make a positive difference.
2. **Global Sustainability Contest:** We participated in a sustainability-themed competition organised by a customer in the luxury goods industry for its service providers.
3. **Enchanting Cinema Night:** This year, KLN organised a movie night for our key clients from different verticals and sectors. This event provided an opportunity to build meaningful connections and shared experiences, helping us to strengthen our relationships outside of work.

4. **Attending conventions:** KLN made the most of opportunities to connect with existing and potential customers at industry conventions. Our exhibition stands provided them with an interactive experience that highlighted our latest innovations and offerings.

## BOOSTING INNOVATION

In the era of artificial intelligence and automation, organisations seek the latest and most advanced solutions to streamline and digitise their operations. We have invested heavily in innovative solutions which will not only future-proof our products and services, but enable us to optimise our operations and reduce costs. When it comes to cutting-edge advancements in sustainable logistics, we actively explore and integrate new technologies and aspire to deliver best-in-class services to our customers.

## ROBOTICS AND AUTOMATION

Our investment in the widespread use of robots and automation at our warehouses and fulfilment centres not only boosts operational efficiency, but also promotes workplace safety by reducing the need for manual handling of heavy loads. We have continued to roll out the use of KOOLBee sorting robots at our operations in Hong Kong, the Mainland of China and for selected clients in Singapore. They help to reduce waiting times for loading and unloading of goods, optimising overall productivity by 270%.

Meanwhile, we continue to invest in and expand the implementation of our KOOLButler Automated Guided Vehicle (“AGV”) technology, which has significantly increased the efficiency in picking up and transporting goods within our warehouses. Using smart sensors and cameras, the vehicles find the optimal route to their destination. Since their introduction in 2022, they have reduced labour intensity of employees, increased warehouse space utilisation and improved oversight of progress in order handling.

### REVOLUTIONISING FULFILMENT: SMART KIOSKS AND AUTONOMOUS MOBILE ROBOT BOOST EFFICIENCY

This year, at our Hong Kong fulfilment centres, we have successfully introduced a new automation system to further boost operational efficiency: the KOOLKiosk.

Through its self-registered loading bay booking system, KOOLKiosk helps to decrease traffic flow and increase the utilisation of designated areas. By scheduling and booking resources in advance, the operational efficiency is increased. Meanwhile, the self-registration kiosk allows the suppliers to settle gate charges digitally, saving time and boosting convenience.

In the Mainland of China, we have adopted Autonomous Mobile Robot (“AMR”) technology to significantly enhance work efficiency and effectively reduce worker fatigue by automating tasks. AMR allows staff to focus on higher-value responsibilities.

## DRIVING OPERATIONAL EFFICIENCY

The Group continues to seek and implement innovative solutions to increase its operational efficiency. We have implemented automated warehousing solutions that help us effectively shorten loading and unloading time, reduce associated costs, and control product damage rates. An example of this is the introduction of a newly automated constant temperature storage system in Shanghai in December 2023. Additionally, we have continued to implement an automated system to detect and manage slow-moving merchandise, helping to respond to changing customer demand. A Radio Frequency Identification (“RFID”) system has been applied to improve warehousing efficiency and delivery accuracy.

We have also expanded the implementation of AI-powered customs permit declaration systems to our operations in the Mainland of China, which reduce delays and manual errors in processing important documents for our customers’ shipments. We are exploring the expansion of this system to Singapore and other regions.

At our Myanmar division, we have implemented the Kerry Warehouse Management System and a specialised web application called the Container Management System (“CMS”), which help us to train staff, create master setups for efficient warehousing and billing, and generate reports on our overall performance, helping us streamline services.

In Canada, we continue to invest in cutting-edge technology such as a cloud-based warehouse management system to improve supply chain management, boost transparency, and deliver real-time information. We have not only improved our warehouse management system, but have also introduced enhancements to our truck scheduling system.

### IMPROVING SUPPLY CHAIN VISIBILITY

Increasing the transparency of our supply chain operations helps us to gauge our performance and boosts customer satisfaction. To this end, we have continued to implement our C4 Dashboard, which allows us to monitor our activities in real-time and provides a tailored insight for our employees and our customers. For our own employees and teams, it provides them with an overview of team-based, regional and overall performance, and provides data to monitor internal operations and quarterly business KPIs. Customers, meanwhile, can view an interface which displays the details of inventory, transactions and orders.

To further enhance visibility, we are actively introducing and promoting new products including automated warehousing and equipment and Business Intelligence (“BI”) visual reports. We ensure we play our role in helping customers reach their ESG goals through the introduction of new energy vehicles, moving freight onto railways, recycling and reusing waste and sourcing environmentally friendly packaging consumables. This helps us to stay ahead of the curve and remain competitive in a fast-paced and ever-growing industry.



# OUR BUSINESS ETHICS



The Group and its employees go above and beyond in ensuring that the highest standards of ethical business conduct are maintained throughout its operations. This year, we have focused our efforts on areas including data privacy, cybersecurity, transparent marketing and anti-corruption, underlining our commitment to maintaining a trustworthy business relationship with all stakeholders. By continually reviewing our internal policies and aligning our actions in these target areas with globally recognised standards, we aim to lead the way for responsible corporate behaviour in the logistics industry. We prioritise the wellbeing of our stakeholders and strive to make ethical business decisions that positively impact society and the environment and contribute to the overall success of the Group.

### Our Targets

- Train our employees to maintain robust ethical business standards and trustworthy stakeholder relationships through whistleblowing mechanisms and anti-corruption protocols
- Regularly monitor and upgrade our information security and data management systems to prevent unauthorised access, data breaches, and cyber threats

### Our Prioritised SDGs and Targets



- Target 16.5: Substantially reduce corruption and bribery in all their forms
- Target 16.6: Develop effective, accountable and transparent institutions at all levels

### Our Focus Areas

- Adhering to business standards
- Protecting data privacy and security

## ADHERING TO BUSINESS STANDARDS

At KLN, we place great value on integrity and transparency and actively encourage ethical behaviour among all of our stakeholders from senior leadership to staff and business partners. A growing demand for our logistics solutions presents a challenge of monitoring business practices and maintaining our standards across the value chain. We ensure that there are no lapses in upholding our code of ethical business conduct by regularly training our global staff on KLN's updated business policies and actively encouraging all stakeholders to report incidents of bribery, money-laundering and corruption. Through this comprehensive and global approach to standards, we aim to establish a benchmark for ethical business conduct in our industry.

## ANTI-CORRUPTION

This year, in an effort to strengthen our adherence to ethical business practices, we have updated our [Global Anti-Bribery Policy](#). The Policy sets out the Company's global standards and identifies a variety of situations in which bribery issues are most likely to arise. It stipulates relevant declaration and approvals required under our approval and reporting matrix. We take a zero-tolerance approach to bribery in any form in any regions in which we operate and do business. It requires our employees to make an anti-bribery declaration at three different stages: during the onboarding process as a new recruit; within their annual performance appraisal; and when they engage in commercial dealings which warrant a new declaration. We also provide regular and onboarding training covering anti-corruption, code of conduct and ethics is tailored to specific global regions. These practices ensure we remain vigilant throughout our operations.

We additionally conduct regular risk assessments to actively identify and prevent breaches of the Group's code of business conduct and anti-corruption policies. These assessments comprise random compliance checks and internal audits via a dedicated taskforce, along with external audits across all business units and divisions globally. When a breach is identified, a thorough investigation of the incident is launched, followed by appropriate legal action against those involved. We are pleased to report that no breaches have been identified this year.



The Group assumes responsibility, alongside relevant stakeholders, for adhering to regional and international regulations and laws governing anti-corruption and anti-bribery. We comply with the Prevention of Bribery Ordinance in Hong Kong and relevant laws and regulations in jurisdictions where the Group maintains significant operations. In 2023, neither the Group nor its employees have faced any legal cases pertaining to corrupt practices.

### CODE OF CONDUCT

Our commitment to maintaining ethical business standards extends throughout our entire value chain. In effect, our contracts require business partners, suppliers and customers to endorse KLN's anti-corruption declarations and agreements. We formalise these standards through our Business Partner Code of Conduct, which sets out the fundamental guidelines and practices that our business partners are required to observe, covering fair employment practices, human rights and labour practices, environmental stewardship, product and services safety, ethical conduct, and data privacy. This Code of Conduct has been prepared with reference to the Ten Principles of the UNGC, the UN SDGs and internationally recognised frameworks such as the Universal Declaration of Human Rights and

the Fundamental Conventions of the International Labour Organisation ("ILO"). In order to ensure full compliance with the Code of Conduct, we carry out frequent and random checks with business partners and suppliers. The Group terminates business relationships and contracts with third parties if any incidents of violation of the Code are identified. In 2023, there were no incidents of non-compliance with our Business Partner Code of Conduct.

### WHISTLEBLOWING POLICY

The Group's Whistleblowing Policy sets out its determined approach towards encouraging and protecting employees and business counterparts who report instances of unethical behaviour, misconduct, legal violations or breaches of company policy that they may suspect or bear witness to. Any reports lodged are promptly investigated by the Chief Executive Officer and the ACC, in a way that protects the whistleblowers involved. Updates to the policy are communicated clearly to all concerned stakeholders through the Group's website as part of our commitment to creating a supportive environment for whistleblowing. We also offer training and annual assessments to ensure that the policy is well understood by employees. In 2023, we did not receive any reports from whistleblowers.

### ETHICAL MARKETING AND INTELLECTUAL PROPERTY PROTECTION

We understand that it is important to keep our stakeholders informed of the features and performance of our products and services, including their environmental and social impact. We regularly update them with the latest and most accurate information on our logistics solutions through channels including our corporate website, social media platforms and optional promotional emails. In 2023, the Group was not aware of any incidents of non-compliance with regulations and voluntary codes concerning the provision and use of the Group's products and services, which cover product and service information and labelling, marketing communications including advertising, promotion and sponsorship, and property rights including intellectual property rights that would have a significant impact on the Group.

To ensure fair and accurate representation of information about our products, we guide employees to take a customer-centric perspective in all their interactions. Our Corporate Identity Guidelines require employees to adhere to the principles of integrity, diligence, transparency and sustainability when developing KLN's marketing and communications materials. All employees undergo training to ensure their alignment with these principles in their day-to-day activities. In 2023, no issues were raised about the Group's marketing practices that could have had a significant impact on the organisation.

## PROMOTING TRANSPARENCY

The Group believes that communicating openly and transparently with all stakeholders is crucial to improving its performance and business practices. We encourage regular feedback from internal stakeholders through channels including our flagship V.O.I.C.E email system, our own KLN World social media app, and our KLN intranet portal. Meanwhile, we have established and communicated a clear reporting structure for all internal stakeholders to voice their concerns directly to management. Alongside our annual stakeholder engagement survey, external stakeholders can reach out to us conveniently through our third-party social media platforms, by email, a telephone hotline or KLN's website. We aim to continually improve our dialogue with stakeholders and cultivate an environment that embraces and values their feedback and opinions.

## PROTECTING DATA PRIVACY AND SECURITY

With the 3PL sector's growing reliance on technology and cloud platforms to collect, manage, store and disseminate large volumes

of data, we continue to exercise great care to mitigate data breaches and cyber-attacks. Recent incidents of data leaks in the industry have prompted us to further invest in effective safeguards and strengthen governance to protect sensitive data and customer information. Measures include diversifying our systems and enhancing our risk management procedures to uphold our commitment to sensitively handling data and strengthen trust with our customers, business partners and internal stakeholders.

### DATA PRIVACY

The Group details its measures to handle and process stakeholder data and information within its [Privacy Policy](#). This document is localised to regional laws and updated as and when regulations are revised. It outlines a standard procedure to help employees identify and report suspected data breaches and details the actions we take to adhere to all applicable governing laws and regulations in regions that have a significant impact on the Group.

We regularly train our employees and internal stakeholders on topics such as data privacy and

security, emerging cyber threats and ensure that the content of this training is revised periodically to reflect the latest developments and industry best practices. In 2023, we organised a Social Engineering Training, designed to equip our office staff with phishing sensitivity and awareness on data security risks. It provided them insights on the best practices and countermeasures to eliminate the risk of social engineering attacks. We have also launched a Data Privacy and Security Virtual Training globally specifically aimed at empowering staff with the knowledge and tools to serve as a first line of defence against cybersecurity and phishing incidents.

### DATA SECURITY

The Group's [Information Security Policy](#) outlines its robust confidentiality and data protection measures and the responsibilities of the Information Security Management Committee in ensuring compliance with the procedures. We comply with the Personal Data (Privacy) Ordinance in Hong Kong and all applicable laws and regulations in each jurisdiction in which the Group maintains significant operations.

Our commitment to data security is exemplified by the approach outlined below.

## MANAGEMENT SYSTEMS

We continue to employ our Information Security Management System (“ISMS”), which helps us to maintain robust data security across our operations globally. This system is aligned with the ISO27001 (Information Security Management) standard and provides employees with guidance to protect KLN’s information assets from internal and external cyber-attacks and malicious threats. The ISMS also incorporates user-friendly standard operating procedures that facilitate seamless adherence to our data classification and access control requirements. To ensure credibility and integrity, this system is subject to frequent internal and external independent audits.

The Group carries out rigorous checks to ensure compliance with IT and security standards in its dealings with external stakeholders, including suppliers, customers and business partners. In the event that any third parties fail to meet these requirements, the Group reserves the right to terminate contracts or relationships with them.

## TACKLING CYBER THREATS

In response to the dynamic nature of cyber threats and attacks, the Group has undertaken a variety of measures to exercise more stringent privacy controls across its data systems. For example, we have implemented a two-step login protocol and upgraded our internal policies to ensure staff and other stakeholders update their passwords more frequently. We have further restricted access to our internal shared file server and require employees to encrypt sensitive data and periodically update their computer systems and applications to ensure the latest data security features and anti-virus software is installed. For an added layer of security, the Group’s computers are equipped with firewalls, intrusive cyberthreat detection systems and Virtual Private Networks (“VPNs”) for secure communication over the internet. In addition to the measures mentioned above, the Group has further enhanced its cybersecurity credentials by subscribing to a threat intelligence service provided by an external security consulting firm. This service provides real-time monitoring, analysis, and alerts on

emerging cyber threats, enabling us to proactively identify and respond to potential security risks. This comprehensive approach to protecting our systems helps us to meet the highest security standards and prevent exposing our data to malicious software and attacks. In 2023, the Group did not record any incidents of data loss.

In order to increase awareness about cybersecurity among employees and internal stakeholders, we launched a Phishing Campaign. As a part of this, we periodically send phishing awareness emails to all staff, reminding them to be aware of email and online scams. In the past three years, there were no substantiated complaints relating to breaches of customer privacy or losses of customer data.

We are delighted to report that our approach to handling data led to us receiving the Gold Award at the Privacy-Friendly Awards 2023 organised by the Privacy Commissioner for Personal Data (“PCPD”) in Hong Kong.

TZE - Khorgos Gate



# OUR SUPPLY CHAIN



8 DECENT WORK AND ECONOMIC GROWTH



(This page contains computer-processed images)

In the face of escalating instability and ongoing conflicts worldwide, we recognise the significance of working collaboratively with a reliable network of business partners to deliver quality services in the pursuit of mutual success. We are committed to investing in these alliances and driving positive change. With a focus on improving environmental preservation, employee wellbeing, and community empowerment, we encourage sustainable practices throughout the supply chain. By optimising transport routes, reducing emissions, ensuring safe working conditions, promoting inclusivity, and engaging with local communities, we aim to create a strong and socially responsible supply chain network that meets customer demands while contributing to a greener and brighter future.

### Our Targets

- Collaborate with suppliers and business partners on sustainability initiatives and regularly update them on our Business Partner Code of Conduct
- Educate business partners on improving their labour practices and upholding high standards of business ethics

### Our Prioritised SDGs and Targets



- Target 8.8: Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular, women migrants, and those in precarious employment

### Our Focus Areas

- Sharing our ESG values with suppliers

## SHARING OUR ESG VALUES WITH SUPPLIERS

We firmly believe that our suppliers and business partners play a pivotal role in helping us to realise our vision of delivering sustainable logistics solutions. By closely collaborating with them on environmental and social initiatives, and helping them improve their sustainability performance, we strive to create a positive impact on the global supply chain. To accomplish this, we actively pursue doing business with partners who share our values and ensure that high standards of ethical conduct are maintained within their operations.

### SUPPLIER PROFILE

The Group partners with a wide variety of suppliers and vendors, including airlines, shipping companies, and owners of logistics facilities. They strengthen the reach of our distribution network and support us in seamlessly delivering holistic logistics solutions to our customers.

As of 31 December 2023, the Group engaged with a total of 949 suppliers, building a robust network across the globe.

Regions	2023
Hong Kong	114
The Mainland of China	327
Asia	177
Americas	106
EMEA	182
Oceania	43
<b>Total</b>	<b>949</b>

In December 2023, the Group organised a forum bringing together shipping companies to discuss how the industry could most effectively fulfil its net zero ambition. This forum was well attended, with our business partners sharing their best practices, helping each other to find solutions through their collective experience and exchanging new ideas and ambitions. By facilitating similar events in the future, we hope to support our partners' sustainability aspirations and accelerate the industry's journey towards a greener future.

## RESPONSIBLE PARTNERSHIPS

At the core of KLN's philosophy lies its commitment to working with like-minded business partners who understand the significance of following ethical and sustainable business practices and meeting our standards. Accordingly, the Group has established the Social Responsibility Policy Statement, which emphasises the expectation for suppliers to operate responsibly in respect of ethics, health and safety, employment and human rights practices, and environmental sustainability.

We organise regular training with suppliers to make sure they fully understand our requirements for them to maintain responsible practices. Areas covered include occupational health and safety, anti-corruption, environmental management, and ESG concepts in the Mainland of China. We periodically perform assessments to evaluate suppliers on a range of metrics including environmental sustainability, occupational safety standards, emergency preparedness, working environment, quality management, adherence to internationally recognised standards such as ISO and FSC standards, data security and ethical business conduct. These comprehensive assessments aid in ensuring strict compliance with the Group's policies.

To ensure the alignment of values and principles throughout the supply chain, the Group requires contracted suppliers to adhere to its Business

Partner Code of Conduct, which outlines the responsibilities of suppliers in carrying out their business with integrity and honesty. For further information on these standards, please refer to the dedicated section titled "Adhering to Business Standards".

## SUPPLY CHAIN MANAGEMENT

The Group has implemented a rigorous and comprehensive screening, evaluation, and communication process to ensure a sustainable supply chain. In Hong Kong, a Green Specification List, which encourages the use of environmentally friendly equipment options, has contributed towards supporting the Group's ongoing commitment to sustainable procurement practices. Notably, when awarding contracts, the Group prioritises suppliers that demonstrate a proven track record of actively participating in green initiatives and maintaining robust health and safety practices. In Myanmar, the Group set a stringent objective to actively engage with suppliers certified with ISO9001, ISO14001 and ISO45001. Meanwhile, in Singapore, the Group has attained ISO9001, ISO14001 and ISO45001 certifications from vendors, demonstrating their compliance with international standards for the year ended 31 December 2023. This unwavering commitment underlines the Group's steadfast dedication to upholding exceptional standards and driving excellence throughout its supply chain.

Area	Precautionary Measures
Supplier Screening	<p>New suppliers are subject to a rigorous pre-qualification process to determine whether they meet the criteria and are aligned with the Group's values.</p> <p>Supplier contracts contain clauses with environmental and/or ethics-related requirements.</p> <p>In the process of making procurement decisions, the Group will meticulously evaluate and consider the environmental implications of products and services. This evaluation is based on several criteria, including the availability of ISO certification, certifications related to environmental and occupational health and safety systems, FSC certification, and the status of suppliers as listed companies or otherwise.</p> <p>In 2023, the Group sent out the Business Partner Code of Conduct to all key suppliers to outline its expectation that partners will carry out their business with integrity.</p>
Supplier Training	<p>New suppliers are provided training in areas including occupational health and safety, environmental management, working with display screen equipment, anti-corruption, and whistleblowing in Hong Kong.</p> <p>Regular refresher training is provided to all suppliers, contractors and subcontractors.</p>
Supply Chain Disruption Response	<p>The Group has established a process of structured performance evaluation and monitoring to develop contingency plans which enable it to maintain a high level of service reliability and business continuity in the event of any disruption to its supply chain</p>
Supply Chain Risk Management	<p>KLN shares its risk management protocols with its suppliers and ensures they adhere to its standards.</p> <p>The process of evaluating and measuring risk is ongoing and is integrated into the day-to-day activities of the business.</p> <p>The Group's operations teams are accountable for communicating risks with suppliers, contractors and subcontractors.</p>
Supplier Evaluation	<p>Existing suppliers are subject to regular performance assessments to monitor the quality of their environmental management and occupational health and safety.</p> <p>Suppliers that fail to meet the Group's performance requirements must take corrective action promptly or they will be suspended from doing business with the Group.</p> <p>In 2023, more than 639 suppliers of the Group's headquarters in Hong Kong underwent performance evaluation, and more than 70% of them demonstrated performance that was acceptable or better.</p>
Supplier Communications	<p>The Group regularly interacts with its suppliers to share knowledge and expertise on good industry practices and to exchange ideas to improve the sustainability of its supply chain.</p> <p>The Group maintains regular communication with suppliers, sharing and requesting the signed Business Partner Code of Conduct. All subcontractors must adhere to Kerry's procurement practices and standards.</p> <p>In the Mainland of China, the Group regularly reminds its suppliers of industry regulations relating to the use of vehicles, replacement of vehicles with low-emission alternatives and service quality. Following a supplier's successful bid, the Group outlines its expected standards of environmental and occupational health and safety practices. A "Letter of Notification on Implementation of Environment and Occupational Health" is issued to new suppliers. Each supplier is asked to carefully review the letter and confirm their commitment to compliance by returning it with an official stamp.</p> <p>In Hong Kong, all subcontractors and business partners are encouraged to gradually change their delivery vehicles to Euro 6<sup>4</sup> models in order to minimise carbon emissions.</p>

<sup>4</sup>Euro 6 is the vehicle emission standard for pollution from the use of new land surface vehicles sold in the European Union ("EU") and EEA European Economic Area ("EEA") member states and the United Kingdom, and ships in EU waters. This is the strictest emission standard for vehicles globally.

## SUSTAINABLE PROCUREMENT PRACTICES

Last year, the Group published a [Sustainable Procurement Policy Statement](#), which explains the procedures in place to assess, approve, and manage suppliers, ensuring that subcontractors and business partners deliver high-quality products and services that comply with industry standards and environmental regulations. The statement outlines the underlying principles that we expect both ourselves and our business partners to abide by and aims to promote accountability, environmental stewardship, transparency and ethical behaviour in the value chain.

In an effort to lead by example, we train our procurement teams to source goods and services while prioritising vendors who work towards mitigating climate change and minimising their impact on the environment.

KLN continues to use recycled PE bags in its value-added service process. Over 960,000 units of RCS100 Recycled Claim Standard-approved recycled PE bags were used in 2023 within the entire product life cycle, which was a threefold increase over 2022.



Kerry Logistics Network Limited  
嘉里物流聯網有限公司

# OUR COMMUNITY

17 PARTNERSHIPS FOR THE GOALS





At KLN, we take a proactive approach towards giving back to our communities by supporting them through public service initiatives. We aim to utilise our expertise in logistics by offering humanitarian support services to remote and inaccessible locations. By carrying out our duties as a socially responsible corporate citizen, we aim to pave the way towards a just society, working in collaboration with all sections of the communities where we operate.

### Our Targets

- Encourage employee involvement in volunteering to support and contributing to the community
- Utilise logistics expertise and network to provide solutions for those in need
- Engage with Non-Governmental Organisations and social enterprises to establish strategic partnerships and contribute positive social impact to the community.

### Our Prioritised SDGs and Targets



Target 17.17: Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships

### Our Focus Areas

Caring for the Community

## CARING FOR THE COMMUNITY

The Group's Social Responsibility Policy Statement describes its effort to helping the community and promoting employee participation in volunteering, community services and charitable activities. We continuously seek new opportunities to serve our communities and address their evolving needs.



A Family Day Trip visiting Tai O and Ngong Ping Village in Hong Kong was organised through the WE KARE Caring Platform in September 2023 to strengthen bonds between our employees and their families.

## COMMUNITY FOCUS AREAS

We aim to cultivate a culture of generosity to the community around us in all the regions where we operate. Utilising our capabilities, resources and connections in the logistics industry and beyond, we develop locally relevant initiatives that are centred around four sections of society – the children and youth, the elderly, the underprivileged and the environment, as described below.



### Children & Youth

Young people worldwide face unique challenges in their pursuit of education and employment in an increasingly competitive environment. We recognise the importance of nurturing them to become future leaders and aim to take responsibility for their overall development through our outreach programmes.



### The Underprivileged

In an age of widening economic disparity and inequality, we remain committed to caring for the underprivileged. Through our financial support and active participation in events and welfare programmes in collaboration with non-profit and philanthropic organisations, we strive to improve the wellbeing of these individuals.



### The Elderly

The elderly play an important role in preserving our society's cultural traditions and passing down their wisdom to help us overcome present-day challenges. In recognition of their immense contribution, we remain dedicated to supporting and running programmes that focus on both the physical and mental health of senior citizens, while also seeking opportunities to provide them with suitable employment when feasible.



### The Environment

We champion initiatives to preserve and maintain the environment around us and work towards minimising negative impact generated through our business activities. Engaging in partnerships and collaborating on community-focused events to manage the advancement of the industry are key to paving the way towards a sustainable world.

With active participation from our own workforce and collaboration with business partners, NGOs and social enterprises, we bring on a positive and lasting impact for society, leaving the world in a better state than we inherited.

### ENGAGING WITH SOCIAL ENTERPRISES

At our Hong Kong headquarters, we engaged with social enterprises, actively participating in their diverse community outreach projects. Employees participated in several events, such as the Mother's Day Floral Workshop, Father's Day Leather Cardholder Workshop and the Mid-Autumn Festival Lantern Workshop. Through these workshops, our colleagues were able to showcase and hone their artistic and creative skills, connect better with their families while celebrating cultural traditions, and offering unique gifts that they handcrafted for their relatives and friends.

## VOLUNTEERING AND DONATIONS

We continue to support employees to actively participate in our Volunteer Service Scheme, a platform that encourages them to dedicate their

time and valuable skills towards diverse social and environmental causes. Since the launch of this scheme last year, the number of volunteer hours contributed by staff has more than doubled.

Our key community-focused initiatives and programmes in the year 2023 are highlighted in the table below.



### Children & Youth

Through career development programmes, volunteering and philanthropy in partnership with NGOs and educational institutions, we aim to contribute to the personal and professional development of young people around the world.

This year, in Hong Kong, our staff volunteered to teach English to underprivileged children through a series of activities including cooking and focused on science, technology, engineering and mathematics (“STEM”) learning. Furthermore, we provide free pickup and drop-off services for children who wish to attend the Child Development Centre in Hong Kong every year.

In the Mainland of China, we hope to build on the establishment last year of the “Kerry Logistics Home of Love” initiative by continuing our partnership with the SOS Tianjin Children’s Village. This year, we focused on providing funds for the maintenance of the village facilities and supported the development and growth of orphaned children. Furthermore, we helped a charity foundation to launch a project to provide tertiary education for Tibetan students by holding a charity sale during Christmas and New Year’s Day.

Meanwhile, in Singapore, we made a donation to VIVA Foundation, which supports children with cancer.



### The Underprivileged

We help those in need through various volunteering initiatives, philanthropy and programmes that foster inclusivity.

In Hong Kong, we joined the “Hong Kong Disneyland 10K Weekend 2023”. This charity run was aimed at raising funds for the disabled to support their inclusion and diversity. Our staff also participated in the “Race for Water 2023” and “Love Teeth Day 2023”. These events were aimed, respectively, at supporting building water storage facilities and purifying facilities in Nepal and Cambodia and raising funds to address the oral health needs of the underprivileged in Hong Kong. We also continued our collaboration with Yang Memorial Methodist Social Service (“YMMSS”) to provide job opportunities to people with disabilities.

In the Mainland of China, we participated in various caring activities in collaboration with the China Disabled Persons’ Federation (“CDPF”) and organised a public welfare trip for our employees. During this trip, we visited the disabled and their families, and carried out various public welfare activities such as the long-term placement of disabled individuals, actively supporting the employment of impoverished individuals and veterans.



## The Elderly

We offer assistance to senior citizens through a variety of different outreach programmes that support their welfare.

In Hong Kong, we celebrated both the Dragon Boat festival as well as the Mid-Autumn festival with the elderly by distributing rice dumplings and gifting hampers to them. We also visited them at an elderly care centre in the outskirts of the city, offering to clean up their homes and lend a helping hand thereby contributing to their wellbeing.

In Singapore, we extended our celebration of the Hindu festival of lights, Deepavali by handcrafting “diyas” (oil lamps) and singing together with the elderly.

Similarly, in the Mainland of China, we organised a “Happy Canteen” event to share the joy of the Double Ninth Festival with the elderly.



## The Environment

We are committed to protecting the environment and minimising our footprint on the planet.

In Hong Kong, we participated in the “Green Power Hike 2023”, which aimed to foster a sense of appreciation for nature appreciation with participants exploring the ecology of the lush Hong Kong Trail. We also organised a clean-up event, during which staff picked up waste from hiking trails at an outlying island.

In Singapore, we joined the ZIM tree planting event this year, where employees planted trees. This encouraged employees to connect better with the natural environment and reflect on how they can incorporate sustainable practices into their daily lives.

In Myanmar, we continued our efforts to reduce our use of environmental resources such as water, energy, and paper. Additionally, we send dry port environmental monitoring reports to the Environmental Conservation Department of Myanmar on a quarterly basis.

In Thailand, we continued to contribute to various environmental conservation efforts such as daily “lights-off” between noon and 1 p.m., and testing of electric vehicles for domestic logistics operations.

## HUMANITARIAN AID LOGISTICS SUPPORT

In the wake of ever-growing geopolitical instability, natural disasters and economic disparities, we are committed to providing humanitarian aid and disaster relief logistics support to communities in need worldwide.

Over the course of this year, we continued to identify opportunities to offer our help and

collaborate with aid agencies. For instance, during the earthquake crisis in Turkey, we facilitated communication at our Hong Kong headquarters between the Hong Kong SAR Fire Services Department and our Kerry ASAV logistics team located in Istanbul, Turkey, helping them to collaborate seamlessly and efficiently in their emergency response, which included delivering aid to the affected cities and providing transportation support for the search and rescue team.

In partnership with S.F. Holding, we continue to explore ways to improve our knowledge and capacity in providing emergency response solutions and improving our services for humanitarian aid.

## APPENDICES

# ABOUT THE REPORT

The eighth annual sustainability report (the “report”) provides an overview of KLN Group’s management approach and highlights the sustainability performance for the period ended 31 December 2023. This report should be read in conjunction with the Group’s Annual Report 2023, which provides information relating to financial performance and corporate governance.

This report also fulfils the Group’s obligation as a signatory of the UNGC COP. The Group achieves

its commitment and aligns with the Ten Principles of the UNGC through its various initiatives and policies detailed within the report.

### REPORTING SCOPE AND BOUNDARIES

Unless otherwise specified, this report covers the Hong Kong headquarters and focuses on the principal business operations over which the Group has management control, including logistics operations, international freight forwarding and the express business in the Mainland of China, Hong Kong, Asia, Americas, EMEA and Oceania.

This Report covers the period from 1 January 2023 to 31 December 2023 (the “Reporting Period”), with modest extensions forward and backward.

### REPORTING STANDARDS

This report has been prepared in accordance with the Mandatory Disclosure Requirements and “Comply or Explain” Provisions of the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) under Appendix C2 to the Listing Rules and references GRI Standards from the Global Reporting Initiative. To ensure comprehensive reporting, the Group uses selected GRI Standards related to the identified material topics, or part of their contents, to report specific information. Please refer to the Hong Kong Exchanges and Clearing Limited (“HKEX”) and GRI content indices for more information.

### REPORTING PRINCIPLES

This report adheres to the reporting principles specified in the ESG Guide and reporting principles for defining report content and quality stated in the GRI Standards as follows:

Reporting Principles	Description
Materiality	Material sustainability concerns are identified through stakeholder engagement. The Board is involved throughout the process to review and validate the results. Please refer to the section headed “Materiality Assessment” for more information.
Quantitative	Quantitative information is accompanied by a narrative, explaining its purpose, impact, and giving comparative data where appropriate.
Balance	An unbiased picture of the Group’s performance is provided by explaining achievements and the challenges faced by the Group.
Comparability and Consistency	Consistent methodologies are adopted to allow for meaningful comparisons of sustainability data over time. Any changes that may affect comparisons with previously reported information and performance will be explained accordingly.
Accuracy	A rigorous audit process is conducted to ensure the quality and veracity of information disclosed.

Clarity	The report is written in a manner that is comprehensible to stakeholders who have a reasonable understanding of the Group and its activities.
Completeness	All material sustainability topics identified by the Group in 2023 are addressed in this report to ensure complete disclosure.
Sustainability Context	Decisions on material sustainability matters take into account the Group's long-term strategy, risks, opportunities and goals whenever feasible.
Timeliness	The information in the report indicates the period to which it relates, providing stakeholders with consolidated disclosure of economic, environmental and social impact.
Verifiability	Information gathered, recorded, compiled, and analysed by the Group can be examined to establish its quality.

### APPROVAL AND EXTERNAL ASSURANCE

The information documented in this report is sourced from the Group's official documents, statistical data, management and operation information, and is collected in accordance with the Group's policies. The report has been approved by the board of directors of the Company (the "Board") on 26 March 2024.

This report has been independently verified by the Hong Kong Quality Assurance Agency ("HKQAA") with respect to the extent of its coverage and information provided in accordance with the standards mentioned above. The independent verification statement is presented on page 100 of this report.

### CONTACT US

This report is available in both English and Chinese on the Company's website ([www.kln.com](http://www.kln.com)) and the HKEX's website. The Group welcomes feedback and comments from its stakeholders via email at [IR@kln.com](mailto:IR@kln.com) to strengthen its future sustainability reporting.

## APPENDICES

# SOCIAL PERFORMANCE DATA

Performance Indicators	2023
Workforce Profile (at year end)	
Total workforce (Employee)	33,130
By gender	
Male	20,356
Female	12,774
By age group	
Under 30	10,131
30-50	20,061
Over 50	2,938
By employment type	
Full time	32,757
Part time	373

Performance Indicators	2023
By employee category	
Managerial Staff	3,922
General Staff	29,208
By geographical region	
Hong Kong & Macau	2,465
The Mainland of China	6,022
Asia	22,021
Americas	887
EMEA	1,595
Oceania	140
Total workforce (Non-employee workers) <sup>(1)</sup>	15,256

## Employee Turnover<sup>(2)</sup>

Total number and rate of voluntary turnover <sup>(3)</sup>	13,077	35%
By gender		
Male	8,291	36%
Female	4,786	34%
By age group		
Under 30	6,465	50%
30-50	6,285	29%
Over 50	327	11%
By geographical region		
Hong Kong & Macau	368	15%
The Mainland of China	792	13%
Asia	11,508	44%
Americas	140	16%
EMEA	231	15%
Oceania	38	24%

## Employee Turnover<sup>(2)</sup>

Total number and rate of involuntary turnover <sup>(4)</sup>	4,935	13%
By Gender		
Male	3,330	14%
Female	1,605	11%
By age group		
Under 30	2,491	19%
30-50	2,234	10%
Over 50	210	7%
By geographical region		
Hong Kong & Macau	124	5%
The Mainland of China	219	4%
Asia	4,410	17%
Americas	48	6%
EMEA	114	7%
Oceania	20	13%

## Health and Safety<sup>(5)</sup>

Total number of work injury cases	131
Work injury rate <sup>(6)</sup>	0.35%
Total number of work fatal case	1
Work fatal rate <sup>(7)</sup>	0.003%
Number of lost day due to work injuries	3,271



Training and Development		
Total number and percentage of employee trained <sup>(8)</sup>	22,413	68%
By gender		
Male	13,857	68%
Female	8,556	67%
By employee category		
Managerial staff	2,413	62%
General staff	20,000	68%
Total number of training hours and average training hours <sup>(9)</sup>	153,097	5
By gender		
Male	87,537	4
Female	65,560	5
By employee category		
Managerial staff	22,121	6
General staff	130,976	4

Supply Chain Management		
Total number of suppliers		949
By geographical region		
Hong Kong		114
The Mainland of China		327
Asia		177
America		106
EMEA		182
Oceania		43

Anti-Corruption		
Number of concluded legal cases regarding corrupt practices brought against the Group or its employees	0	0
Total number and percentage of employees receiving anti-corruption training by Categories		
Board	11	100%
New employee	7,442	100%
Training materials and policy reached full time employee	32,757	100%

Community		
Monetary donations to community events (HK\$)		3,022,000
Spending on community events (excluding monetary donations) (HK\$)		312,000

#### Remarks

- (1) Non-employee worker as sub-contracting labours/outsourced labours performing in company's operational business.
- (2) Employee Turnover = Number of leavers during the Reporting Period/Average number of employees
- (3) Voluntary turnover refers to resignation.
- (4) Involuntary turnover refers to dismissal, contract-end, retirement, retrenchment.
- (5) It includes employees only.
- (6) Work Injury Rate = Total Number of Work Injury Cases/Average Number of Employees
- (7) Work Fatal Rate = Total Number of Work Fatal Cases/Average Number of Employees.  
In 2022, the number of work fatal cases and work fatal rate was 1 and 0.002% respectively.  
In 2021, the number of work fatal cases and work fatal rate was 2 and 0.004% respectively, which was the first year that the Group collected and reported social data.
- (8) Percentage of employee trained = Total number of employee trained/Total number of employees
- (9) Average training hour = Total number of training hours/Total number of employees

## APPENDICES

# ENVIRONMENTAL PERFORMANCE DATA

Unit	Total	Total	By geographical region						By business segment			
	2023	2022	2023						2023			
			Hong Kong	The Mainland of China	Asia	Americas	EMEA	Oceania	Integrated logistics	E-commerce & express	International freight forwarding	
<b>Air Emissions</b>												
Nitrogen oxides (NO <sub>x</sub> )	tonne(s)	1,907	2,416	34	79	1,743	0	44	7	152	1,628	127
Sulphur oxides (SO <sub>x</sub> )	tonne(s)	3	6	0	0	3	0	0	0	1	2	0
Respirable suspended particulates (RSP)	tonne(s)	118	156	3	6	105	0	3	1	12	97	9
<b>GHG Emissions</b>												
Direct GHG emissions (Scope 1)	tonnes of CO <sub>2</sub> -e	221,739	322,253	16,364	16,212	178,629	146	8,322	2,066	61,649	132,692	27,398
Energy indirect GHG emissions (Scope 2)	tonnes of CO <sub>2</sub> -e	79,916	80,542	18,452	23,237	34,392	603	1,490	1,742	59,827	13,409	6,680
Total GHG emissions (Scope 1 and 2)	tonnes of CO <sub>2</sub> -e	301,655	402,795	34,816	39,449	213,021	749	9,812	3,808	121,476	146,101	34,078
GHG intensity (Scope 1 and 2)	tonnes of CO <sub>2</sub> -e/ (HKD million)	6	5									
GHG removals from newly planted trees	tonnes of CO <sub>2</sub> -e	9	6	-	-	3	-	6	-	1	-	8
Scope 3 - Upstream Transportation and Distribution	tonnes of CO <sub>2</sub> -e	2,149,700	2,070,159									
<b>By transport mode</b>												
Aviation	tonnes of CO <sub>2</sub> -e	1,450,515	1,276,703									
Marine	tonnes of CO <sub>2</sub> -e	699,185	793,456									

Unit	Total	Total	By geographical region						By business segment			
	2023	2022	2023						2023			
			Hong Kong	The Mainland of China	Asia	Americas	EMEA	Oceania	Integrated logistics	E-commerce & express	International freight forwarding	
<b>Energy</b>												
Total direct energy consumption (non-renewable)	MWh	1,005,665	1,673,098	21,507	103,434	736,274	670	135,399	8,381	214,664	521,770	269,231
Diesel	MWh	780,440	1,035,410	15,745	55,329	670,127	23	30,995	8,221	161,975	520,830	97,635
Petrol	MWh	13,424	15,339	523	7,374	2,992	442	2,042	51	6,575	940	5,909
Liquefied petroleum gas	MWh	2,112	2,808	1,018	-	985	-	-	109	1,162	-	950
Natural Gas	MWh	909	1,410	-	324	-	205	380	-	325	-	584
Gas Oil	MWh	4,375	4,031	4,221	-	154	-	-	-	4,221	-	154
Compressed Natural Gas	MWh	204,405	614,100	-	40,407	62,016	-	101,982	-	40,406	-	163,999
Total direct energy consumption (renewable)	MWh	1,402	901	-	320	1,058	24	-	-	1,378	-	24
Solar	MWh	1,378	768	-	320	1,058	-	-	-	1,378	-	-
Bioethanol	MWh	-	-	-	-	-	-	-	-	-	-	-
Hydropower	MWh	24	133	-	-	-	24	-	-	-	-	24
Total indirect energy consumption	MWh	167,799	164,389	47,058	40,646	72,414	1,606	3,591	2,484	125,239	29,839	12,721
Electricity	MWh	167,799	164,389	47,058	40,646	72,414	1,606	3,591	2,484	125,239	29,839	12,721
Total energy sold	MWh	479	657	435	-	44	-	-	-	479	-	-
Total energy consumption	MWh	1,174,387	1,837,731	68,130	144,400	809,702	2,300	138,990	10,865	340,802	551,609	281,976
Energy Intensities	MWh/ (HKD million)	23	21									

Unit	Total	Total	By geographical region						By business segment			
	2023	2022	2023						2023			
			Hong Kong	The Mainland of China	Asia	Americas	EMEA	Oceania	Integrated logistics	E-commerce & express	International freight forwarding	
<b>Waste</b>												
Hazardous waste	tonnes	54	142	2	-	45	-	7	-	24	-	30
Hazardous waste intensity	tonne(s)/ (HKD million)	<0.1	<0.1									
Non-hazardous waste	tonnes	20,113	28,243	2,510	1,896	6,448	134	8,996	129	8,234	277	11,602
Non-hazardous waste Intensity	tonne(s)/ (HKD million)	0.4	0.3									
<b>Water</b>												
Total Water Consumption	Cubic meters	1,042,625	1,169,181	62,722	219,860	676,861	24,003	53,202	5,977	462,421	360,110	220,094
Water Intensities	Cubic meters/ (HKD million)	21	13									
<b>Packaging Material</b>												
Total Packaging material consumption	tonne(s)	5,672	9,194	1,097	1,146	3,215	36	157	21	2,450	2,857	365
Packaging material intensity	tonnes(s)/ (HKD million)	0.1	0.1									
<b>By Categories</b>												
Cartons	tonnes(s)	4,539	7,182	807	764	2,867	29	64	8	1,810	2,576	153
Plastic Wrapping materials	tonnes(s)	1,100	1,964	290	382	339	7	69	13	636	281	183
Styrofoam	tonnes(s)	33	48	-	-	9	-	24	-	4	-	29

#### Remarks

- (1) Numbers have been subject to rounding. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding.
- (2) 2022 and 2023 data cover activities from discontinued operations. For details, please refer to Note 38 under the section headed "Notes to the Financial Statements" in the 2023 Annual Report.
- (3) Various methodologies were adopted for the calculation of Scope 1 and Scope 2 emissions. The calculation of Scope 1 emissions was based on guidance from Appendix 2 of the ESG Guide from The Stock Exchange of Hong Kong Limited, in addition to DEFRA's 2023 guidelines and United States Environmental Protection Agency 2024 GHG Emission Factors Hub. The calculation of Scope 2 emissions was based on IEA CO2 Emissions from Fuel Combustion Statistics, Carbon Footprint Grid Electricity Emissions Factors v1.1 and IGES List of Grid Emission Factors.
- (4) Upstream Transportation and Distribution is one of the scope 3 emissions categories that is highly relevant to KLN's business. Based on available export shipment data, KLN has updated its Scope 3 emissions calculation methodology by adopting the Global Logistics Emissions Council ("GLEC") framework. The calculation has been changed from the basis of 'tank-to-wheel' to 'well-to-wheel'.
- (5) Total energy consumption = total direct energy consumption (non-renewable) + total direct energy consumption (renewable) + total indirect energy consumption - total energy sold.

## APPENDICES

# HKEX ESG REPORTING GUIDE

# CONTENT INDEX

Subject Areas, Aspects and KPIs	Description	Sections/References/Remarks
<b>Mandatory Disclosure Requirements</b>		
Governance Structure		Governance
Reporting Principles		About the Report, Governance
Reporting Boundaries		About the Report
<b>“Comply or Explain” Provisions</b>		
<b>A. Environmental</b>		
<b>Aspect A1: Emissions</b>		
General Disclosures	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.	Tackling Climate Change, Minimising Environmental Footprint, Governance
KPIA1.1	The types of emissions and respective emissions data.	Tackling Climate Change, Environmental Performance Data
KPIA1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Tackling Climate Change, Environmental Performance Data
KPIA1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Minimising Environmental Footprint, Environmental Performance Data
KPIA1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Minimising Environmental Footprint, Environmental Performance Data
KPIA1.5	Description of emissions target(s) set, and steps taken to achieve them.	Our Environment, Tackling Climate Change
KPIA1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set, and steps taken to achieve them.	Minimising Environmental Footprint

Subject Areas, Aspects and KPIs	Description	Sections/References/Remarks
<b>Aspect A2: Use of Resources</b>		
General Disclosures	Policies on the efficient use of resources, including energy, water and other raw materials.	Minimising Environmental Footprint
KPIA2.1	Direct and/or indirect energy consumption by type (e.g., electricity, gas or oil) in total (kWh in '000s) and intensity (e.g., per unit of production volume, per facility).	Environmental Performance Data
KPIA2.2	Water consumption in total and intensity (e.g., per unit of production volume, per facility).	Environmental Performance Data
KPIA2.3	Description of energy use efficiency target(s) set, and steps taken to achieve them.	Our Environment, Minimising Environmental Footprint
KPIA2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set, and steps taken to achieve them.	Minimising Environmental Footprint
KPIA2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Performance Data, Minimising Environmental Footprint
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Minimising Environmental Footprint
KPIA3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Minimising Environmental Footprint
<b>Aspect A4: Climate Change</b>		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Tackling Climate Change
KPIA4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate-Related Financial Disclosures
<b>B. Social</b>		
<b>Aspect B1: Employment</b>		
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.	Governance, Creating a Diverse, Equal and Inclusive Workplace
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Our People Social Performance Data
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Social Performance Data

Subject Areas, Aspects and KPIs	Description	Sections/References/Remarks
<b>Aspect B2: Health and Safety</b>		
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.	Governance, Fostering Safety and Wellbeing
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Social Performance Data
KPI B2.2	Lost days due to work injury.	Social Performance Data
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Fostering Safety and Well-Being
<b>Aspect B3: Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Nurturing and Developing Talent
KPI B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	Social Performance Data
KPI B3.2	The average training hours completed per employee by gender and employee category.	Social Performance Data
<b>Aspect B4: Labour Standards</b>		
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.	Governance, Upholding Labour Standards and Human Rights
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Upholding Labour Standards and Human Rights In 2023, there were no operations and/or suppliers considered to have significant risk for incidents of child or forced labour.
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Upholding Labour Standards and Human Rights
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Sharing our ESG Values with Suppliers
KPI B5.1	Number of suppliers by geographical region.	Sharing our ESG Values with Suppliers Social Performance Data
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Sharing our ESG Values with Suppliers
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Sharing our ESG Values with Suppliers
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Sharing our ESG Values with Suppliers

Subject Areas, Aspects and KPIs	Description	Sections/References/Remarks
<b>Aspect B6: Product Responsibility</b>		
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.	Governance, Our Customers, Adhering to Business Standards, Fostering Safety and Wellbeing, Protecting Data Privacy and Security
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Due to the nature of the business, this does not apply to KLN.
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Delivering Excellence in Logistics Solutions
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Adhering to Business Standards
KPI B6.4	Description of quality assurance process and recall procedures.	Delivering Excellence in Logistics Solutions; Due to the nature of the business, the recall process does not apply to KLN.
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Protecting Data Privacy and Security
<b>Aspect B7: Anti-corruption</b>		
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.	Governance, Adhering to Business Standards
KPI 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.	Adhering to Business Standards Social Performance Data
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Adhering to Business Standards
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Adhering to Business Standards KLN provides training on anti-corruption to both Directors and employees. Social Performance Data
<b>Aspect B8: Community Investment</b>		
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.	Caring for the Community
KPI B8.1	Focus areas of contribution (e.g., education, environmental concerns, labour needs, health, culture, sport).	Caring for the Community
KPI B8.2	Resources contributed (e.g., money or time) to the focus area.	Caring for the Community Social Performance Data



## APPENDICES

# GLOBAL REPORTING INITIATIVE CONTENT INDEX

KLN Group has reported the information cited in this GRI content index for the 12-month period ended 31 December 2023 with reference to the GRI Standards.

GRI Standards & Disclosures	Description	Sections/References/Remarks	Page
<b>GRI 1: Foundation 2021</b>			
<b>General Disclosures</b>			
<b>GRI 2: General Disclosures 2021</b>			
<b>The Organisation and its Reporting Practices</b>			
2-1	Organisational details	KLN at a Glance	02
2-2	Entities included in the organisation's sustainability reporting	About the report	83-84
2-3	Reporting Period, frequency and contact point	About the report	83-84
2-4	Restatements of information	Unless otherwise specified, there is no restatement of information	-
2-5	External assurance	Verification Statement	100
<b>Activities and Workers</b>			
2-6	Activities, value chain and other business relationships	KLN at a glance	02
2-7	Employees	Our People, Social Performance Data	30-42, 85-87
2-8	Workers who are not employees	Social Performance Data	85-87
<b>Governance</b>			
2-9	Governance structure and composition	Governance	18-29
2-10	Nomination and selection of the highest governance body	KLN Corporate Website, Nomination Policy, Procedure for Election of Directors	-
2-11	Chair of the highest governance body	KLN Corporate Website – Board of Directors	-

GRI Standards & Disclosures	Description	Sections/References/Remarks	Page
2-12	Role of the highest governance body in overseeing the management of impacts	Governance	18-29
2-13	Delegation of responsibility for managing impacts	About the Report	83-84
2-14	Role of the highest governance body in sustainability reporting	Governance	18-29
2-15	Conflicts of interest	Annual Report 2023 – Corporate Governance Report	-
2-16	Communication of critical concerns	Governance, Adhering to Business Standards	18-29, 70-72
2-17	Collective knowledge of the highest governance body	Sustainable Logistics Solutions in Action, Board Statement, Strengthening ESG Expertise in Our Leadership	06, 08, 27
2-19	Remuneration policies	Annual report 2023 – Management Discussion and Analysis, Corporate Governance Report, Report of Directors	-
2-20	Process to determine remuneration	Annual report 2023 – Corporate Governance Report, Report of Directors	-
<b>Strategy, Policies and Practices</b>			
2-22	Statement on sustainable development strategy	Board Statement, Strategy	08, 13-17
2-23	Policy commitments	Risk and Compliance Management	28-29
2-24	Embedding policy commitments	Our People, Our Environment, Our Customers, Our Business Ethics, Our Supply Chain, Our Community	30-82
2-25	Processes to remediate negative impacts	Regulatory Compliance	29
2-26	Mechanisms for seeking advice and raising concerns	Adhering to Business Standards	70-72
2-27	Compliance with laws and regulations	Adhering to Business Standards	70-72
2-28	Membership associations	Clean Cargo of Smart Freight Centre, Corporate Founding Member of Institute of ESG & Benchmark, China International Freight Forwarders Association, Hong Kong Logistics Association, National Customs Brokers & Forwarders Association of America, SmartWay Logistics Company Partner	-
<b>Stakeholder Engagement</b>			
2-29	Approach to stakeholder engagement	Stakeholder Engagement	19-24
2-30	Collective bargaining agreements	KLN does not have any employees who are bound by any local collective bargaining agreement. KLN respects the right of employees to form associations, organise and bargain collectively in a lawful and peaceful manner, free from punishment or interference	-

GRI Standards & Disclosures	Description	Sections/References/Remarks	Page
<b>Material Topics</b>			
<b>GRI 3: Material Topics 2021</b>			
3-1	Process to determine material topics	Materiality Assessment	21
3-2	List of material topics	Materiality Results	22-23
<b>People Material Topic: Occupational Health and Safety</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3	Management of material topics	Fostering Safety and Wellbeing	34-38
<b>GRI 403: Occupational Health and Safety 2018</b>			
403-1	Occupational health and safety management system	Safety Management System	35
403-2	Hazard identification, risk assessment, and incident	Safety Management System, Workplace Safety in the Value Chain	35,36
403-3	Occupational health services	Employee Health and Wellbeing	38
403-4	Worker participation, consultation, and communication on occupational health and safety	Safety Management System	35
403-5	Worker training on occupational health and safety	Training and Awareness Building	36-38
403-6	Promotion of worker health	Employee Health and Wellbeing	38
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Upholding Labour Standards and Human Rights	39
403-9	Work-related injuries	Social Performance Data	85-87
<b>People Material Topic: Human Rights and Labour Standards</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3	Management of material topics	Upholding Labour Standards and Human Rights	39
<b>GRI 408: Child Labour 2016</b>			
408-1	Operations and suppliers at significant risk for incidents of child labour	Upholding Labour Standards and Human Rights	39
<b>GRI 409: Forced Labour 2016</b>			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Upholding Labour Standards and Human Rights	39

GRI Standards & Disclosures	Description	Sections/References/Remarks	Page
<b>Environment Material Topic: Energy Efficiency</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3	Management of material topics	Tackling Climate Change, Energy Efficiency and Renewable Energy	44-50
<b>GRI 302: Energy 2016</b>			
302-1	Energy consumption within the organisation	Energy Consumption 2023, Environmental Performance Data	49, 88-90
302-3	Energy intensity	Energy Consumption 2023, Environmental Performance Data	49, 88-90
<b>Environment Material Topic: Pollution Prevention and Management</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3	Management of material topics	Minimising Environmental Footprint	59
<b>GRI 305: Emissions 2016</b>			
305-7	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions	Minimising Environmental Footprint, Environmental Performance Data	59, 88-90
<b>Business Ethics Material Topic: Anti-corruption</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3		Adhering to Business Standards	70-72
<b>GRI 205: Anti-corruption 2016</b>			
205-2	Communication and training about anti-corruption policies and procedures	Anti-Corruption	70-71
205-3	Confirmed incidents of corruption and actions taken	Regulatory Compliance	29
<b>Business Ethics Material Topic: Data Security and Privacy</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3	Management of material topics	Protecting Data Privacy and Security	72-73
<b>GRI 418: Customer Privacy 2016</b>			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Tackling Cyber Threats	73

GRI Standards & Disclosures	Description	Sections/References/Remarks	Page
<b>Customers Material Topics: Customer Relations and Satisfaction</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3	Management of material topics	Our Customers	64-68
<b>Customers Material Topics: Service and product quality management</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3	Management of material topics	Delivering Excellence in Logistics Solutions	65-66
<b>GRI 416: Customer Health and Safety 2016</b>			
416-1	Assessment of the health and safety impacts of product and service categories	Fostering Safety and Wellbeing	34-38
<b>Supply Chain Material Topics: Supplier chain risk management</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3	Management of material topics	Sharing our ESG Values with Suppliers	75-77
<b>GRI 308: Supplier Environmental Assessment 2016</b>			
308-1	New suppliers that were screened using environmental criteria	Sharing our ESG Values with Suppliers	75-77
308-2	Negative environmental impacts in the supply chain and actions taken	Risk and Compliance Management, Climate-Related Financial Disclosures, Sharing our ESG Values with Suppliers	28-29, 50-58, 75-77
<b>GRI 414: Supplier Social Assessment 2016</b>			
414-1	New suppliers that were screened using social criteria	Sharing our ESG Values with Suppliers	75-77
414-2	Negative social impacts in the supply chain and actions taken	Risk and Compliance Management, Sharing our ESG Values with Suppliers	28-29, 75-77
<b>Supply Chain Material Topics: Supplier Engagement</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3	Management of material topics	Improving Supply Chain Visibility	68
<b>Community Material Topics: Community engagement and Community investment</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3	Management of material topics	Our Community	78-82
<b>GRI 413: Local Communities 2016</b>			
413-1	Operations with local community engagement, impact assessments, and development programs	Our Community KLN implemented local community engagement through its local community development and other charity programmes at locations where it operates	78-82

# VERIFICATION STATEMENT

## SCOPE AND OBJECTIVE

Hong Kong Quality Assurance Agency (“HKQAA”) performed a limited assurance engagement on the sustainability disclosures stated in the Sustainability Report 2023 (“the Report”) of Kerry Logistics Network Limited (“KLN”) for the period from 1st January 2023 to 31st December 2023.

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) set out in the Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“SEHK”), and with reference to the Global Reporting Initiative (“GRI”) Universal Standards 2021 (“GRI Universal Standards 2021”) for selected GRI Standards.

HKQAA’s responsibility is to express an assurance conclusion on the completeness, accuracy and reliability of the sustainability data and information stated in the Report. The objectives are to:

- verify the fulfillment in addressing all mandatory disclosure requirements and “comply or explain” provisions outlined in the ESG Reporting Guide;
- review the referencing of the selected GRI Standards of the GRI Universal Standards 2021;

- evaluate the accuracy of the selected data and information presented in the Report; and
- review the reliability of the data and information management mechanism for preparing the Report.

## LEVEL OF ASSURANCE AND METHODOLOGY

The process applied in this verification was based on the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. Our evidence gathering process was designed to obtain a limited level of assurance as set out in the standard for the purpose of devising the verification conclusion. The extent of this verification process undertaken covered the criteria set in the ESG Reporting Guide and GRI Universal Standards 2021 (Selected GRI Standards).

The verification process included verifying the systems and processes implemented for collecting, collating and reporting the sustainability performance data, reviewing relevant documentation, interviewing responsible personnel with accountability for preparing the reporting contents and verifying selected representative sample of data and information.

## INDEPENDENCE

KLN is responsible for the collection and presentation of the information presented. HKQAA is not involved in the collection and calculation of data or the compilation of the reporting contents where HKQAA’s verification activities were entirely independent from KLN. There was no relationship between HKQAA and KLN that would affect the independence of HKQAA for providing the verification service.

## CONCLUSION

Based on the verification procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the information and data stated in the Report has not been prepared, in all material aspects, in accordance with the ESG Reporting Guide and with reference to the GRI Universal Standards 2021. The data and information provided for verification is considered reliable and accurate.

Signed on behalf of Hong Kong Quality Assurance Agency



Connie Sham  
Head of Audit  
April 2024