SUSTAINABILITY REPORT
2021

KLN
Kerry Logistics
Network Limited

0636.HK

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

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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CONTENTS

ASIA SPECIALIST
CHINA FOCUS
GLOBAL NETWORK

KLN
AT A GLANCE

ASIA-BASED, GLOBAL 3PL

Kerry Logistics Network Limited, incorporated in the British Virgin Islands and continued into Bermuda to become an exempted company with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 636) ("KLN" or the "Company") and its subsidiaries (the "Group" or "KLN Group") is an Asia-based, global 3PL with a highly diversified business portfolio and the strongest coverage in Asia. It offers a broad range of supply chain solutions from integrated logistics ("IL"), international freight forwarding (air, ocean, road, rail and multimodal) ("IFF"), industrial project logistics, to cross-border e-commerce, last-mile fulfilment and infrastructure investment.

With a global presence across 58 countries and territories, KLN has established a solid foothold in half of the world's emerging markets. Its diverse infrastructure, extensive coverage in international gateways and local expertise span across the Mainland of China, India, Southeast Asia, the CIS, Middle East, Latin America and other locations.

QUICK FACTS

58
countries & territories

51,000+
employees worldwide

69M ft²+
land & facilities

4,500+
self-owned operating vehicles

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OUR
CORE SERVICES
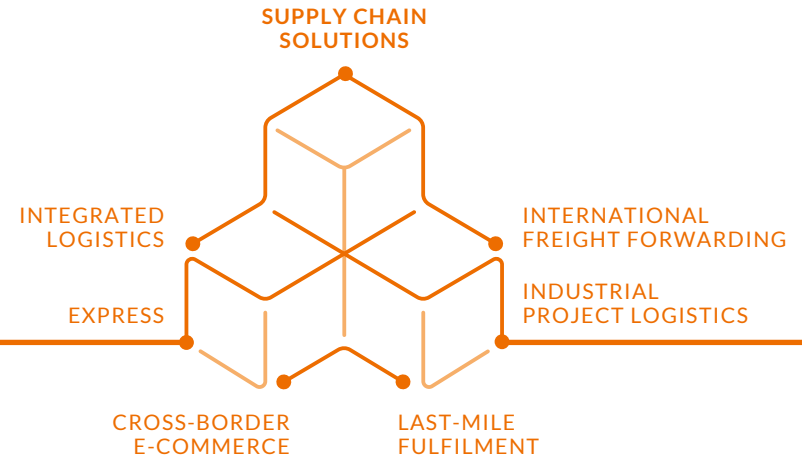
END-TO-END SOLUTIONS WITH
HIGH SUPPLY CHAIN EFFICIENCY

SUPPLY CHAIN
SOLUTIONS

INTEGRATED
LOGISTICS

INTERNATIONAL
FREIGHT FORWARDING

EXPRESS

INDUSTRIAL
PROJECT LOGISTICS

CROSS-BORDER
E-COMMERCE

LAST-MILE
FULFILMENT

E-COMMERCE SOLUTIONS

LOGISTICS

ERP

Supplier
Platform

PO
Inception

Shipment
Pickup

Manufacture
Ex-Factory

Consolidation/
Origin Fulfilment

Sortation

Export
Clearance

International
Line Haul

Import
Clearance

Inland
Transit

Destination
Fulfilment

OMNI Channel
Fulfilment

Distribution

Website /
Marketplace
Management

C2C Commerce
(Social Influencer
Solution)

Self-Managed
Marketplaces

Last-Mile
Delivery &
Reverse
Logistics

Product Resale
Management

Cross-Border
O2O Sales Channels

China Import
Supply Chain

Multi-Currency
Payment Gateways

GLOBAL
FOOTPRINT

ASIA'S LEADING 3PL WITH A GLOBAL PRESENCE

EUROPE
Belgium	Sweden
Czech Republic	Turkey
Germany	Ukraine
Italy	Switzerland
Latvia	UK
Netherlands	
Poland	
Portugal	
Spain	

CAUCASUS
Armenia
Azerbaijan
Georgia

CENTRAL ASIA
Kazakhstan
Kyrgyzstan
Russia
Tajikistan
Turkmenistan
Uzbekistan

GREATER CHINA
Hong Kong
Macau
The Mainland

NORTH ASIA
Japan
Korea

NORTH AMERICA
Canada
Mexico
USA

AFRICA
Egypt
Mozambique
Nigeria
Republic of the Congo
Senegal
South Africa
Uganda

MIDDLE EAST
Bahrain
Oman
UAE

SOUTH ASIA
Bangladesh
India
Pakistan
Sri Lanka

SOUTH EAST ASIA
Cambodia
Indonesia
Laos
Malaysia
Myanmar
Philippines
Singapore
Thailand
Vietnam

OCEANIA
Australia
New Zealand

LATIN AMERICA
Brazil
Peru

FINANCIAL
HIGHLIGHTS

HK$M

REVENUE*	SEGMENT PROFIT		CORE OPERATING PROFIT
81,771	**IL** 1,868	**IFF** 4,860	**6,229**
53% ▲	29% ▼	389% ▲	88% ▲

CORE NET PROFIT	PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS	FINAL DIVIDEND *HK CENTS PER SHARE*	GEARING
3,692	**7,939**		
102% ▲	174% ▲	50	**29.0%** *GROSS*

*Includes revenue generated from discontinued operations

SUSTAINABLE LOGISTICS
SOLUTIONS IN ACTION

SUSTAINABILITY VISION STATEMENT

The Group this year unveiled its Vision Statement, which pledges to integrate sustainability into the heart of its corporate strategy. The Vision Statement embraces three key principles – Commitment, Action and Transparency – and aims to improve the Group's sustainability practices by making long-term commitments, setting near-term targets and taking tangible actions.

The Group will update its Vision Statement from time to time to incorporate technological developments in the logistics industry and the evolving dynamics of global challenges.

SUSTAINABLE LOGISTICS SOLUTIONS

COMMITMENT

ACTION

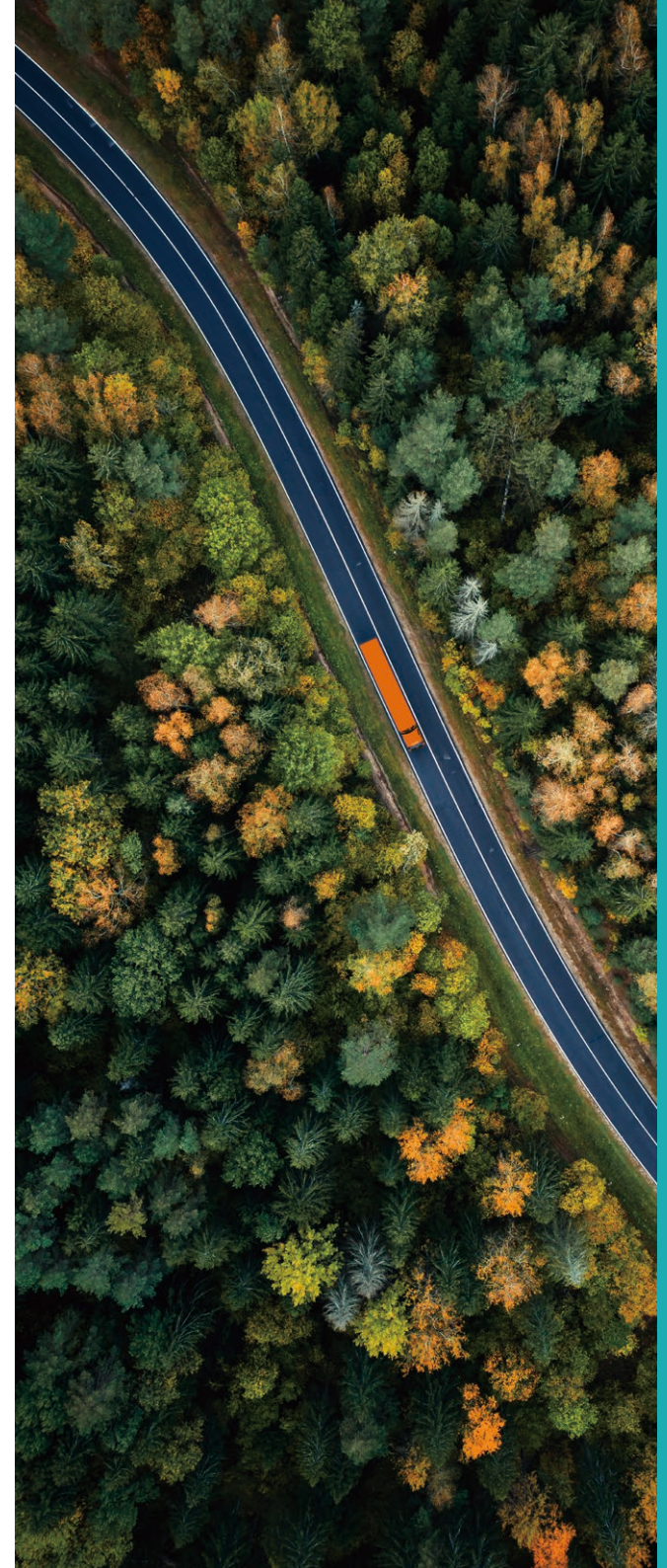**TRANSPARENCY**

COMMITMENT

Making long-term commitments and setting near-term targets to address global challenges

ACTION

Taking tangible action

TRANSPARENCY

Communicating the Group's approach to sustainability in a transparent manner

BOARD
STATEMENT

"Our commitment to sustainability will undoubtedly play an integral part in shaping our business decisions in future."

Dear Stakeholders

Kerry Logistics Network Limited's Board of Directors is pleased to present our Sustainability Report 2021.

In a year dominated by the impact of COVID-19, we are proud that we did not allow the pandemic to distract the Group from its commitment to being a global leader in sustainability by unveiling a new sustainability vision and strategy.

The Board has ultimate responsibility for the Group's sustainability strategy. During the year, the Board has endorsed the Sustainability Vision Statement – Sustainable Logistics Solutions in Action. The statement is underpinned by a robust corporate governance framework that focuses on material topics for our business and our stakeholders. The Sustainability Vision Statement places emphasis on six key pillars: People, Environment, Customers, Business Ethics, Supply Chain and Community.

Our Audit and Compliance Committee ("ACC") and the Risk Management Committee ("RMC") are responsible for ensuring the sustainability strategy is aligned with our wider corporate goals and our enterprise risk management programme. The ACC and RMC work closely with our Environmental, Social, and Governance ("ESG") Taskforce and various internal and external parties to ensure a comprehensive, rigorous, and coherent approach is applied to all aspects of sustainability across all business units and functions. A Sustainability Action Team ("SAT") was formed in 2021 starting to ensure the implementation of the Group's ESG projects in Hong Kong and our worldwide operations.

As part of our sustainability vision, we have participated as a signatory to United Nations Global Compact ("UNGC") initiative. We are committed to acting responsibly, embracing the values set out in the Ten Principles of the UNGC and exploring opportunities to contribute to the United Nations Sustainable Development Goals ("UN SDGs").

Above all, our people are our top priority. Every business practice at the Group strives to sustain the health and wellbeing of our employees, particularly with the outbreak of COVID-19. The Group continues to place utmost importance on protecting its staff, while encouraging them to embrace a healthier lifestyle.

We have not allowed the global health crisis to overshadow the devastating risks posed by climate change. In 2021, we committed to achieving net zero carbon emissions from our operations and value chain by 2050. In pursuit of this new commitment, the Group will invest in carbon reduction, the use of renewable energy and offsetting emissions, while reiterating its dedication to transparency and accountability.

We would not be able to achieve our sustainability targets without the support of our business partners, customers and suppliers. We will strive to collaborate and explore partnerships with our external stakeholders to create a better future.

Our commitment to sustainability will undoubtedly play an integral part in shaping our business decisions in future. We will continue to use our resources and global reach to foster sustainable logistics solutions through innovation.
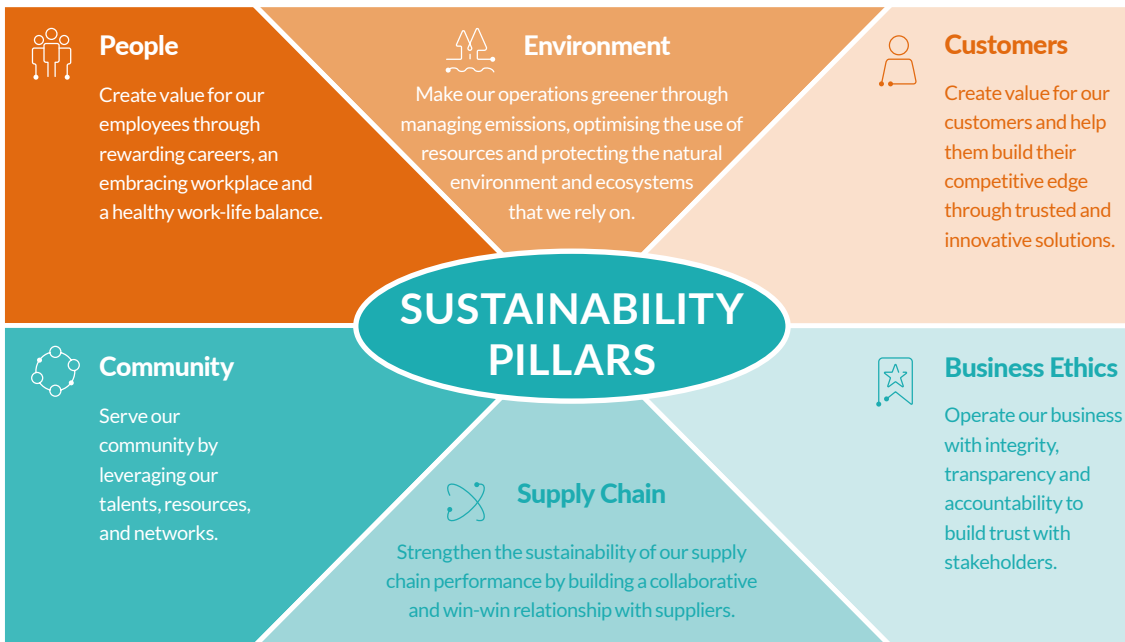
Board of Directors

30 March 2022

OUR SIX PILLARS OF
VALUE CREATION

SUSTAINABILITY PILLARS

The Group believes that sustainability is fundamental to the success of its business. Its philosophy is to create long-term value for its stakeholders that is in line with the sustainable and responsible growth of its business. The Group aspires to be a responsible corporate citizen and believes that transparency and accountability are important foundations for building trust with its stakeholders.

VALUE CREATION

People
Create value for our employees through rewarding careers, an embracing workplace and a healthy work-life balance.

Environment
Make our operations greener through managing emissions, optimising the use of resources and protecting the natural environment and ecosystems that we rely on.

Customers
Create value for our customers and help them build their competitive edge through trusted and innovative solutions.

SUSTAINABILITY PILLARS

Community
Serve our community by leveraging our talents, resources, and networks.

Supply Chain
Strengthen the sustainability of our supply chain performance by building a collaborative and win-win relationship with suppliers.

Business Ethics
Operate our business with integrity, transparency and accountability to build trust with stakeholders.

2021
KEY HIGHLIGHTS

AREA

OUR SIX PILLARS

Strategy and Governance

- Launched KLN's Sustainability Vision Statement – Sustainable Logistics Solutions in Action
- Established a Sustainability Action Team ("SAT") in IL, IFF & express operations
- Became a signatory to UNGC
- Commitment to support UN SDGs
- Participation in CDP Climate Change survey for the first time

People

- 51,473 employees worldwide
- Shared our Global Equal Opportunities Policy on our company website and recorded zero incidents of discrimination

Environment

- Commitment to achieving net zero by 2050
- Announced our Carbon Offset Policy
- Initiated a Group level scenario analysis for climate-related risks

Customers

- Increased the use of automated smart warehousing solutions
- Launched robotic arms in our F&B operation to boost sorting efficiency and improve accuracy

Business Ethics

- Launched the Business Partner Code of Conduct requiring our key suppliers to uphold high business and ethical standards in respect of worker safety, human rights, equal opportunities, and environmental and regulatory compliance

Supply Chain

- All key suppliers screened with sustainability criteria

Community

- Strengthened our presence in humanitarian aid and relief logistics
- Provided ongoing logistics support amid the COVID-19 pandemic

SUSTAINABILITY
FRAMEWORK

This year, the Group updated its sustainability framework, which is built on its existing value creation model covering six pillars: People, Environment, Customers, Business Ethics, Supply Chain and Community. The framework is aligned with leading global standards of sustainability and reporting, including the UNGC and the UN SDGs, and holds the Group accountable for providing sustainable logistics solutions.

OPERATING RESPONSIBLY

By incorporating the Ten Principles of the UNGC into the sustainability framework, the Group not only upholds its fundamental responsibilities to people and planet, but also sets the stage for long-term success. To increase transparency and accountability, the Group will submit regular progress reports (i.e. Communication on Progress) to the UNGC to explain its progress and alignment with its principles.
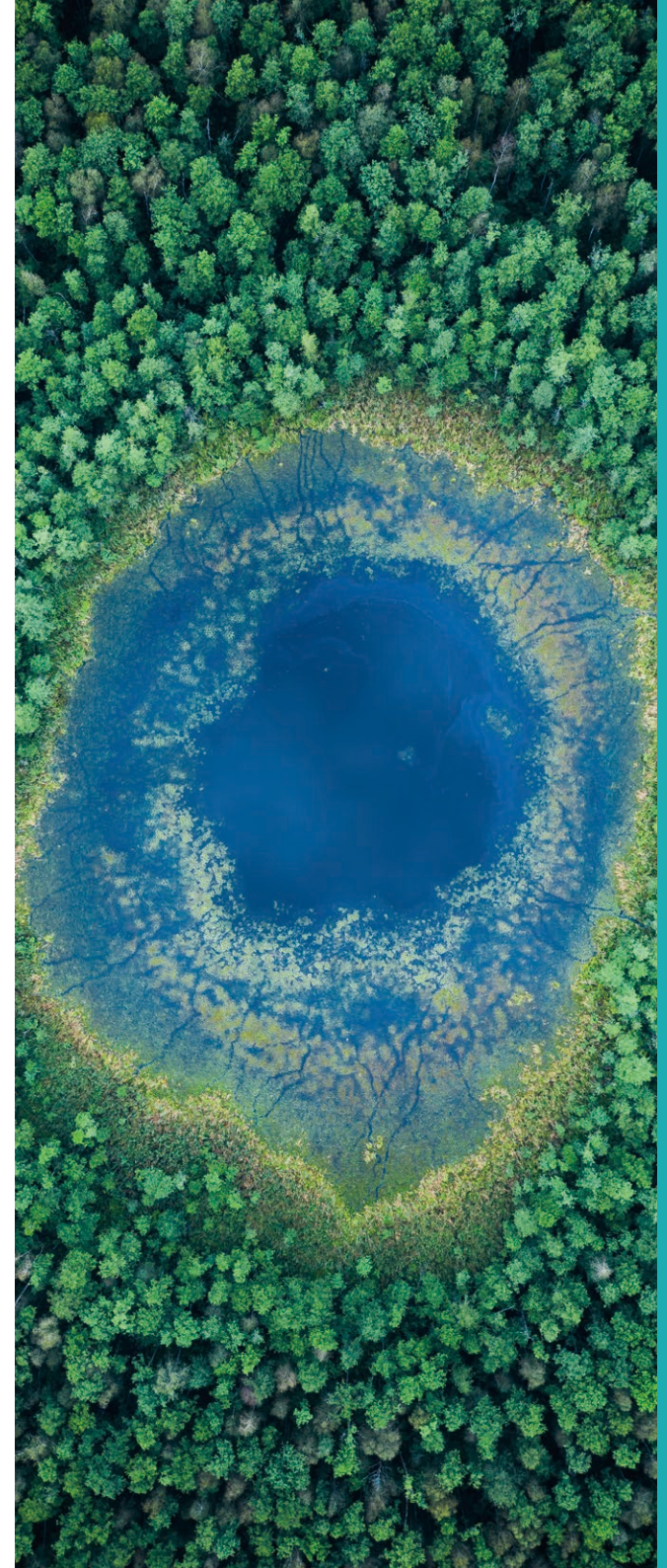
SUSTAINABLE LOGISTICS IN ACTION

THREE PRINCIPLES	COMMITMENT, ACTION & TRANSPARENCY					
SIX PILLARS	**People**	**Environment**	**Customers**	**Business Ethics**	**Supply Chain**	**Community**
FOCUS AREAS	• Fostering safety and wellbeing • Creating a diverse, equal and inclusive workplace • Nurturing and developing talent	• Tackling climate change • 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 & ITS TARGETS	8 DECENT WORK AND ECONOMIC GROWTH 8.5 8.6	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 12.2 12.5 13.1 13.3	17 PARTNERSHIPS FOR THE GOALS 17.16	16 PEACE, JUSTICE AND STRONG INSTITUTIONS 16.5 16.6	8 DECENT WORK AND ECONOMIC GROWTH 8.8	17 PARTNERSHIPS FOR THE GOALS 17.17
ADHERING TO THE TEN PRINCIPLES OF UNGC IN THE AREAS OF	HUMAN RIGHTS | LABOUR | ENVIRONMENT | ANTI-CORRUPTION					
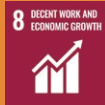
SUSTAINABILITY
TARGETS

The Group's long-term success hinges on the sustainable development of an equitable society. By embracing the values of the UN SDGs, the Group can address global challenges, build a strong growth strategy, and scale up sustainable business solutions.

The Group has identified five priority UN SDGs. These are areas where the Group can make the greatest impact and are closely linked to its sustainability framework and business strategy. The Group has established specific targets for each of these priority UN SDGs and explains how it intends to contribute in the relevant chapters of this report.

IMPLICATIONS OF UN SDGs FOR KLN GROUP

8 DECENT WORK AND ECONOMIC GROWTH

With more than 51,000 employees and operations in 58 countries and territories, the Group bears significant responsibility for promoting sustainable employment and supporting economic growth.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

As a significant consumer of energy in its logistics operations, the Group will improve resource efficiency and promote circularity in the value chain through the reuse of natural assets.

13 CLIMATE ACTION

With an extensive global logistics network which acts as a major contributor to carbon emissions, KLN Group understands its responsibility to mitigate the impact of climate change by reducing emissions and building a supply chain resilient to the world's future challenges.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

As a conglomerate located in Asia with an extensive global footprint, it is crucial the Group maintains high standards of business practice in all locations and chooses to work with partners who share its values.

17 PARTNERSHIPS FOR THE GOALS

As a logistics services provider, the Group can play a role in driving sustainable development in associated industries by carefully choosing its partners in the value chain.

SUSTAINABILITY
JOURNEY

The Group places sustainability at the heart of its operations because it believes in making a positive and lasting impact on society. Since the publication of its first Corporate Social Responsibility Report in 2014, the Group has embarked on a thorough and continued review of its sustainability commitments and improved its disclosure and strategies for identifying new sustainability concerns.

In 2020, the Group set out a three-year roadmap for sustainability, outlining its direction and key focal points for the short to medium term.

Setting a long-term goal, KLN Group is committed to achieving net zero emissions from its operations and value chain by 2050.

KLN Group is committed to achieving net zero emissions by 2050."

THREE-YEAR SUSTAINABILITY JOURNEY

2022 INCREASING CAPABILITY
- To ensure disclosure is better aligned with updated GRI Standards and TCFD recommendations
- To strengthen our employees' capacity to contribute to our sustainability goals

2021 ENHANCING PERFORMANCE
- To develop the sustainability report with reference to the internationally recognised Global Reporting Initiative ("GRI") Standards
- To formulate a Sustainability Vision Statement

2020 LAYING THE FOUNDATION
- To identify the disclosure gap and explore the optimal direction for future reporting
- To enhance the data collection process

GOVERNANCE

STAKEHOLDER ENGAGEMENT

Stakeholder engagement plays a key role in the Group's strategic development by helping it to review potential sustainability risks and opportunities. By maintaining regular dialogue with stakeholders, the Group can understand and address their needs and concerns. In its day-to-day operations, the Group communicates with key internal and external stakeholders through various channels.

KEY STAKEHOLDERS

Customers
- Customer service hotline
- Email and mobile application
- Social media and company website

Business Partners
- Site visits and joint meetings
- Supplier capacity-building project partnerships, joint innovation development
- Assessments, consultations, and technical services
- Feedback channels

STAKEHOLDER ENGAGEMENT

Employees
- Orientations, training, workshops and activities
- Meetings, intranet, emails, notice board
- Annual employee appraisals, V.O.I.C.E.* mechanism
- Questionnaires, surveys

Community
- Community plans and activities aligned with specific needs
- Monetary and in-kind support for community events
- Employee involvement in community and volunteer activities

Investors
- Email, one-on-one meetings, and roadshows
- Site visits, investor days and conferences
- Investor materials on the corporate website
- Annual general meeting

V.O.I.C.E. stands for value creation, openness, integrity, commitment and excellence

MATERIALITY ASSESSMENT

The Group regularly assesses how well its sustainability framework is able to recognise new sustainability priorities which may emerge because of its operational impact or the changing expectations of stakeholders.

In 2021, the Group conducted a four-phase process to identify material sustainability issues and rank them by significance based on their importance to Group stakeholders and the scale of their impact on the environment and society.
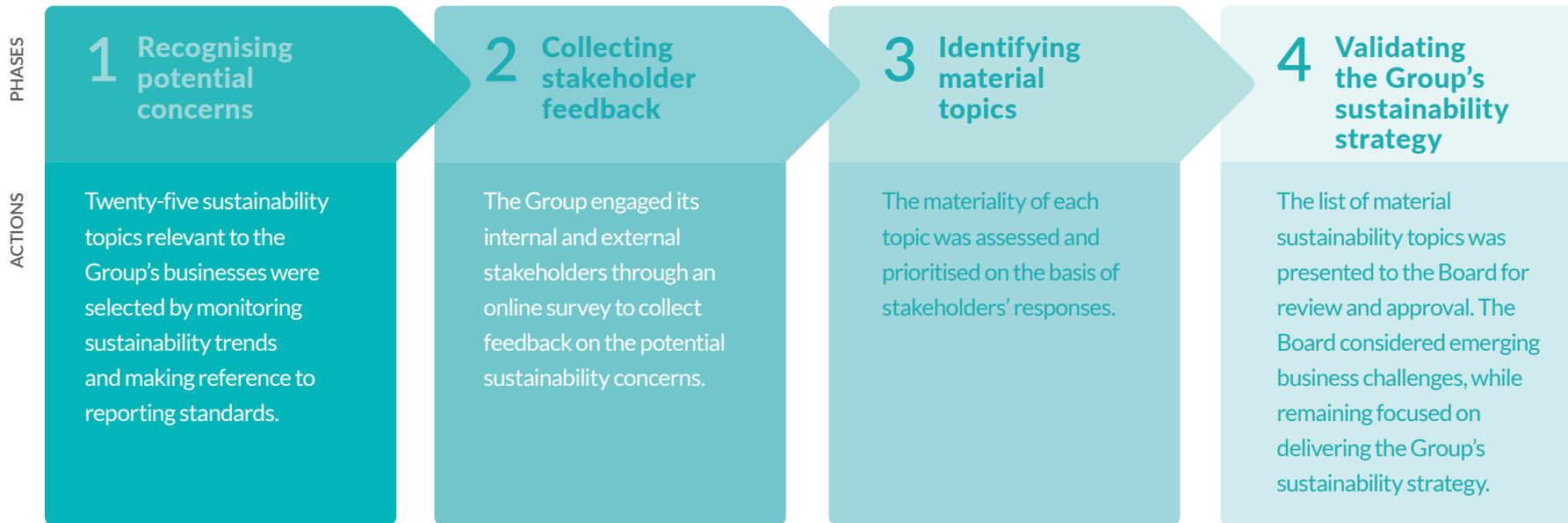
STRATEGIC PRIORITIES

The Group's extensive 2020 materiality assessment identified strategic priorities that form the focus areas of its sustainability framework and will serve as a baseline for future reviews. More details are available in the Group's Sustainability Report 2020.

FOUR-PHASE PROCESS

PHASES

ACTIONS

1 Recognising potential concerns

Twenty-five sustainability topics relevant to the Group's businesses were selected by monitoring sustainability trends and making reference to reporting standards.

2 Collecting stakeholder feedback

The Group engaged its internal and external stakeholders through an online survey to collect feedback on the potential sustainability concerns.

3 Identifying material topics

The materiality of each topic was assessed and prioritised on the basis of stakeholders' responses.

4 Validating the Group's sustainability strategy

The list of material sustainability topics was presented to the Board for review and approval. The Board considered emerging business challenges, while remaining focused on delivering the Group's sustainability strategy.

MATERIALITY RESULTS

The table below indicates the 25 sustainability topics in descending order of materiality.

Highly Material

Sustainability Topics

- Training and development
- Occupational health and safety
- Greenhouse gases management
- Service and product quality management
- Anti-corruption
- Pollution prevention
- Diversity, equity and inclusion
- Air pollution management
- Innovative service and product
- Data security and privacy
- Employee management
- Customer relations and satisfaction
- Waste management
- Human rights and labour standards
- Renewable energy
- Water and effluent management
- Climate action
- Energy efficiency
- Environmental risk management in supply chain
- Packaging optimisation
- Fair and responsible marketing
- Intellectual property rights protection
- Social risk management in supply chain
- Community investment
- Community engagement

Less Material

- People
- Environment
- Customers
- Business Ethics
- Supply Chain
- Community

The 10 sustainability areas identified as most material from stakeholder engagement in 2021 are listed in the table below. The new entries this year are "Air pollution management" and "Service and product quality management". The table below illustrates which topics are of concern to the Group's key stakeholder groups. The Group's response to their concerns are addressed in the relevant chapters of this report.

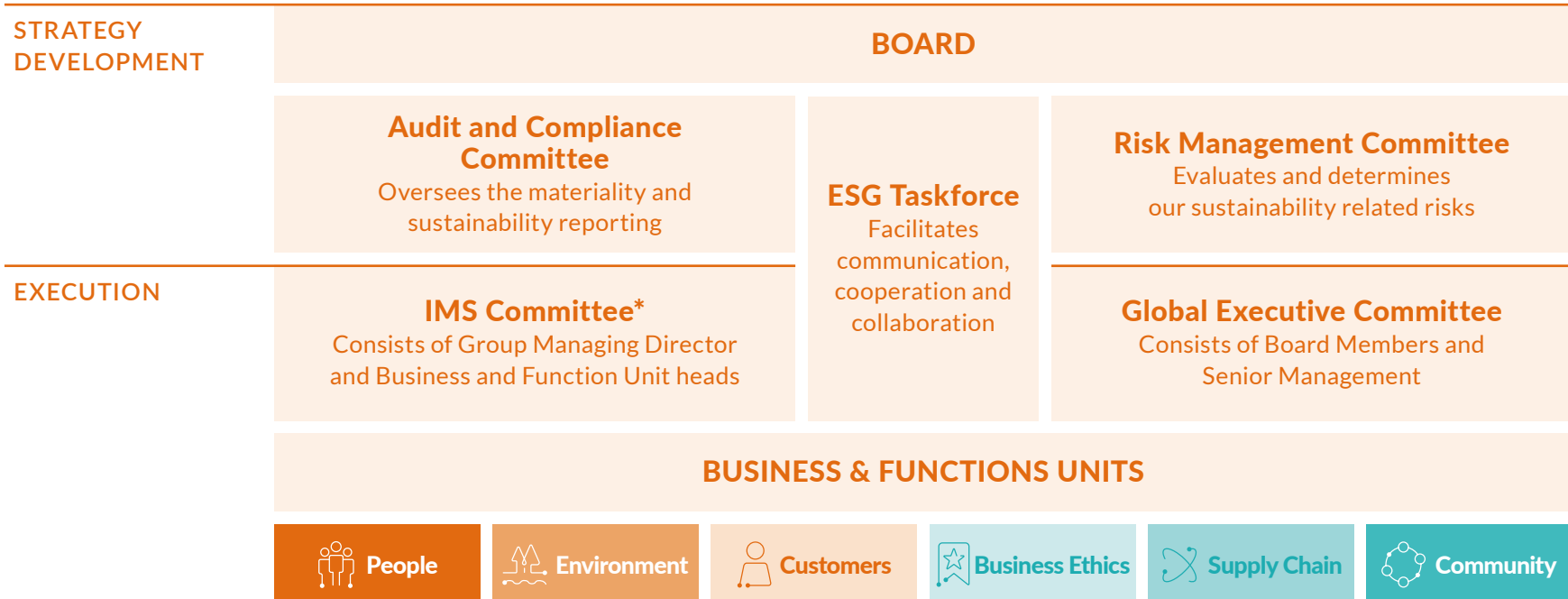| Material Topics	Impacts and Boundaries					GRI Standards	Report Chapter
	Business Partners	Customers	Employees	Investors	Suppliers		
Training and development			✔	✔		GRI 404	Our People
Occupational health and safety	✔	✔	✔	✔	✔	GRI 403	Our People
Greenhouse gases management	✔	✔		✔	✔	GRI 305	Our Environment
Service and product quality management	✔	✔	✔		✔	—	Our Customers
Anti-corruption	✔	✔	✔	✔		GRI 205	Our Business Ethics
Pollution prevention	✔			✔	✔	GRI 305	Our Environment
Diversity, equity and inclusion			✔	✔		GRI 405, GRI 406	Our People
Air pollution management		✔			✔	GRI 305	Our Environment
Innovative service and product		✔			✔	—	Our Customers
Data security and privacy	✔	✔	✔	✔		GRI 418	Our Business Ethics

GOVERNANCE
STRUCTURE

A robust governance structure is essential to ensure that sustainability issues are included in the corporate agenda and the Group remains on course in the face of unprecedented challenges. The Group has established a sound sustainability governance structure.

SUSTAINABILITY GOVERNANCE

The Group has established a sound sustainability governance structure, as shown in the following diagram.

SUSTAINABILITY GOVERNANCE

STRATEGY DEVELOPMENT

BOARD

Audit and Compliance Committee
Oversees the materiality and sustainability reporting

ESG Taskforce
Facilitates communication, cooperation and collaboration

Risk Management Committee
Evaluates and determines our sustainability related risks

EXECUTION

IMS Committee*
Consists of Group Managing Director and Business and Function Unit heads

Global Executive Committee
Consists of Board Members and Senior Management

BUSINESS & FUNCTIONS UNITS

People | Environment | Customers | Business Ethics | Supply Chain | Community

*Integrated Management System Committee ("IMS Committee") has been established to identify, assess and manage various risks across our operations related to OHS, quality, environmental and supply chain security.

RISK AND COMPLIANCE
MANAGEMENT

RISK MANAGEMENT

KLN Group adopts an uncompromising attitude to managing sustainability risks. The strategy is supported by its well-established and robust corporate governance structure, internal policies, and procedures.

The Group's approach to addressing sustainability risks is outlined in its corporate risk management framework overseen by the RMC, ACC and IMS Committee. Based on the nature of the risk, the risk assessment methodology makes reference to the corresponding international standards, such as International Organisation for Standardisation ("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 2021 are listed below.

Sustainability Risks	Impact on the Group	Status and Responses
COVID-19	The Group may not be able to respond to or mitigate the impact of significant threats or disruptive events that could cause widespread operational disruption and financial loss to the Group, its customers and its business partners.	Since the outbreak of COVID-19, governments around the world have imposed restrictions that continue to have a significant impact on the Group's international operations. This pandemic has been a critical test of its business continuity arrangements.
		The Group has established a business continuity plan to minimise this disruption. For more details, please refer to the section headed "Fostering Safety and Wellbeing" in this report.
Climate Change	Climate change affects the Group's business in a variety of ways. Both physical and transition risks can affect the Group's business and value chain.	The Group has made a carbon reduction commitment and has conducted a Group-level climate-related assessment to identify potential risks.
		For more details on the Group's approach to managing climate-related risks, please refer to the section headed "Tackling Climate Change" in this report.
Cyber Security	Due to the nature of the business, the Group collects, processes and stores confidential information. To protect its stakeholders, the Group is subject to laws and regulations regarding the protection of data.	Cyber security specialists have been appointed to investigate any incident and ensure the systems are secure.
	The Group is a potential target for cyber-attacks that threaten the confidentiality, integrity and availability of data and trigger disruption to its operations.	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.

POLICIES AND GUIDELINES

The Group has established a comprehensive library of documents which set out its policy on social and environmental matters and the governance principles which guide its sustainability framework.

The Group recognises the importance of sharing its commitment to society and the environment openly with stakeholders. The policy statements are available on the Company's website – "Sustainability – Policy Statements" and "Governance – Policy".

REGULATORY COMPLIANCE

The Group's global logistics footprint means it has a responsibility to abide by the distinct laws and regulations of its many operating territories. The Group's ACC oversees its compliance management. In line with the enterprise risk assessment framework, the Group assesses compliance risks by identifying the laws and regulations that have potential to cause significant impact on operations in particular 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 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. In 2021, there were no non-compliance cases which resulted in significant fines or non-monetary sanctions.

OUR
PEOPLE

8 DECENT WORK AND ECONOMIC GROWTH

The Group connects diverse talent worldwide, applying the knowledge and expertise of employees to make the global supply chain resilient. The Group aims to make all colleagues feel safe, included, valued and respected in the workplace.

Our Targets

- Ensure all colleagues are treated with respect and dignity and nobody is subjected to any unwelcome conduct, or to an environment that is hostile or intimidating on grounds of gender, pregnancy, marital status, age, disability, family status, ethnic origin, race or religious belief
- Partner with educational institutions to provide opportunities for young talent to expand their networks and prepare them for their first jobs through internships and placements, etc

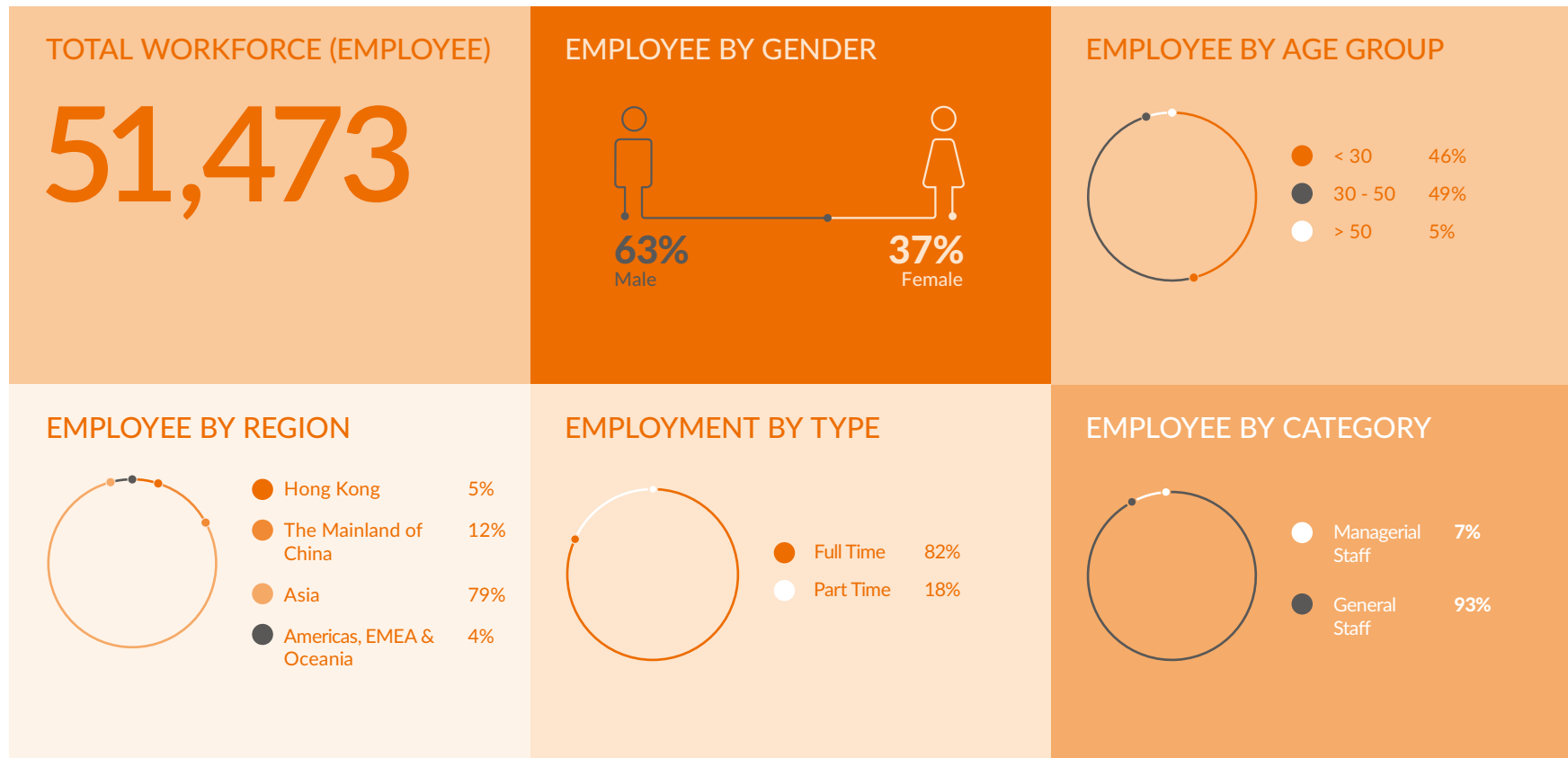## Our Prioritised SDGs and Targets

8 DECENT WORK AND ECONOMIC GROWTH

- 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

Focus Areas

- Fostering Safety and Wellbeing
- Creating a Diverse, Equal and Inclusive Workplace
- Nurturing and Developing Talent

KLN GROUP'S WORKFORCE

TOTAL WORKFORCE (EMPLOYEE)

51,473

EMPLOYEE BY GENDER

63%
Male

37%
Female

EMPLOYEE BY AGE GROUP

- < 30 — 46%
- 30 - 50 — 49%
- > 50 — 5%

EMPLOYEE BY REGION

- Hong Kong — 5%
- The Mainland of China — 12%
- Asia — 79%
- Americas, EMEA & Oceania — 4%

EMPLOYMENT BY TYPE

- Full Time — 82%
- Part Time — 18%

EMPLOYEE BY CATEGORY

- Managerial Staff — **7%**
- General Staff — **93%**

As at 31 December 2021, there were 8,071 non-employee workers. Non-employee workers are sub-contracting labours/outsourced labours performing in the Group's operational business.

FOSTERING SAFETY AND WELLBEING

Employee and partner safety is a top priority for the Group. The Group's Occupational Health and Safety ("OHS") Policy Statement sets out how it provides a safe and healthy workplace while maintaining a focus on its key strategic objectives. The Group places an emphasis on the physical and mental health of its people, which is equally important as providing a safe working environment. The Group adheres to and complies with 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 a well-established occupational health and safety system in place, which is aligned to the requirements of the ISO 45001 (formerly Occupational Health and Safety Assessment Series 18001). The framework covers every aspect of its business activities spanning logistics services, warehousing, warehouse leasing, facilities management, international freight forwarding services, inbound and outbound trucking, haulage and distribution of general cargo, bonded cargo, temperature-controlled goods and handling dangerous goods.

Some of the key procedures based on the Group's robust OHS policy are listed below.

Hazard Identification and Risk Assessment	The Group's IMS Committee has been established to identify, assess and manage OHS hazards and risks across its operations.
	To ensure that hazards and risks are carefully considered from different perspectives, hazard analysis is carried out by IMS Committee members from all departments and frontline employees and/or workers are engaged in the process. To ensure continual improvement, a review is conducted every six months or whenever there are significant changes to operations.
	An independent professional firm is appointed to conduct a regular independent health and safety audit of the OHS system to ensure its effectiveness.
Incident Reporting and Investigation	Employees and/or workers are encouraged to report all potential work-related hazards through clear and well-established channels. All reports are referred to the IMS Committee and workers' representatives for follow-up action. The Group's OHS policy explicitly states that employees and/or workers are granted the rights to remove themselves from work without reprisals in the event they encounter danger.
Communication and Participation	The Group proactively communicates and engages with employees and/or workers in pursuit of continual improvement of the OHS system.
	Safety guidelines and procedural manuals are made readily available to employees to encourage them to identify hazards and assess the associated risks.
	Employee and/or worker representatives participate in regular meetings with the Group's IMS Committee. The agenda includes reviewing the effectiveness of the OHS management system and identifying opportunities for further improvement.

SAFETY IN THE VALUE CHAIN

The Group's OHS risk assessment considers the operations of suppliers/ contractors. Where risk occurs within supplier/contractor operations, the Group is committed to working with them to identify actions to reduce the risk to an acceptable level.

To help its suppliers/contractors adhere to its own high standards of safety, the Group works closely with them in the following ways:

- Arranging awareness training for suppliers/contractors
- Conducting regular performance and compliance reviews of suppliers/ contractors' work practices
- Proposing ways for suppliers/ contractors to make continual adjustments which improve OHS standards in the value chain

In Hong Kong, suppliers/contractors are required to demonstrate they comply with the Group's Contractor OHS Code prior to contracted work beginning. Safety training materials are provided to ensure all supplier/ contractor employees work safely in warehouses and during deliveries.

OPERATIONAL SAFETY

The Group's safety management systems help it maintain a high level of safety performance to protect its employees and customers.

In its warehouse operations, the Group stores a variety of flammable and hazardous goods. Regular fire drills and emergency evacuation simulations are held to ensure employees are equipped with knowledge and skills to react to an emergency. Specialised training is arranged to make sure employees are qualified to handle hazardous materials in strict accordance with regulations on goods transport, handling and warehousing.

TRAINING AND AWARENESS BUILDING

The Group provides safety training and awareness-building programmes to all staff. Meanwhile, an e-learning platform has been established to give employees access to relevant learning materials.

Categories	Training Topics
General Safety	• OHS training for new joiners • Regular refresher training
Safe Operations in Offices and Warehouse	• Working with display screen equipment • Hazardous goods manual handling in the workplace • Standard manual handling procedure • Preventive and protective measures
Fire Safety	• Facilities for fire safety in the office, warehouse and daily life • Fire hazards in the workplace • Introduction of firefighting equipment
First Aid	• Basic first aid • Cardiopulmonary resuscitation ("CPR") • Automated external defibrillator ("AED")

EMPLOYEE HEALTH AND WELLBEING

The wellbeing of its employees is a priority for the Group, particularly amid the COVID-19 pandemic. The Group offers medical and healthcare services and programmes to its employees to support both their mental and physical health.

MENTAL HEALTH

To support their emotional and psychological needs, the Group offers employees access to a 24-hour counselling hotline. Employees' direct family members can also access the service.

PHYSICAL HEALTH

Group employees have access to a comprehensive medical plan and, where applicable, to voluntary annual health checks. Employees in applicable operations are entitled to participate in the Group's fitness programme. Corporate sports events, such as the Kerry Challenge Cup, are held to promote employee fitness. Fruit and healthy snacks are served in Group offices.

FAVOURABLE WORKING ENVIRONMENT

NEW STAFF FITNESS CENTRE UNVEILED

To encourage employees to adopt a healthier lifestyle, the Group has launched a new staff fitness centre at its Hong Kong headquarters. Employees can enjoy the physical and mental benefits of regular exercise in a high-quality fitness facility with 180-degree sea views.

AMENITY AREA FOR EMPLOYEES

To keep employees healthy, relaxed and focussed, amenity areas have been set up at the Group's Hong Kong headquarters. Employees can enjoy a pleasant break in a refreshment area or landscaped gardens. Meanwhile, collaboration areas have been created to encourage staff to collaborate, brainstorm and socialise away from their desks.

A new staff fitness centre was launched at the Group's headquarters in Hong Kong in June 2021 to encourage employees to adopt a healthier lifestyle

CARING FOR THE WELLBEING OF EMPLOYEES DURING THE COVID-19 OUTBREAK

COVID-19 continues to disrupt the lives of Group employees. To help them adjust to the "new normal", the Group has developed clear business continuity plans and implemented measures to protect and support employees.

MANAGEMENT APPROACH

Coordinated from its global headquarters in Hong Kong, the Group established a reporting system for cases of the virus and appointed a crisis management team. A taskforce was set up to source personal protection equipment.

The reporting system enables immediate communication in the event that any employee is confirmed to be infected. The crisis management team, comprising departmental representatives from Corporate Management, Human Resources, Corporate Communications, Quality and Risk Management, IT Services, Facilities Management and Operations, takes immediate precautionary action whenever suspected or confirmed cases are identified.

Using the Group's presence in the pharmaceutical logistics business, the sourcing team was able to secure an adequate supply of medical masks, hand sanitisers and disinfectant.

A FOUR-PRONGED APPROACH

The Group has launched a four-pronged strategy to protect its employees and their families from the impact of the pandemic. This extends to business partners, customers and the community. The approach urges employees to take all necessary steps to maintain personal and workplace hygiene.

1. **Precautionary measures**
A safe working environment is ensured through preventive measures including disinfection.

2. **Distribution of protective equipment**
Employees are provided with hygiene and protective equipment, such as surgical masks and disinfectant.

3. **Special arrangements**
- Work from home arrangements supplemented by a special duty roster

- Minimising use of the staff canteen by introducing an electronic ordering system and additional sterilisation measures

- Introducing flexible break times to allow staff to avoid having lunch during peak hours

- Providing a free shuttle bus service for employees on busy routes to reduce the use of crowded public transport and to accommodate flexible working hours

4. **Open and transparent communication**
To keep employees connected and informed during the pandemic, the Group uses online platforms to provide up-to-date information on the current situation and the company's response, shipping schedules and work schedules.

COVID-19 VACCINATION

HEALTH TALKS

The Group invited doctors to provide health talks to staff to ensure they had all the information required to make an informed choice about COVID-19 vaccinations.

INCENTIVE SCHEME

The Group launched an incentive programme to encourage employees to receive their vaccinations against COVID-19 to protect themselves, their families, friends and colleagues.

LEAVE

To encourage vaccination, eligible employees have been granted vaccination leave.

CREATING A DIVERSE, EQUAL AND INCLUSIVE WORKPLACE

With a global presence in 58 countries, the Group celebrates the diversity of its employees by bringing together the best of cultures, know-how and ideas.

The Group respects the diversity of its employees and aims to create a welcoming workplace for all regardless of their age, gender, race, ethnic origin or religious beliefs. The Group's Global Equal Opportunities Policy prohibits any form of harassment or discrimination. The Group's Social Responsibility Policy Statement sets out its commitment to eradicating discrimination. The Group adheres to and 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 year, the Group recorded no incidents of discrimination.

In 2021, the Company was awarded Equal Opportunity Employer status under the Equal Opportunities Commission's ("EOC") Equal Opportunity Employer Recognition Scheme.

AN INCLUSIVE WORKPLACE

The diversity of employees and leadership is an essential consideration in hiring and promotion practices. The Group has established a fair performance evaluation system to ensure that employees are treated equally when considering promotion, transfer, training and development, dismissal and redundancy. The Group provides facilities in the workplace to cater to the needs of employees with different religious beliefs and disabilities. They include a disabled washroom and a prayer room at the Hong Kong headquarters.

TRAINING AND COMMUNICATIONS

The Group raises employee awareness by providing orientation training, including guidelines on equal opportunities, human rights, and anti-discrimination. The Group maintains open dialogue with employees through clear communication channels, such as annual employee appraisals, and has a dedicated mechanism for handling employee complaints.

CULTURAL AWARENESS WORKSHOP

Mutual understanding and respect are key to building an effective team, especially when working in a cross-cultural environment. In 2021, a Cultural Awareness Workshop was organised to help employees in Hong Kong understand, work and flourish with cultures other than their own.

Employees from different backgrounds were invited to share stories about their journeys, interests and cultures.

NURTURING AND DEVELOPING TALENT

Identifying and cultivating young talents and upskilling employees to become leaders is crucial to fulfilling the Group's ambition of delivering sustainable logistics solutions. Every employee should have the opportunity to grow and thrive while working for the Group.

DEVELOPING TALENTS AND LEADERS

The Group continues to invest in nurturing young professionals through apprenticeship programmes, internships and management training initiatives.

YOUNG EXECUTIVES ACADEMY ("YEA")

Since the launch of the Young Executives Academy (YEA) in Hong Kong in 2001, the Group has been developing future leaders by offering a platform for talent to thrive at different career stages ranging from student internships to management. The YEA consists of four programmes that are tailored for candidates at different stages of their career development.

Management Associate Programme	• A 12-month programme • Advance careers for young talents by providing work experience and identifying potential to take up key roles in corporate development
Management Trainee ("MT") Programme	• Nurture fresh graduates, regardless of their academic background, to become the Group's future business leaders • Offer rotations across different business streams with overseas exposure
Graduate Trainee ("GT") Programme	• A 12-month programme • Tailored to prepare fresh graduates • Offer intensive development in specific businesses in Hong Kong
Internship Programme	• A six-month programme • Allow candidates to gain hands-on experience and explore interests for career progression • Outstanding interns are fast-tracked to the Group's GT/MT programmes after graduation

DEVELOPING EMPLOYEES

The Group organises training for its employees based on needs identified by a training matrix, which considers personal development, leadership and service excellence, as well as safety and wellness. The Group delivers orientation training for new hires while job-specific training for existing employees is designed to enhance their technical skills. The Group encourages and assists employees in obtaining professional or academic qualifications.

PROVIDING DECENT WORKING CONDITIONS

The continued success of the Group depends on inspiring pride and engagement to create mission-driven and loyal employees. The Group's robust employment management system ensures it attracts and retains the best talents available. The Group ensures employment policies are applied consistently across the organisation and strives to provide decent working conditions in terms of compensation and dismissal, recruitment and promotion, working hours, rest periods, benefits and welfare. The Group adheres to and complies with the Employment Ordinance in Hong Kong and all applicable employment laws and regulations in every applicable jurisdiction that have a significant impact on the Group.

Key focus	Description
Requisition and Retention	The Group ensures equal opportunities in all aspects of employment, training and career development. For details, please refer to the section headed "Creating a Diverse, Equal and Inclusive Workplace".
Employee Welfare and Benefits	The Group treasures its employees' contributions and provides them with a comprehensive benefits package, including medical insurance, sponsored education and training programmes. To promote family-friendly practices, the Group has set up nursing rooms at its Hong Kong offices. The children of employees, meanwhile, can enjoy educational and development opportunities offered by the Group.
Career Prospects	Clear career prospects encourage employees to strive for excellence. The Group has established a career development evaluation mechanism for promoting talented employees and offering opportunities for career development. For details on training and development, please refer to the section headed "Nurturing and Developing Talent".
Employee Relations and Engagement	The Group places an emphasis on open communication and dialogue as part of its core values. Communication channels with employees include workshops, meetings and surveys.

EDUCATION AND DEVELOPMENT OPPORTUNITIES FOR EMPLOYEES' CHILDREN

SUMMER INTERNSHIP

The programme is designed to help employees' children develop a strong work ethic and positive attitude. At the same time, they can gain valuable work experience and improve the parent-child relationship while having fun and broadening their horizons. The programme includes dedicated mentoring by experienced colleagues and skills workshops.

TERTIARY EDUCATION BURSARIES

The Group supports the children of its employees to pursue higher education by providing financial assistance.

UPHOLDING LABOUR STANDARDS AND HUMAN RIGHTS

The Group is committed to upholding labour standards in its operations and value chain. It respects the fundamental rights to which every individual is entitled, and which are reflected in all aspects of its operations.

The Group is committed to eliminating all forms of forced labour and child labour in its operations, and has complied with all relevant laws and regulations relating to preventing child and forced labour that have a significant impact on the Group. It is the responsibility of the Group's every employee, contractor and supplier to adhere to its Social Responsibility Policy Statement. The Group has in place communication channels through which employees, contractors and suppliers are able to report any incidents of non-compliance. For more details on the Group's measures and steps taken to safeguard labour standards and human rights, please refer to the corresponding sections.

In 2021, no operations and/or suppliers were considered to have been at significant risk of employing child labour or forced labour. The Group has not discovered any cases of child labour or forced labour.

Sections	Description
Fostering Safety and Wellbeing	Employees have the right to work in a safe and comfortable workplace where their health and physical wellbeing are properly taken care of
Creating a Diverse, Equal and Inclusive Workplace	Employees are not subject to any form of discrimination and are treated fairly and equally
Providing Decent Working Conditions	Employees enjoy a fair work environment where everyone feels valued and can thrive
Sharing our ESG Values with Suppliers; Adhering to Business Standards	The rights and labour practices of workers who are not part of the Group's workforce should be valued and respected in the same manner

OUR ENVIRONMENT

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

The Group recognises that climate change poses a potential threat and challenge to the global supply chain. As one of the industry leaders, the Group aims to maintain the resilience of its logistics network to climate change and to minimise its environmental footprint around the world.

To better understand its environmental footprint, the Group has engaged an external professional consultancy firm to implement carbon assessment. The quantification process of GHG emissions follows the guidelines* published by the Electrical and Mechanical Services Department and the Environmental Protection Department of Hong Kong, with reference to international standards such as the Greenhouse Gas Protocol and the ISO 14064-1 standard.

Four EV charging stations were installed at Kerry Cargo Centre in Hong Kong in the fourth quarter of 2021 to allow employees to conveniently charge their cars and to encourage the use of EV

*Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong

Our Targets

- Achieve net zero emissions from our operations and value chain by 2050
- Reduce energy and water consumption in our operations
- Reduce consumption of packaging materials and increase the proportion of sustainable packaging material
- Improve education and raise awareness through training and campaigns

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

Focus Areas

- Tackling Climate Change
- Minimising Environmental Footprint

TACKLING CLIMATE CHANGE

Climate change is one of the biggest challenges facing humanity. As a logistics service provider, the Group aims to create a value chain which is both resilient to climate change and which limits carbon emissions. The Group's Climate Change Policy Statement sets out its contribution to protecting the environment in four main ways: mitigation, adoption, resilience and disclosure.

STAYING RESILIENT TO CLIMATE CHANGE

The Group's businesses are exposed to risks arising from climate change including physical effects such as major weather events or longer-term shifts in climate patterns. Transitioning to a lower-carbon economy, meanwhile, may require extensive investment in new technology and policies to ensure the Group complies legally and meets the changing demands of market.

To navigate course in climate change, the Group believes that transparency in climate-related formation will deepen the Group's understanding of the climate risks and opportunities, leading to better risk management and more informed strategic planning. As part of key component in its sustainability visions statement, KLN Group will be implementing the Task Force on Climate-related Financial Disclosures ("TCFD") by 2025.

- *CLIMATE RISK ASSESSMENT*

  To prepare for climate-related disclosure, the Group engaged external consultants to begin studying the impact of climate change on its business through a qualitative climate scenario analysis in 2021. In the assessment, the Group referenced the scenarios presented by Intergovernmental Panel on Climate Change ("IPCC"), International Energy Agency ("IEA") and International Transport Forum ("ITF") at Organisation for Economic Cooperation and Development ("OECD"). The assessment aims to identify the physical and transition risks that are most relevant to the Group. Based on the result, the Group will study the specific impact of climate-related risks on the Group and incorporate them into its enterprise risk management system.

- *CARBON REDUCTION*

  The Group has committed to achieving net-zero emissions by 2050, underlining its ambition to reduce its environmental impact and mitigate its exposure to transition risks. More details can be found in the section headed "Decarbonising Logistics Operations".

Looking forward, the Group will further examine the alignment of its policies with the TCFD recommendations.

DECARBONISING LOGISTICS OPERATIONS

Decarbonisation is one of the key pathways to mitigating the Group's impact on climate change. In 2021, the Group committed to achieving net zero emissions from its operations and value chain by 2050. The Group will drive changes in the following four areas:

- Carbon reduction

- Energy efficiency and renewable energy

- Carbon offsetting

- Transparency of disclosure

A solar panel of 23,700 sq.ft was installed on the roof of PC[3] in Hong Kong in the fourth quarter of 2021

CARBON REDUCTION TARGETS

The Group is in the process of establishing a comprehensive baseline for greenhouse gas ("GHG") emissions across its worldwide operations. In 2021, the Group conducted its carbon assessment. Its findings are summarised below. The Group has also started to asses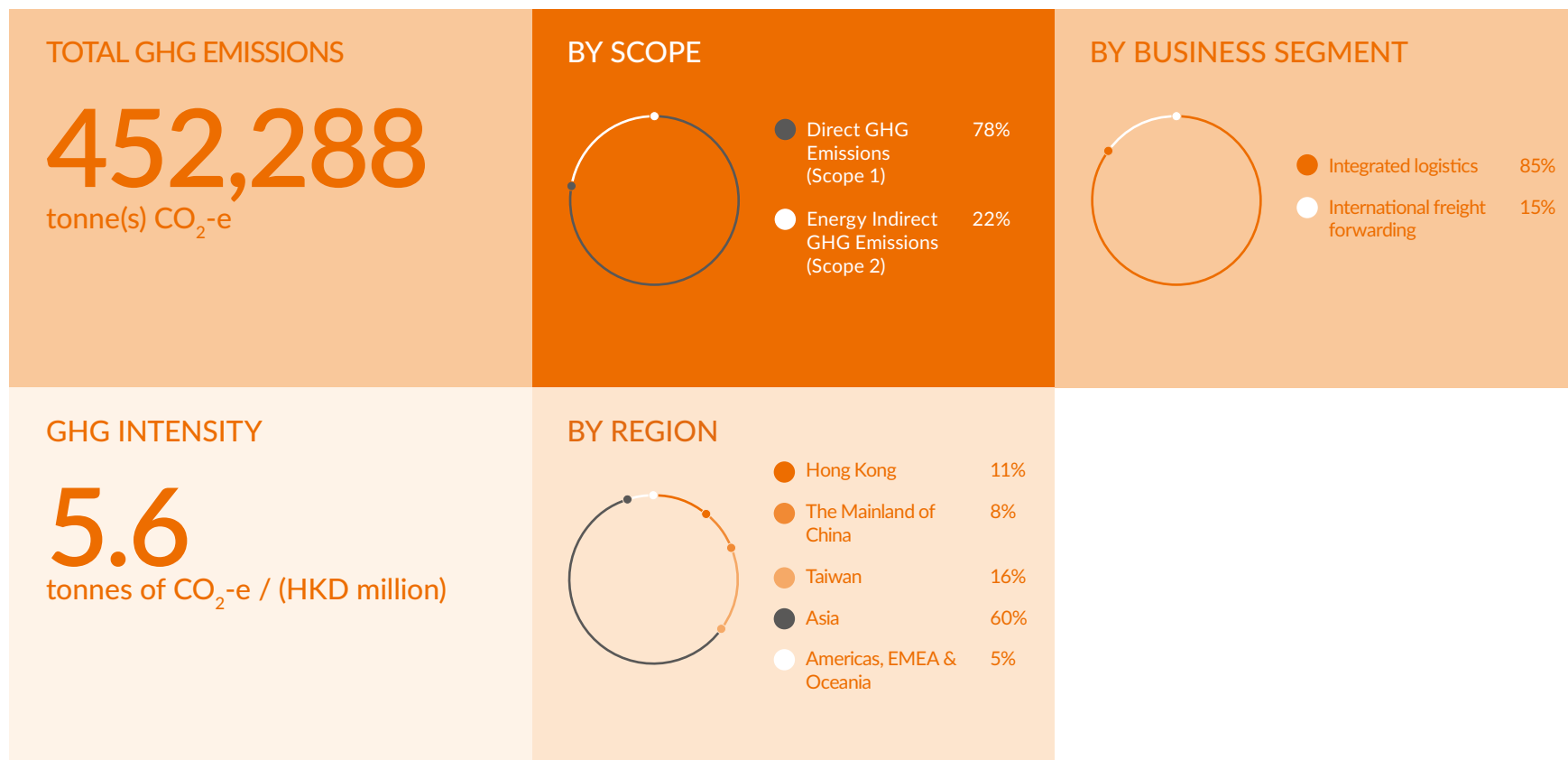s the impact of Scope 3 emissions and this study is underway. Measuring the impact of emissions from transport services (i.e. air freight and shipping) was prioritised because of its relevance to Group's operations. Details can be found in the Environmental Performance Data section.

SCIENCE-BASED TARGETS

Science-based targets specify how much and how quickly a company needs to reduce its greenhouse gas emissions to futureproof its growth. Setting carbon reduction targets that are in line with the latest climate science is necessary to ensure that the Group can meet its net zero commitments. As part of its net zero strategy, the Group is in the process of building its greenhouse gas inventory and has begun to explore opportunities to develop science-based targets.

GHG EMISSIONS (SCOPE 1+2) IN 2021

TOTAL GHG EMISSIONS

452,288

tonne(s) CO_2-e

BY SCOPE

● Direct GHG Emissions (Scope 1)	78%
○ Energy Indirect GHG Emissions (Scope 2)	22%

BY BUSINESS SEGMENT

● Integrated logistics	85%
○ International freight forwarding	15%

GHG INTENSITY

5.6

tonnes of CO_2-e / (HKD million)

BY REGION

● Hong Kong	11%
● The Mainland of China	8%
● Taiwan	16%
● Asia	60%
○ Americas, EMEA & Oceania	5%

ENERGY EFFICIENCY AND RENEWABLE ENERGY

The Group's energy consumption accounted for most of the carbon emissions in its operations. The Group focuses on optimising efficiency and adopting renewable energy to reduce greenhouse gas emissions.

ENERGY EFFICIENCY

The Group focuses on driving energy efficiency in two main areas: road transport and warehouse operations.

Road Transport	
Operational Efficiency	• Enhancing route planning • Instilling good behaviour through measures including carrier capacity optimisation, mileage yield monitoring, driver training, and regular fleet maintenance
Fleet Modernisation	• Adopting the use of alternative fuel vehicles • Phasing out vehicles with lower emissions standards

Warehouse Operations	
Building Envelope	• Reducing energy loss from cold storage facilities by minimising time and frequency of opening external doors
Lighting	• Replacing fluorescent lights with more energy-efficient light-emitting diode ("LED") alternatives • LED lighting replacement programmes are underway in logistics facilities in Thailand, Singapore, the Mainland of China and Oceania
Air Conditioning and Refrigeration System	• Keeping the room temperature of the workplace between 24 and 26°C • Implementing maintenance plans aimed at efficiency, such as regular cleaning of dust filters and fan coils • Procuring environmentally friendly air conditioners in the Mainland of China • Refrigerants at one of the Group's cold storage facilities in Hong Kong will be replaced with an environmentally friendly alternative by the third quarter of 2022

The first hybrid electric vehicle was deployed in Hong Kong in 2013 as part of the Group's green initiatives across the globe

RENEWABLE ENERGY AND TECHNOLOGIES ADOPTION

The Group aims to increase the use of renewable energy in its operations where applicable. Accounting for developments in renewable energy and the relevant policies in the countries in which the Group operates, it encourages its respective businesses to maximise the use of renewable energy where it is available and feasible.

The Group's first EV was deployed in Singapore in the second quarter of 2021

MAKING OUR OPERATIONS GREENER

SUPPORTING SOLAR ENERGY ADOPTION

The Group has adopted renewable energy in Hong Kong, the Mainland of China and Thailand.

In Hong Kong, the Group supports the adoption of renewable energy in local communities by participating in the Feed-in Tariff (FiT) Scheme launched by the HKSAR Government in 2020. Solar panels have been installed at the Group's buildings and are connected to the main grid of the local power supplier.

In Singapore, the first trial of solar panels at a Group warehouse is planned for the second quarter of 2022.

GREENING TRANSPORT MODES

Electric, hybrid and natural gas vehicles have been used on a trial basis in Hong Kong, the Mainland of China and Thailand.

In Hong Kong, electric trucks will be on trial in 2022. In addition, Euro 4 or higher emission standards are adopted for fossil fuel vehicles. In Singapore, the first electric vehicle ("EV") was deployed in the second quarter of 2021.

In the Mainland of China, 16 alternative fuel vehicles have been ordered. Electric forklifts have been introduced in warehouse operations and rail transport is used whenever possible.

ENERGY CONSUMPTION 2021

TOTAL ENERGY CONSUMPTION

1,313,812
MWh

ENERGY INTENSITY

16.3
MWh/(HKD million)

BY BUSINESS SEGMENT
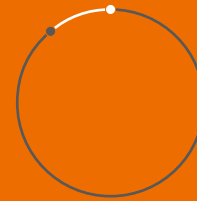
●	Integrated logistics	89%
○	International freight forwarding	11%

BY REGION
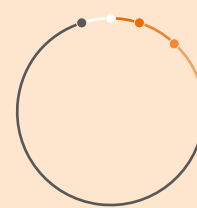
●	Hong Kong	5%
●	The Mainland of China	7%
●	Taiwan	15%
●	Asia	68%
○	Americas, EMEA & Oceania	5%

CARBON OFFSETTING

Carbon offsetting is the purchase of carbon credits, generally in an amount equivalent to the carbon emissions that a business has created. Where the Group cannot avoid or reduce emissions, offsetting is used to neutralise the remaining emissions. It is realised through the purchase of high-quality carbon credits from accredited registries.

As part of its net zero strategy, the Group has launched a Carbon Offset Policy, which clearly sets out its approach to carbon offsetting and the procurement of verified carbon credits. The Group has developed a set of robust criteria to guide it in identifying and procuring high-quality carbon credits.

TRANSPARENCY AND DISCLOSURE

The Group recognises transparency is key to demonstrating how it is making genuine progress in sustainable logistics and building trust with stakeholders. By transparently communicating its results and performance to stakeholders, all parties understand where the Group's impact lies and how it drives changes. Transparency further encourages healthy competition within the industry.

To increase transparency to investors and customers, the Group participated in the CDP's climate change survey for the first time in 2021, disclosing information on its climate actions to relevant stakeholders. The Group used the process to benchmark its current progress as a way of improving its own performance and best practices.

MINIMISING ENVIRONMENTAL FOOTPRINT

The Group aims to manage environmental risks and minimise their potential impact through its Environmental Policy Statement.

ENVIRONMENTAL MANAGEMENT SYSTEM

The Group's environmental management approach is guided by ISO 14001. Operations in Hong Kong, the Mainland of China, Singapore and some European countries are certified by ISO 14001. The Group is committed to preventing harm to the environment by applying caution and complying with all applicable laws and regulations that have a significant impact on the Group.

AIR EMISSIONS AND SPILLAGES

To minimise air pollutants emissions, the Group has been phasing out vehicles with lower emissions standards. For details, please refer to the section headed "Tackling Climate Change – "Decarbonising Logistics Operations".

Air Emissions in 2021	Tonnes
Nitrogen oxides (NO$_x$)	1,034
Sulphur oxides (SO$_x$)	12
Respirable suspended particulate (RSP)	84

The Group stores and transfers chemical materials for its customers, which could lead to environmental damage in the event of a spill or fire. The Group has established emergency plans and response measures to prevent and manage emergencies.

WASTE MANAGEMENT

Waste is generated by day-to-day operations at the Group's facilities and offices. The Group's waste management hierarchy is as follows: Reduce, Reuse, Recycle, Replace.

Strategy	Practices
Reduce: Reduce consumption at the source	• Reduce consumption of inbound and outbound packaging material (pallets, carton boxes, cardboard containers, dunnage and lashing materials) by combining packaging at each delivery point to reduce repackaging • Reduce paper consumption by digitalising business operations through the use of electronic approvals instead of paper signatures, electronic archives and documents, and online communication • Encourage double-sided printing
Reuse: Reuse materials or products in their original forms	• Use of re-treaded tyres to extend their life cycle where appropriate • Reuse of carton boxes • Reuse paper printed on one side
Recycle/Recover: Recycle materials that would otherwise be disposed of as waste and turn them into new products	• Recycle regulated electrical equipment ("REE") under the Producer Responsibility Scheme on Waste Electrical and Electronic Equipment ("WPRS") in Hong Kong • Recover heavy metals from the waste of electrical and electronic equipment ("WEEE"); for example obsolete computers, electronic goods, customers' products • Promote the use of recycled paper
Replace: Replace materials with alternative environmentally friendly materials	• Replace carton boxes and wood pallets with more durable or recycled alternatives, such as logistics carts, plastic tote boxes and plastic pallets • Promote the use of paper from sustainable sources. For example, the Group's annual reports are printed with Forest Stewardship Council ("FSC") certified paper

Apart from general waste management, the Group implements stringent control on hazardous waste handling. All warehouses in Hong Kong are registered "Chemical Waste Producer(s)" under the provisions of local regulations. Major waste categories include lubricating oil, organic solvents, pesticides, fluorescent tubes, refrigerants, and printed circuit boards. Licensed waste collectors are engaged to handle these wastes.

Waste in 2021	Tonnes
Hazardous waste	32.3
Non-hazardous waste	44,222

Waste in 2021	
Hazardous waste intensity	<0.1 tonne(s)/ (HKD million)
Non-hazardous waste intensity	0.5 tonne(s)/ (HKD million)

PACKAGING MATERIALS

Packaging is a key part of the storage, distribution and transport services the Group provides to

customers. Materials used in the packaging process include stretch film, boxes and pallets.

The Group is committed to using durable, recycled materials for packaging to minimise consumption. In the Mainland of China, packaging materials are procured according to national green packaging standards in response to the State Post Bureau's call to implement a recycling system for logistics packaging.

PACKAGING IN 2021

TOTAL PACKAGING CONSUMPTION

22,271

tonnes

BY TYPE

Cartons	49%
Plastic wrapping materials	50%
Styrofoam	<1%

BY BUSINESS SEGMENT

Integrated logistics	68%
International freight forwarding	32%

PACKAGING MATERIAL INTENSITY

0.3

tonne(s)/(HKD million)

BY REGIONS

Hong Kong	5%
The Mainland of China	32%
Taiwan	4%
Asia	58%
Americas, EMEA & Oceania	1%
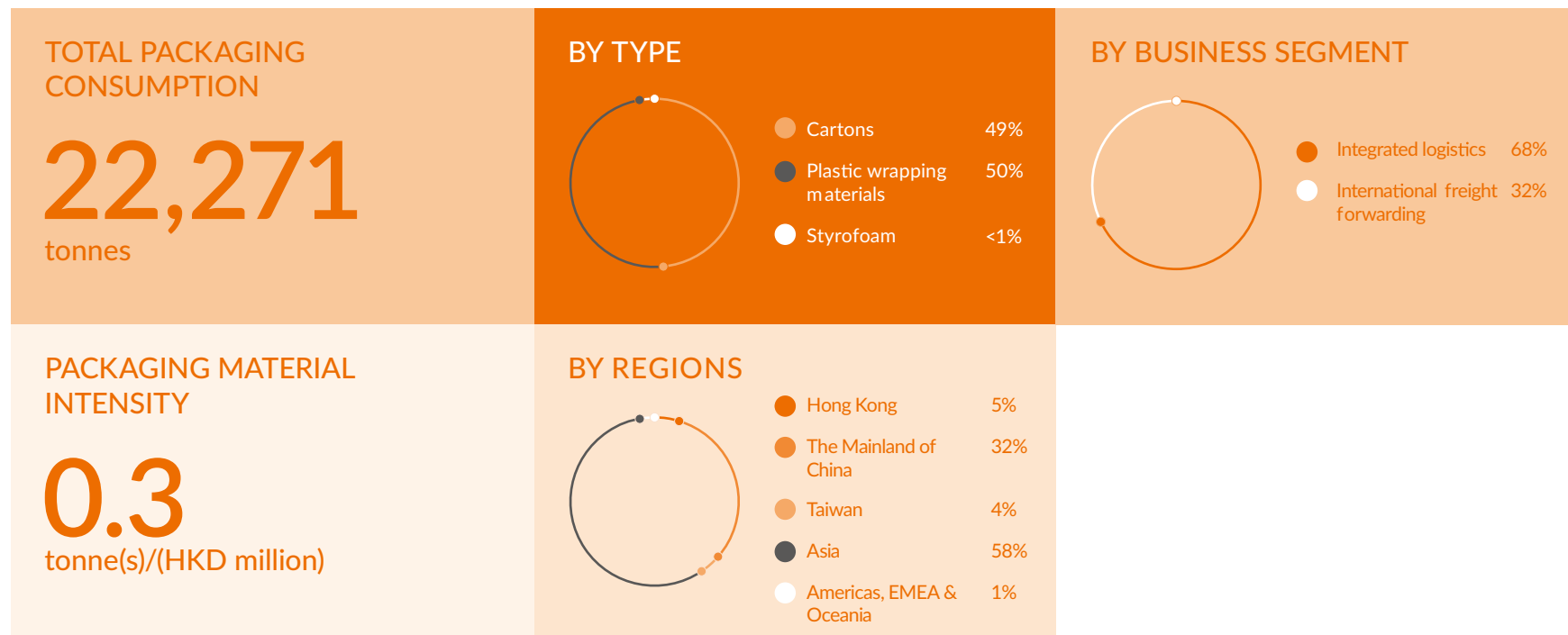
WATER EFFICIENCY

The Group's business does not rely heavily on water resources. Water is mainly used for domestic purposes such as drinking and sanitation and is sourced from municipal suppliers. Wastewater is discharged into the public sewerage system. The Group is not aware of any water stress problems in the areas in which it operates and does not have issues finding adequate water sources for its business operations.

However, the Group recognises that water is a valuable resource and actively promotes water conservation in its daily operations. The Group minimises leaks and water wastage by regularly checking systems for leaks and monitoring water consumption.

GREEN BUILDINGS

The Group takes environmental considerations into account and adheres to national and international standards in new construction where feasible. The Group's state-of-the-art logistics facilities, namely Tai Po Product Customisation and Consolidation Centre ("PC^3") in Hong Kong, and Kerry Tampines Logistics Centre in Singapore both attained the Leadership in Energy and Environmental Design ("LEED") (Gold) recognition for design that benefits the environment. Additionally, PC^3 is the first industrial building in Hong Kong to be certified with the Hong Kong Building Environmental Assessment Method ("HK-BEAM") (Gold).

These buildings operate with minimal environmental impact. For example, at PC^3 rainwater is collected so it can be used to irrigate plants.

ENVIRONMENTAL COMPLIANCE

The Group recognises the impact of its operations on the environment and natural resources. The Group adheres to and complies with the Air Pollution Control Ordinance in Hong Kong and all applicable environmental laws and regulations in every applicable jurisdiction that have a significant impact on the Group.

OUR CUSTOMERS

17 PARTNERSHIPS FOR THE GOALS

The Group fulfils the expectations of its customers by maintaining a resilient and reliable supply chain network. It helps customers to achieve their sustainability goals by operating responsibly. The Group aims to go the extra mile for its customers by providing exceptional services and innovative solutions.

Our Targets

Keep abreast of technological developments and explore avenues to streamline our business processes, enhance efficiency, and deliver greater value to our customers

Our Prioritised SDGs and Targets

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

Focus Areas

- Delivering excellence in logistics solutions
- Boosting innovation

DELIVERING EXCELLENCE IN LOGISTICS SOLUTIONS

As a global logistics services provider, the Group provides unique industry solutions to a spectrum of operating segments spanning international fashion and electronics, food and beverage, and fast-moving consumer goods ("FMCG"). To ensure that its solutions meet expected standards and satisfy the requirements of different market sectors, the Group places the quality of its products and services at the heart of its business strategy. Quality is the cornerstone of the Group's position in global markets.

QUALITY MANAGEMENT

Adhering to high standards at every level is crucial to protect the Group's operations from ever-changing global pressures and ensure a reliable and uninterrupted service to its customers. The Group's Quality Policy Statement clearly sets out the standards customers can expect from its products and services worldwide. Management systems at each of the Group's business units are regularly tested against and certified by relevant international benchmarks for quality, environment and customer safety. The Group is externally audited and certified on standards which include

ISO9001 quality management system standards and the Facility Security Requirements ("FSR") specified by the Transported Asset Protection Association ("TAPA"). More information relating to quality accreditations is available on the Group's website.

CUSTOMER RELATIONSHIP MANAGEMENT

The Group places a strong emphasis on customer satisfaction to build trust and lasting relationships.

Customer engagement takes place through channels including phone interviews, annual customer surveys, websites, hotlines and social media platforms to ensure the group builds an accurate picture of client demands. Each customer is assigned a dedicated account manager to ensure that their needs are properly addressed.

The Group has a well-established complaints handling procedure. Upon receipt of a complaint, a written response is provided within 24 hours. Appropriate remedial measures will be taken in the event the complaint is deemed to be valid. In 2021, there were no substantiated complaints received that had a significant impact on the Group.

BOOSTING INNOVATION

Innovation and technology continue to play an important role in helping the logistics industry improve and grow. Harnessing the power of technology helps the Group to find new ways of adapting to the evolving needs of its customers and build resilience into supply chains that serve rapidly changing markets. The Group is ambitious in its adoption of new technology as it strives to provide sustainable solutions and take a lead on accelerating the transformation of the industry.

ROBOTICS AND AUTOMATION

The Group has invested in technology to automate warehouse function with the overall aim of increasing accuracy efficiency while reducing the risk of employee injuries.

The Group has worked closely with technology specialists to implement automated warehouses. In the Mainland of China, the Group has embedded warehouse technology including automated picking systems. The Group has built a fully autonomous smart warehouse in Xiamen and is studying the feasibility of equipping a facility in Singapore with similar technology.

To improve the productivity and throughput of the put-to-order sorting process after picking by batch, the Group has introduced robotic arms to its Hong Kong cold storage facility. The system, known as KOOLBotics, can handle chilled food 20 hours a day, 365 days a year, tripling the sorting throughput of the facility while delivering almost complete accuracy for both business-to-business and business-to-customer orders.

INTERNET OF THINGS AND SUPPLY CHAIN VISIBILITY

The Internet of Things ("IoT") is a concept that connects sensors embedded within objects or devices to the internet and other connected devices. IoT is playing an important and growing role in accelerating data-driven logistics. The Group has begun to use smart sensors to monitor metrics including temperature and humidity for products contained within international shipments. The Group can guarantee high levels of service and security by making use of the data collected. Real-time data helps customers to make agile decisions and empowers them to optimise their supply chain management.

TRACK AND TRACE SYSTEM

KerrierVISION is a real-time, internet-based platform designed to provide customers with a solution for tracking inventory, freight, purchase order and delivery. This is ideal for the Group's IFF business to provide its customers with high visibility, accessibility and data connectivity. Meanwhile, the KOOLPoD, embedded Track and Trace function, provides real-time road freight information by tracking the location of trucks, as well as remaining time and distance to destination, providing timely notification in the event of any delays. This system also provides a paperless record which can be integrated into customer systems.

MOBILE APPLICATIONS

To allow customers to access shipping data remotely, the Group has developed a number of smartphone applications. Its IFF business allows customers to easily track the progress of their shipments through the KTreker tracking app.

APPLYING TECHNOLOGY TO IMPROVE CUSTOMER SERVICE

In Singapore, a machine-learning artificial intelligence chatbot has been developed to improve the customer experience and efficiency in resolving customer inquiries.

OUR
BUSINESS ETHICS

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

As a global logistics company with a footprint in 58 counties and territories, the Group has a responsibility to respect different cultures, traditions, labour conditions and operational risks. The Group is committed to responsible business throughout its operations and value chain. This extends to observing recognised geographical labour and human rights conventions and developing safeguards to fight corruption. The Group fulfils the expectations of its customers by maintaining a resilient and responsibly operated supply chain network, which helps them achieve their sustainability goals. The Group aims to go the extra mile for its customers by providing an exceptional service and innovative solutions.

Our Targets

- Raise our employees' awareness of anti-corruption safeguards and whistleblowing procedures
- Develop and enhance our data management and security systems to ensure that our customers' data is managed ethically and is not abused

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

Focus Areas

- Adhering to business standards
- Protecting data privacy and security

ADHERING TO BUSINESS STANDARDS

Maintaining the highest standards of business practice is the cornerstone of the Group's sustainable development. The Group aims to eradicate any unethical conduct, such as corruption, bribery and money laundering, in its business and value chain.

COMBATTING CORRUPTION

The Group's Global Anti-Bribery Policy explicitly sets out its zero-tolerance approach towards any form of bribery, corruption, extortion, money laundering or fraud.

A comprehensive programme of training and communication has been developed to increase awareness among employees. For example, the Group's Global Anti-Bribery Policy is incorporated into mandatory employee induction training to ensure it is communicated clearly to all staff. All of the Group's stakeholders can access the policy on its corporate website.

The Group has carefully tailored its training programme to cater for distinct target audiences throughout the organisation. Employees are expected to show they fully understand the content by undergoing compulsory testing. The programme ensures management level staff develop a comprehensive understanding of anti-corruption measures by incorporating detailed case studies into their training.

CODE OF CONDUCT

The Group's policies and guidelines set out the basic principles for employees in managing sustainable development matters. (Please refer to the section headed "Policies and Guidelines"). The Group is committed to working exclusively with business partners that share its commitment to upholding high standards of business practice and can demonstrate their compliance with relevant laws and regulations. In 2021, the Group introduced its Business Partner Code of Conduct. It makes reference to the Ten Principles of the United Nations Global Compact and stipulates minimum standards for value chain partners in key areas including human rights, labour practices, the environment and anti-corruption.

WHISTLEBLOWING POLICY

All cases of malpractice should be detected through effective monitoring and management controls. As an additional safeguard, the Group's Whistleblowing Policy encourages employees to confidentially report any suspected misconduct, irregularities or malpractice. All reports will be followed up promptly and all cases will be referred to the ACC and management.

ETHICAL MARKETING AND INTELLECTUAL PROPERTY PROTECTION

Providing customers with comprehensive and accurate information about the services and products is essential to building trust and credibility. KLN Group shares news of company developments and new products through its website, promotional emails and social media platforms to reach clients and maintain transparency. The Group has developed Corporate Identity Guidelines to provide a framework for all marketing and communication material. During 2021, the Group encountered no significant issues or disputes regarding its marketing practices.

The Group respects intellectual property. It works actively and closely with customers and business partners to agree detailed and specific procedures which protect their intellectual property rights as part of our service contracts with them.

MEASURING PERFORMANCE

The Group's conduct in relation to business practices and ethics is bound by laws and regulations, the Group adheres to and complies with the Prevention of Bribery Ordinance in Hong Kong and all applicable laws and regulations in every applicable jurisdiction that have a significant impact on the Group.

During 2021, no legal cases relating to corrupt practices were brought against the Group or its employees.

EMBRACING OPENNESS

Placing emphasis on its core corporate value of 'openness' and operating a clear and simple reporting structure fosters an environment where both internal and external stakeholders understand that the Group welcomes honest communication.

The Group has invested in giving management a wide range of platforms to communicate openly and transparently with staff and stakeholders. Internally, they include social media app KLN World, V.O.I.C.E. email and the KLN intranet portal. The Group also uses third-party social media channels to communicate and share information with all stakeholders seamlessly.

PROTECTING DATA PRIVACY AND SECURITY

The digital transformation of the logistics industry means the amount and type of data maintained by companies operating in the sector are growing rapidly. It includes personal information of customers and sensitive shipping data. With the increasing number of cyber-attacks, the Group places a great deal of importance on protecting corporate and stakeholder data by adopting the highest standards of privacy and security.

DATA PRIVACY

The Group treats the privacy of its stakeholders with the utmost importance and has developed policies and processes to handle their data with appropriate care. The Group's Privacy Policy sets out its approach to collecting and processing personal data and outlines its steps to ensure compliance with all relevant information laws and regulations that have a significant impact on the Group.

The Group ensures awareness of its data handling policies among employees through induction training and regular refresher training. There are sound and well-established procedures in place to guide the use of customer information in advertising. In general, contracts specify the scope of confidentiality and no customer information may be used for advertising or promotional activity unless specifically approved by the customer.

DATA SECURITY

The Group aims to assure the integrity of all information it disseminates, produces, manages or stores, which is handled through sound confidentiality procedures as set out in its Information Security Management Policy Statement. The Group ensures its data security through the following approach:

MANAGEMENT SYSTEMS

The Group has established an information security management system in compliance with the ISO27001 standard. It provides guidelines for protecting information assets from any internal, external, intentional, or accidental threats. Policies and procedures are in place that set out the requirements for data classification and access control.

To manage the risks of third parties, the Group only engages vendors which meet a required level of certification qualifications and standards in IT security. Management systems are subject to periodic health checks or audits by external parties.

TECHNOLOGY

The firewall and anti-virus software used by the Group is updated regularly. Software for filtering spam is also employed.

ACCESS CONTROL

The Group limits risk by allowing only authorised software installations and access to IT equipment or personal laptops is restricted by strong password requirements.

PERFORMANCE

The Group treats customer data with care and confidentiality. The Group adheres to and complies with the Personal Data (Privacy) Ordinance in Hong Kong, and all applicable laws and regulations in every applicable jurisdiction that have a significant impact on the Group.

Cyber security specialists have been appointed to investigate any incidents and ensure the Group's system is secure. 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. In 2021, there were no substantiated complaints concerning breaches of customer privacy or losses of customer data.

TACKLING CYBER THREATS

The Group believes prevention is more important than the cure. Therefore, it has implemented a series of measures to defend itself against the risk of a cyberattack. Addressing the increase in threats to its digital wellness, the Group has enhanced company login requirements with a two-factor authentication process and encourages employees to report suspicious emails. Regular training, email alerts and instant messages are employed to remind staff to be wary of any cyber attacks.

OUR SUPPLY CHAIN

(This page contains computer-processed images)

As a logistics provider, the Group works with suppliers to create a network that connects the world. Suppliers play their role in delivering solutions to Group customers. The Group recognises the potential impact of its operations on communities and the environment, and its responsibility to shape sustainable supply chains.

Our Targets

Communicate our code of conduct with our business partners and ensure they uphold the highest standards of labour practice and human rights

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

Focus Areas

Sharing our ESG values with suppliers

SHARING OUR ESG VALUES WITH SUPPLIERS

The Group's suppliers play a significant role in its business activities. This means that the way they perform plays an important part in determining the overall value chain impact. The Group's goal is to work with suppliers which share the same values, vision, and business standards.

SUPPLIER PROFILE

The Group collaborates closely with a wide variety of suppliers, such as airlines, shipping companies and owners of leased logistics facilities, to support its strong distribution network.

As of 31 December 2021, the Group partnered with a total of 969 key suppliers in delivering quality solutions to its customers.

Regions	2021
Hong Kong	114
The Mainland of China	327
Taiwan	20
Asia	177
Americas	106
EMEA	182
Oceania	43
Total	969

GUIDING PRINCIPLES

The Group's Social Responsibility Policy Statement sets out the strong commitment it expects from suppliers to good sustainability practices relating to ethical behaviour, health and safety, employment and human rights practices, and environmental sustainability. The Group has further developed during 2021 its Business Partner Code of Conduct to ensure that the values and principles that influence its business practices are embedded in its supply chain. Please refer to the section "Adhering to Business Standards" for more details. All suppliers are required to adhere to the Business Partner Code of Conduct. In Hong Kong, suppliers are also required to demonstrate their compliance with applicable laws and regulations.

SUPPLY CHAIN MANAGEMENT

The Group operates a rigorous procurement process to drive a sustainable supply chain. The Group's headquarters in Hong Kong continues to maintain a Green Specification List with environmentally-friendly equipment options to help supplement its sustainable procurement practices.

Area	Precautionary Measures
Supplier Screening	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.
	Supplier contracts contain clauses with environmental or ethics-related requirements.
	In 2021, the Group first introduced a Business Partner Code of Conduct to its critical suppliers in Hong Kong, with plans to extend it to other countries and territories.
Supply Chain Disruption Response	The Group has established a process of structured performance evaluation and monitoring to develop contingency plans enabling it to maintain a high level of service reliability and business continuity in the event of any problems in its supply chain.
Supply Chain Risk Management	KLN Group shares its risk management protocols with its suppliers and ensures they adhere to its standards.
	The process evaluating and measuring risk is ongoing and is integrated into the day-to-day activities of the business.
	The Group's operations teams are accountable for communicating risks with suppliers, contractors and subcontractors.
Supplier Evaluation	Existing suppliers are subject to regular performance assessments to monitor the quality of their environmental management and occupational health and safety.
	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.
	In 2021, more than 700 suppliers of the Group's headquarters in Hong Kong had undergone performance evaluation, and more than 87% of them demonstrated performance that was acceptable or better.
Supplier Communications	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.
	For example, in the Mainland of China, the Group actively communicates with its suppliers on existing industry regulations related to the use of vehicles, replacement of vehicles with low-emission alternatives and service quality.

SUSTAINABLE PROCUREMENT PRACTICES

The Group actively promotes the procurement of environmentally friendly materials and has adopted the use of reusable packaging in its logistics operations.

For one of the Group's fashion and lifestyle logistics projects, plant-based stretch films were used in the place of plastic. The product will be rolled out to other applicable projects. Since the third quarter of 2021, the Group has adopted the use of recycled polyethylene ("PE") bags in the value-added service process. In 2021, 200,000 units of RCS100 Recycled Claim Standard – approved recycled PE bags were used in the pre-consumer and post-consumer process.

OUR
COMMUNITY

17 PARTNERSHIPS FOR THE GOALS

The Group assisted the global logistics of a leading e-commerce company with the cross-border movement of essential supplies and relief material from Singapore, Germany, France, Shanghai and Hong Kong to India in June 2021

The Group maintains regular dialogue with the communities where it operates. The Group exploits its knowledge, resources and expertise to help communities effectively address significant risks and challenges.

Our Targets

- Leverage on our logistics expertise to provide solutions to the needy

Our Prioritised SDGs and Targets

17 PARTNERSHIPS FOR THE GOALS

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

Focus Areas

- Caring for the Community

CARING FOR THE COMMUNITY

The Group's Social Responsibility Policy Statement sets out its general commitment to providing resources to encourage and facilitate employees to participate in volunteering, community services and charitable activities.

The Group is dedicated to serving the community by using its expertise, resources and networks. To create shared value for the community, the Group aims to focus on four areas of importance – child and youth, the elderly, the underprivileged and the environment.

Children & Youth Development

Talents

Caring for the Elderly

Supporting the Underprivileged

Resources

Environmental Conservation

Networks

COMMUNITY FOCUS AREAS

Children & Youth

The future lies in the hands of children. The Group upholds a tradition of supporting initiatives and organisations that promote the rights and wellbeing of young people.

The Underprivileged

The Group works to create a positive impact on society by helping those in need. By providing funding and support for events run by non-profit and charitable organisations it aims to improve the wellbeing of underprivileged groups.

Elderly

Because of the ageing population, the importance of support and care for the elderly is increasing. The Group is committed to providing appropriate assistance for older people.

The Environment

The Group believes that as a good corporate citizen, it is responsible for building a greener and more sustainable society. In the Mainland of China, business units adhere to internal guidelines that ensure they do not provide logistics support for the trade in protected animals.

VOLUNTEERING AND DONATIONS

In 2021, the Group's donations and spending on support for community events totalled HK$687,000. The key achievements are summarised below.

Children & Youth

The Group partners with non-governmental organisations and educational institutions to support and develop children and youth through community service, donations and vocational programmes.

In Hong Kong, employees volunteer as tutors to teach English to children aged 6 to 8 from single-parent families. Supplies were donated to those in need, such as toys and stationery to children from ethnic minorities, food vouchers and protective items to families struggling with the pandemic.

In Singapore, a regular internship program partnered with multiple institutions to offer on the job training opportunity to youngsters.

In the Mainland of China, open days are held for high school graduates to introduce different career opportunities in the logistics industry.

The Underprivileged

The Group supports the underprivileged in the regions where it operates and in developing countries.

In Hong Kong, employees donated second-hand household items, such as electric fans, electric kettles, rice cookers, juicers and plastic storage boxes to single mothers living in "sub-divided" flats. Employees also participated in "Water for All 2021" and "Toilets for All" initiated by A Drop of Life, to raise funds for better water suppliers and sanitation infrastructure in Nepal and Cambodia.

In South Africa, volunteers collected plastic bottle caps for recycling companies to support their efforts to donate adult wheelchairs to underprivileged areas. Besides, donations were made to support homeless people. Learning and development opportunities were also provided for women with disabilities.

In Oceania, charities that focus on child poverty and underprivileged families are supported.

Elderly

The Group supports the elderly through community services. For example, employees volunteer to provide home repairs for the elderly. In addition, employees, together, with their children, meet online with elderly in nursing home to express support for them.

The Environment

The Group supports fundraising activities and other campaigns that promote environmental protection.

In Hong Kong, the Group participated in "Run for Survival 2021" and "Charity Relay Challenge 2021" by Ocean Park Conservation Foundation, Hong Kong ("OPCFHK") to support OPCFHK's work in wildlife conservations and promoting public awareness of sustainability and climate change. The Group also sponsored "Walk for Nature 2021" by WWF Hong Kong.

In Turkey, 600 trees were planted by our female employees on 8 March, International Women's Day.

HUMANITARIAN LOGISTICS

In 2021, KLN strengthened its presence in humanitarian aid and relief logistics by supporting the efforts of global aid agencies. It has added experts to its humanitarian team, with a particular focus on South East Asia, and have members ready to provide support in several strategic locations. The Group has delivered 500 tons of aid and relief cargo for to help with the response to COVID-19 in destinations including the South Pacific using chartered solutions to overcome capacity challenges and reach areas which had no surplus inbound capacity.

The Group's industrial projects team has helped to design solutions beyond traditional air and ocean transport for aid agencies to move infrastructure cargo. KLN continues to provide support in Africa to meet the high demand for humanitarian logistics.

PROVIDING SUPPORT AMID THE PANDEMIC

During the COVID-19 outbreak, the Group continued to provide humanitarian logistics solutions.

In the Mainland of China, the Group supports the government's COVID-19 vaccine transport assistance program and has delivered 100,000 vaccines from Beijing to Armenia.

In Thailand, the Group partnered with public and private companies to distribute medical equipment such as powered air-purifying respirators and personal protective equipment to frontline workers and those affected by the pandemic.
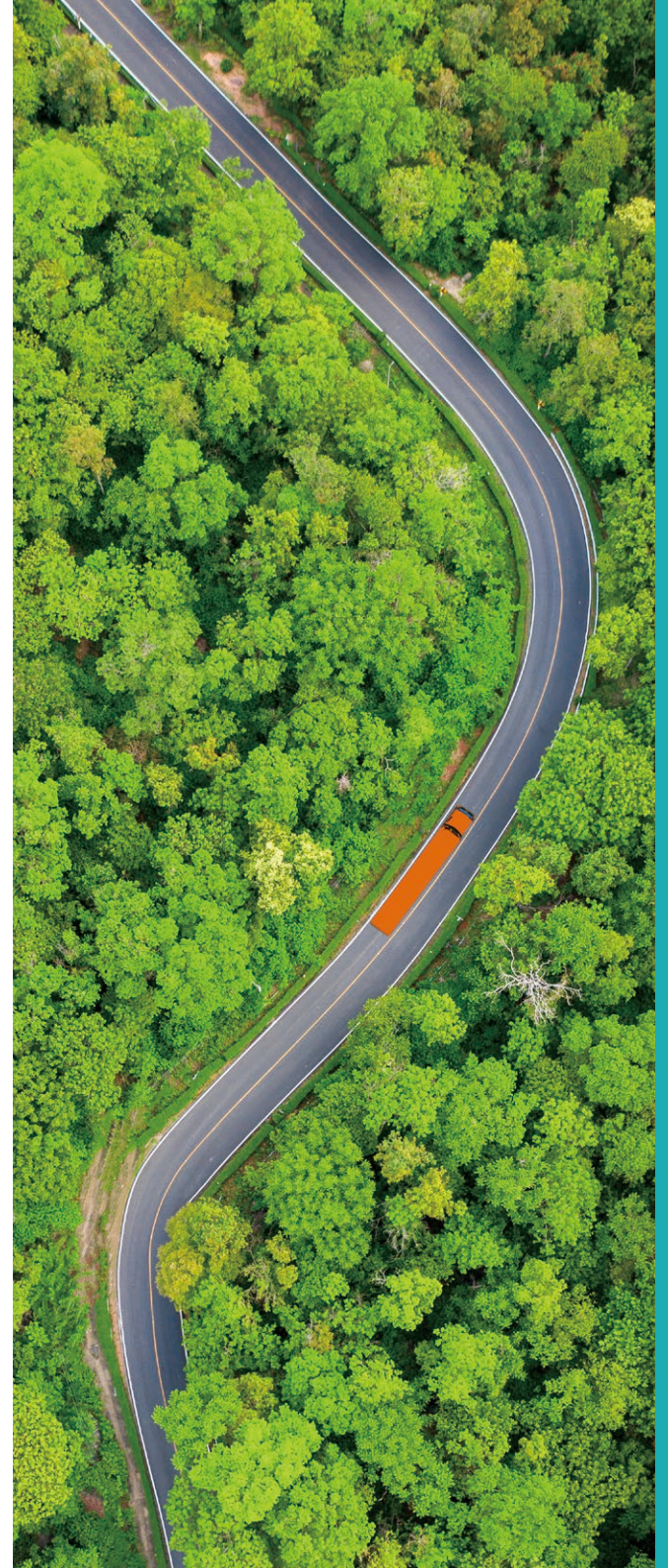
ABOUT
THE REPORT

This sixth annual sustainability report (the "report") provides information on the management approach and sustainability performance of KLN Group, covering the 12-month period ended 31 December 2021. This report should be read in conjunction with the Group's 2021 Annual Report, which provides information relating to financial performance and corporate governance.

REPORTING SCOPE AND BOUNDARIES

Compared to the 2020 report, the reporting scope has expanded to more Asian territories, the Americas, EMEA and Oceania. Unless otherwise stated, this report covers the Hong Kong headquarters and focuses on the principal business operations over which the Group has management control, including logistics operations, Hong Kong warehousing business*, international freight forwarding and the express business in the Mainland of China, Hong Kong, Taiwan*, Asia, Americas, EMEA and Oceania.

REPORTING STANDARDS

This report was 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 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and references GRI Standards from the Global Reporting Initiative. The Group uses selected GRI Standards, 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

The Group has followed reporting principles outlined in the ESG Guide and reporting principles for defining report content and quality specified by GRI Standards as follows.

Reporting Principles	Description
Stakeholder Inclusiveness	Stakeholder engagement is conducted to obtain direct input and feedback from stakeholders. Please refer to the section headed "Stakeholder Engagement" for more information.
Sustainability Context	Decisions on material sustainability matters take into account the Group's long-term strategy, risks, opportunities and goals whenever feasible.
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.
Completeness	All material sustainability topics identified by the Group in 2021 are addressed in this report to ensure complete disclosure.
Accuracy	A rigorous audit process is conducted to ensure the quality and veracity of information disclosed.

*The Group disposed of its businesses in Taiwan on 27 September 2021 and the Hong Kong Warehouse on 4 October 2021.

Balance	An unbiased picture of the Group's performance is provided by explaining achievements and the challenges faced by the Group.
Clarity	The report is written in a manner that is comprehensible to stakeholders who have a reasonable understanding of the Group and its activities.
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.
Reliability	The information contained in the report is presented with no intention to be misleading or deceptive. The sustainability report has been verified by an independent third party.
Timeliness	The information in the report indicates the period to which it relates, providing stakeholders with consolidated disclosure of economic, environmental and social impact.
Quantitative	Quantitative information is accompanied by a narrative, explaining its purpose, impact, and giving comparative data where appropriate.

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 30 March 2022.

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 76 of this report.

CONTACT US

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

SOCIAL
PERFORMANCE DATA

Performance indicators	2021
Workforce Profile (at year end)	
Total workforce (Employee)	51,473
By gender	
Male	32,482
Female	18,991
By age group	
Under 30	23,771
30-50	24,987
Over 50	2,715
By employment type	
Full time	42,029
Part time	9,444

Performance indicators	2021
By employee category	
Managerial Staff	3,542
General Staff	47,931
By geographical region	
Hong Kong[1]	2,584
The Mainland of China	5,861
Asia	40,814
Americas	574
EMEA	1,481
Oceania	159
Total workforce (Non-employee workers)[2]	8,071

Employee Turnover[3]

Total number and rate of voluntary turnover[4]	24,508	52%
By gender		
Male	16,735	56%
Female	7,773	44%
By age group		
Under 30	15,062	70%
30-50	9,144	39%
Over 50	302	11%
By geographical region		
Hong Kong[1]	490	19%
The Mainland of China	944	16%
Asia	22,735	62%
Americas	75	14%
EMEA	224	16%
Oceania	40	27%

Employee Turnover[3]

Total number and rate of involuntary turnover[5]	4,535	10%
By gender		
Male	3,018	10%
Female	1,517	9%
By age group		
Under 30	2,973	14%
30-50	1,452	6%
Over 50	110	4%
By region		
Hong Kong[1]	50	2%
The Mainland of China	96	2%
Asia	4,316	12%
Americas	24	4%
EMEA	47	3%
Oceania	2	1%

Health and Safety[6]

Total Number of Work Injury Cases	133
Work Injury Rate[7]	0.28%
Total Number of Work Fatal Cases	2
Work Fatal Rate[8]	0.004%
Number of Lost Day Due to Work injuries	2,531

Training and Development

Total number and percentage of employee trained[9]	19,591	38%
By gender		
Male	12,065	37%
Female	7,526	40%
By employee category		
Managerial Staff	2,021	57%
General Staff	17,570	37%
Total number of training hours and average training hour[10]	210,029	4
By gender		
Male	144,467	4
Female	65,562	4
By employee category		
Managerial Staff	18,563	5
General Staff	191,466	4

Supply Chain Management

Total number of key suppliers	969
By geographical region	
Hong Kong	114
The Mainland of China	327
Taiwan	20
Asia	177
Americas	106
EMEA	182
Oceania	43

Anti-corruption

Number of concluded legal cases regarding corrupt practices brought against the Group or its employees		0
Total number and percentage of employees receiving anti-corruption training	6,045	12%
By Employee Categories		
Managerial Staff	1,277	36%
General Staff	4,768	10%

Community

Monetary donations to community events (HK$)	504,347
Spending on community events (excluding monetary donations) (HK$)	182,844

Remarks

(1)   It includes operations in Macau.
(2)   Non-employee worker are sub-contracting labours/outsourced labours performing in the Group's operational business.
(3)   Employee Turnover = Number of leavers during the reporting period/ Average number of employees
(4)   Voluntary turnover refers to resignation.
(5)   Involuntary turnover refers to dismissal, contract-end, retirement, retrenchment.
(6)   It includes employees only.
(7)   Work Injury Rate = Total Number of Work Injury Cases / Average Number of Employees
(8)   Work Fatal Rate = Total Number of Work Fatal Cases / Average Number of Employees
(9)   Percentage of employee trained = Total number of employee trained / Total number of employees
(10) Average training hour = Total number of training hours / Total number of employees

ENVIRONMENTAL PERFORMANCE DATA[1][2]

	Unit	Total 2021	Hong Kong[3]	The Mainland of China	Taiwan[3]	Asia	Americas	EMEA	Oceania	Integrated logistics[3][4]	International freight forwarding[3]
Air Emissions											
Nitrogen oxides (NO_x)	tonne(s)	1,034	51	91	290	447	<0.1	148	7	731	303
Sulphur oxides (SO_x)	tonne(s)	12	<0.1	0.1	0.3	4	<0.1	8	<0.1	3	9
Respirable suspended particulate (RSP)	tonne(s)	84	4	7	22	39	<0.1	11	1	61	23
GHG Emissions											
Direct GHG emissions (Scope 1)	tonnes of CO_2-e	350,676	29,664	15,365	53,224	235,740	60	14,755	1,868	290,795	59,881
Energy indirect GHG emissions (Scope 2)	tonnes of CO_2-e	101,612	18,987	23,452	17,892	36,300	666	2,283	2,031	93,285	8,327
Total GHG emissions (Scope 1 and 2)	tonnes of CO_2-e	452,288	48,651	38,817	71,116	272,041	726	17,039	3,899	384,080	68,208
GHG intensity (Scope 1 and 2)[5]	tonnes of CO_2-e/ (HKD million)	5.6									
GHG removals from newly planted trees	tonnes of CO_2-e	(8.3)	–	(1.2)	–	(7.0)	–	(0.1)	–	(3.6)	(4.7)
Scope 3 – Upstream Transportation and Distribution[6]	tonnes of CO_2-e	1,880,420									
By transport mode	tonnes of CO_2-e										
Aviation	tonnes of CO_2-e	939,620									
Marine	tonnes of CO_2-e	940,800									

	Unit	Total 2021	Hong Kong[3]	The Mainland of China	Taiwan[3]	Asia	Americas	EMEA	Oceania	Integrated logistics[3][4]	International freight forwarding[3]
					By geographical region 2021					By business segment 2021	
Waste											
Hazardous waste	tonne(s)	32.3	5.2	–	–	26.2	0.1	0.8	–	31.4	0.9
Hazardous waste intensity[5]	tonne(s)/ (HKD million)	<0.1									
Non-hazardous waste	tonne(s)	44,222	6,254	20,983	1,512	15,087	175	174	37	38,888	5,334
Non-hazardous waste intensity[5]	tonne(s)/ (HKD million)	0.5									
Energy											
Total direct energy consumption (non-renewable)	MWh	1,109,489	21,979	56,584	160,546	811,805	140	51,250	7,185	979,225	130,264
Diesel	MWh	1,068,429	15,915	48,060	157,979	790,726	38	48,810	6,901	944,689	123,740
Liquefied petroleum gas	MWh	11,864	2,886	–	–	8,803	–	152	23	9,092	2,772
Petrol	MWh	29,196	3,178	8,524	2,567	12,276	102	2,288	261	25,444	3,752
Total direct energy consumption (renewable)	MWh	773	–	260	–	513	0.1	–	–	773	0.1
Solar	MWh	773	–	260	–	513	–	–	–	773	–
Biomass	MWh	0.1	–	–	–	–	0.1	–	–	–	0.1
Total indirect energy consumption	MWh	208,480	48,506	38,440	36,961	76,097	1,609	4,333	2,534	195,163	13,317
Electricity	MWh	208,480	48,506	38,440	36,961	76,097	1,609	4,333	2,534	195,163	13,317
Total energy sold	MWh	4,931	234	–	4,662	–	–	35	–	4,896	35
Total energy consumption[7]	MWh	1,313,812	70,251	95,284	192,845	888,415	1,749	55,548	9,719	1,170,265	143,547
Energy intensity[5]	MWh/ (HKD million)	16.3									

	Unit	Total 2021	By geographical region 2021							By business segment 2021	
			Hong Kong[3]	The Mainland of China	Taiwan[3]	Asia	Americas	EMEA	Oceania	Integrated logistics[3][4]	International freight forwarding[3]
Water											
Total water consumption	cubic meters	1,024,716	72,033	290,073	145,075	440,390	20,060	28,690	28,395	882,793	141,923
Water intensity[5]	cubic meters/ (HKD million)	12.7									
Packaging Material											
Total packaging material consumption	tonne(s)	22,271	1,066	7,109	788	13,029	103	171	5	15,099	7,172
Packaging material intensity[5]	tonne(s)/ (HKD million)	0.3									
By categories											
Cartons	tonne(s)	11,051	780	3,966	187	5,984	62	67	5	10,852	199
Plastic wrapping materials	tonne(s)	11,180	285	3,143	601	7,030	39	82	–	4,239	6,941
Styrofoam	tonne(s)	40	1	–	–	15	2	22	–	8	32

Remarks

(1) Starting in 2021, environmental data covers key operations in its major applicable regions and business segments.
(2) Numbers have been subject to rounding. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding.
(3) Data covered activities from discontinued operations.
(4) Data covered express business, logistics operations and Hong Kong warehouse.
(5) Revenue data adopted is derived from the key operations covered in the environmental data.
(6) 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, the calculation and qualitative screening methodology for Scope 3 emissions is in accordance with the GHG Protocol's Corporate Value Chain (Scope 3) Standard. While both Categories 1 and 4 are considered material, only Category 4 has been calculated at this stage in consideration of data readiness. KLN will continue to investigate appropriate means for Category 1 calculations for future disclosures.
(7) Total energy consumption = total direct energy consumption (non-renewable) + total direct energy consumption (renewable) + total indirect energy consumption – total energy sold

HKEX ESG REPORTING GUIDE
CONTENT INDEX

Subject Areas, Aspects and KPIs	Description	Sections/References/Remarks
Mandatory Disclosure Requirements		
Governance Structure		Board Statement, Governance
Reporting Principles		About the Report, Governance
Reporting Boundaries		About the Report
"Comply or Explain" Provisions		
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Tackling Climate Change, Minimising Environmental Footprint, Governance
KPI A1.1	The types of emissions and respective emissions data.	Environmental Performance Data
KPI A1.2	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
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance Data
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance Data
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Our Environment, Tackling Climate Change
KPI A1.6	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
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Minimising Environmental Footprint
KPI A2.1	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
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Performance Data
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Our Environment, Minimising Environmental Footprint
KPI A2.4	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
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Minimising Environmental Footprint
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Minimising Environmental Footprint
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Minimising Environmental Footprint
Aspect A4: Climate Change		
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
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Tackling Climate Change

B. Social

Subject Areas, Aspects and KPIs	Description	Sections/References/Remarks
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Governance, Creating a Diverse, Equal and Inclusive Workplace, Providing Decent Working Conditions
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Our People Social Performance Data
KPI B1.2	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Social Performance Data

Subject Areas, Aspects and KPIs	Description	Sections/References/Remarks
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Governance, Our People
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 In 2021, the Group collected and reported data for the first time.
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
Aspect B3: Development and Training		
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	Social Performance Data
KPI B3.2	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Social Performance Data
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	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 2021, 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
Aspect B5: Supply Chain Management		
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
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Governance, Delivering Excellence in Logistics Solutions, 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
Aspect B7: Anti-corruption		
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
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. Performance Data Summary (Social)
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	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

GLOBAL REPORTING INITIATIVE
CONTENT INDEX

GRI Standards & Disclosures	Description	Sections/References/Remarks
GRI 101: Foundation 2016		
General Disclosures		
GRI 102: General Disclosures 2016		
Organizational Profile		
102-1	Name of the organization	KLN at a Glance
102-2	Activities, brands, products, and services	KLN at a Glance
102-3	Location of headquarters	KLN is headquartered in Hong Kong SAR, China
102-4	Location of operations	Global Footprint
102-5	Ownership and legal form	Incorporated in the British Virgin Islands and continued into Bermuda to become an exempted company with limited liability, KLN is listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code 636)
102-6	Markets served	Our Core Services, Global Footprint
102-7	Scale of the organization	KLN at a Glance, Financial Highlights
102-8	Information on employees and other workers	Our People
102-9	Supply chain	Sharing our ESG Values with Suppliers
102-10	Significant changes to the organization and its supply chain	In 2021, the strategic investment in KLN from S.F. Holding was completed. Besides, KLN disposed of the Hong Kong warehouse and Taiwan businesses. There were no significant changes regarding KLN's supply chain.
102-11	Precautionary Principle or approach	Governance
102-12	External initiatives	KLN has been a signatory to UNGC in 2021.
102-13	Membership of associations	China International Freight Forwarders Association, Council of Supply Chain Management Professionals, Hong Kong Logistics Association, The Chartered Institute of Logistics and Transport in Hong Kong
Strategy		
102-14	Statement from senior decision-maker	Board Statement
102-15	Key impacts, risks, and opportunities	Governance

GRI Standards & Disclosures	Description	Sections/References/Remarks
Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	Adhering to Business Standards
Governance		
102-18	Governance structure	Governance
102-19	Delegating authority	Governance
Stakeholder Engagement		
102-40	List of stakeholder groups	Stakeholder Engagement
102-41	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.
102-42	Identifying and selecting stakeholders	Stakeholder Engagement
102-43	Approach to stakeholder engagement	Stakeholder Engagement, Materiality Assessment
102-44	Key topics and concerns raised	Materiality Assessment
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Annual Report 2021
102-46	Defining report content and topic boundaries	Materiality Assessment, About the Report
102-47	List of material topics	Materiality Assessment
102-48	Restatements of information	About the Report Unless otherwise specified, there is no restatement of information.
102-49	Changes in reporting	About the Report, Materiality Assessment
102-50	Reporting period	About the Report
102-51	Date of most recent report	KLN's 2020 Sustainability Report was published together with the Annual Report 2020 on 23 April 2021.
102-52	Reporting cycle	About the Report
102-53	Contact point for questions regarding the report	About the Report
102-54	Claims of reporting in accordance with the GRI Standards	About the Report
102-55	GRI content index	Global Reporting Initiative Content Index
102-56	External assurance	Verification Statement

GRI Standards & Disclosures	Description	Sections/References/Remarks
Material Topic: Anti-corruption		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundaries	Sustainable Logistics Solutions in Action, Materiality Assessment
103-2	The management approach and its components	Adhering to Business Standards
103-3	Evaluation of the management approach	Adhering to Business Standards
GRI 201: Anti-corruption 2016		
205-2	Communication and training about anti-corruption policies and procedures	Adhering to Business Standards
205-3	Confirmed incidents of corruption and actions taken	Adhering to Business Standards
Material Topic: Data Security and Privacy		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundaries	Sustainable Logistics Solutions in Action, Materiality Assessment
103-2	The management approach and its components	Protecting Data Privacy and Security
103-3	Evaluation of the management approach	Protecting Data Privacy and Security
GRI 418 Customer Privacy 2016		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Protecting Data Privacy and Security
Material Topic: Occupational Health and Safety		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundaries	Sustainable Logistics Solutions in Action, Materiality Assessment
103-2	The management approach and its components	Fostering Safety and Wellbeing
103-3	Evaluation of the management approach	Fostering Safety and Wellbeing
GRI 403 Occupational Health and Safety 2018		
403-1	Occupational health and safety management system	Fostering Safety and Wellbeing
403-2	Hazard identification, risk assessment, and incident	Fostering Safety and Wellbeing
403-3	Occupational health services	Fostering Safety and Wellbeing

GRI Standards & Disclosures	Description	Sections/References/Remarks
403-4	Worker participation, consultation, and communication on occupational health and safety	Fostering Safety and Wellbeing
403-5	Worker training on occupational health and safety	Fostering Safety and Wellbeing
403-6	Promotion of worker health	Fostering Safety and Wellbeing
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Fostering Safety and Wellbeing
403-9	Work-related injuries	Fostering Safety and Wellbeing

Material Topic: Training and Development

GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its Boundaries	Sustainable Logistics Solutions in Action, Materiality Assessment
103-2	The management approach and its components	Nurturing and Developing Talent
103-3	Evaluation of the management approach	Nurturing and Developing Talent

GRI 404 Training and Education 2016

404-1	Average hours of training per year per employee	Nurturing and Developing Talent, Social Performance Data

Material Topic: Diversity, Equity and Inclusion

GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its Boundaries	Sustainable Logistics Solutions in Action, Materiality Assessment
103-2	The management approach and its components	Creating a Diverse, Equal and Inclusive Workplace
103-3	Evaluation of the management approach	Creating a Diverse, Equal and Inclusive Workplace

GRI 405 Diversity and Equal Opportunity 2016

405-1	Diversity of governance bodies and employees	Our People As at 31 Dec 2021, there were 11 board members, the percentage breakdown by gender and age group are as follows: – By gender: male (82%), female (18%) – By age group: 30-50: (27%), over 50 (73%)

GRI 406 Non-discrimination 2016

406-1	Incidents of discrimination and corrective actions	Creating a Diverse, Equal and Inclusive Workplace

GRI Standards & Disclosures	Description	Sections/References/Remarks

Material Topic: Greenhouse Gases Management

GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its Boundaries	Sustainable Logistics Solutions in Action, Materiality Assessment
103-2	The management approach and its components	Tackling Climate Change
103-3	Evaluation of the management approach	Tackling Climate Change

GRI 305: Emissions 2016

305-1	Direct (Scope 1) GHG emissions	Tackling Climate Change Environmental Performance Data
305-2	Energy indirect (Scope 2) GHG emissions	Tackling Climate Change Environmental Performance Data
304-5	GHG emissions intensity	Tackling Climate Change Environmental Performance Data

Material Topic: Air Pollution Management

GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its Boundaries	Sustainable Logistics Solutions in Action, Materiality Assessment
103-2	The management approach and its components	Minimising Environmental Footprint
103-3	Evaluation of the management approach	Minimising Environmental Footprint

GRI 305: Emissions 2016

305-7	Nitrogen oxides (NO_X), sulfur oxides (SO_X), and other significant air emissions	Minimising Environmental Footprint Environmental Performance Data

Other Material Topic: Innovative Service and Products

GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its Boundaries	Sustainable Logistics Solutions in Action, Materiality Assessment
103-2	The management approach and its components	Boosting Innovation
103-3	Evaluation of the management approach	Boosting Innovation

GRI Standards & Disclosures	Description	Sections/References/Remarks
Other Material Topic: Service and Product Quality Management		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundaries	Sustainable Logistics Solutions in Action, Materiality Assessment
103-2	The management approach and its components	Delivering Excellence in Logistics Solutions
103-3	Evaluation of the management approach	Delivering Excellence in Logistics Solutions
Other Material Topic: Pollution Prevention		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundaries	Sustainable Logistics Solutions in Action, Materiality Assessment
103-2	The management approach and its components	Minimising Environmental Footprint
103-3	Evaluation of the management approach	Minimising Environmental Footprint

VERIFICATION
STATEMENT

HKQAA
HONG KONG QUALITY ASSURANCE AGENCY
香港品質保證局

SCOPE AND OBJECTIVE

Hong Kong Quality Assurance Agency ("HKQAA") performed a limited assurance engagement on the sustainability disclosures stated in the Sustainability Report 2021 ("the Report") of Kerry Logistics Network Limited ("KLN") for the period from 1st January 2021 to 31st December 2021.

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") set out in the Appendix 27 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 Sustainability Reporting Standards ("GRI Standards") for the 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 Standards;

- 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 Standards (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 Standards. 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 2022