

CN Logistics International Holdings Limited

CN LOGISTICS INTELLIGENCE

Sustainability Report 2021

Steps to Creating a Better World



In recent years, corporates and businesses have pledged to work to make the world a better place, and make decisions with regards to the Earth's environmental and sustainable needs.

Yet, their work is far to be sufficient nor complete.



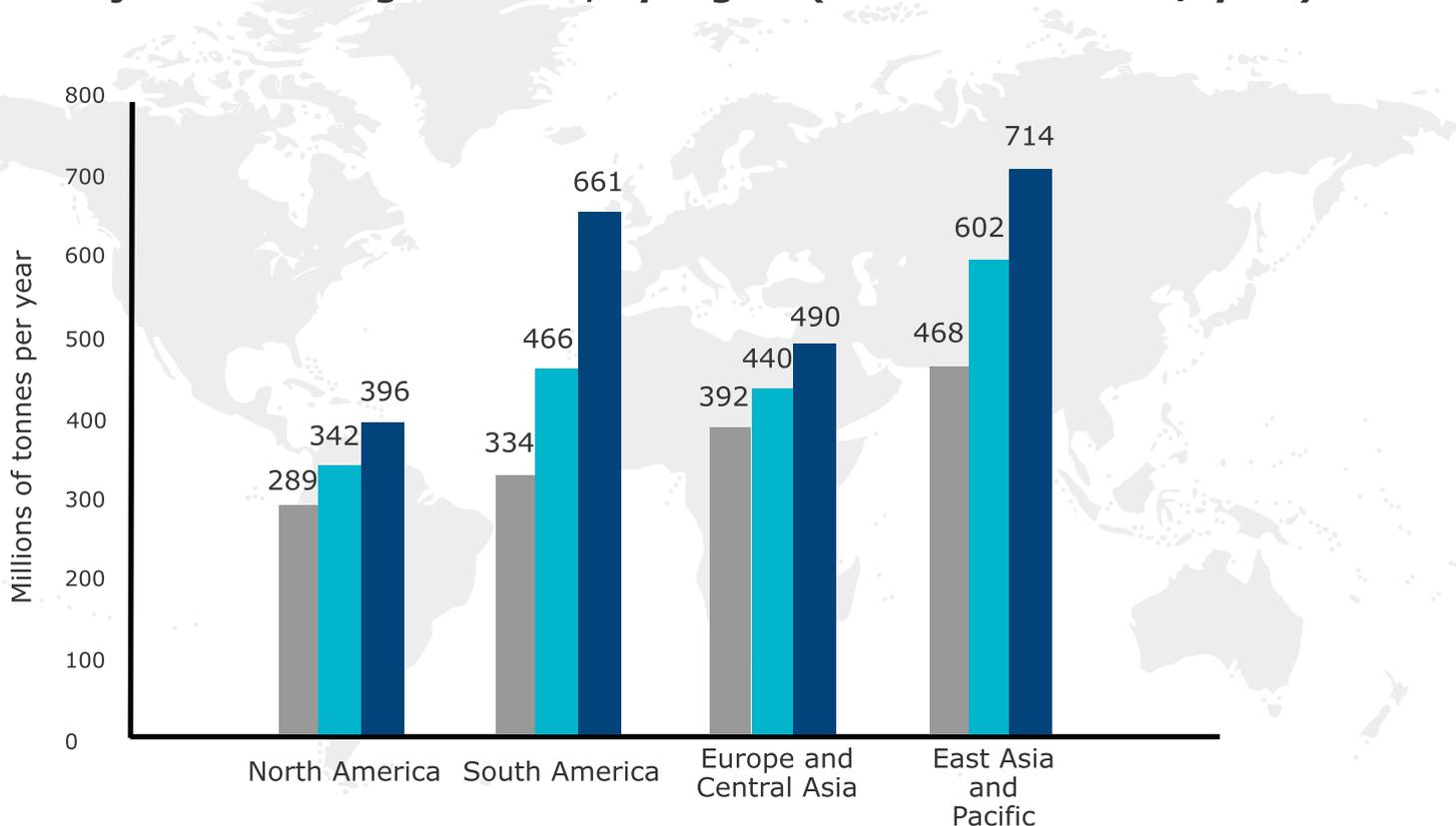
INTRODUCTION

According to the United Nations, air pollution caused 4.2 million premature deaths in 2016. The world continues to use natural resources unsustainably and waste production continues to be on the rise. For example, the disposal of electronic and electrical equipment has grown into one of the fastest-growing waste streams. From 2010 - 2019, e-waste generated globally grew from 5.3kg to 7.3kg per capita annually. While alarmingly, environmentally sound recycling of e-waste increased at a much slower pace – from 0.8 to 1.3 kilograms per capita annually.

In September 2018, the World Bank announced that the world's waste production is predicted to rise by 70% by 2050 unless significant action is taken. It is currently estimated that at least 33 percent of that—extremely conservatively— are not managed in an environmentally safe manner. The East Asia and Pacific region is generating most of the world's waste, at 23 percent, and the Middle East and North Africa region is producing the least in absolute terms, at 6 percent.

In terms of climate change, the year 2019 was the second warmest on record bringing with it destructive wildfires, hurricanes, droughts, floods and other disasters around the globe. If global temperatures are to continue to rise, according to estimates, it will rise as much as 3.2°C by the end of the century. If we wish to meet the 1.5°C – or even the 2°C – maximum target called for in the Paris Agreement, greenhouse gas emissions must begin falling by 7.6 percent each year starting in 2020. Despite COVID19 drastically reducing human activities, only 6% of emissions dropped, which still fell short of the target mentioned above.

Projected waste generation, by region (millions of tonnes/ year)



THE SURGING E-COMMERCE AND ITS IMPACT



The Surging E-commerce and its Impact

It is estimated that the global e-commerce plastic packaging market that was valued at USD10.26 billion in 2019, will reach USD21.78 billion by 2025, registering a CAGR of 13%. This growth is primarily driven by fashion and apparel, consumer electronics, and personal care industries which all relied on online shopping and globalised shipping during massive lockdowns due to COVID19. As mentioned in our previous issue (CN Logistics Business Intelligence: Cross-border E-commerce Logistics Trends), the world has seen a rise in online shoppers and spending across time and region. As sales on e-commerce platforms around the world see a rapid rise and reach record highs, it is estimated that additional e-commerce sales resulted in 75,000,000 extra plastic bags, according to Adept Packaging. According to Greenpeace, the volume of the packaging material used by the e-commerce sector was 9.4 million tons in 2019, and it is expected to reach 41.3 million tons by 2025.

Also mentioned in our previous issues, Asia Pacific consumers are expected to change their behaviors into adapting more online shopping in their consumption. Especially China, with its proliferation of alternative payment solutions, popularity in online shopping events such as single day offering lucrative discounts, and improved logistics infrastructure, a change by different stakeholders in the region is desperately needed.

E-commerce industry estimated to double plastic packaging use by 2025

Global E-commerce Plastic Packaging Market, 2019-2025 (in millions of pounds)

Year	2019	2020	2021	2022	2023	2024	2025	Annual Growth Rate
Amounts in millions of pounds (in millions of kg)	2,077 (942)	2,339 (1,061)	2,657 (1,205)	3,027 (1,373)	3,453 (1,566)	3,950 (1,792)	4,533 (2,056)	14.2%



WHY SUSTAINABILITY?

It is crucial for companies that wish to thrive under the new normal to align their interests with the younger generations. Younger consumers look for brands that publicly pronounce their values that align with their own, namely, those that are socially conscious, sustainable and politically correct.

A 2018 survey from data platform Euclid found that "52% of millennials and 48% of Gen Xers feel it's important that their values align with the brands they like," while 35% of baby boomers surveyed felt the same way. Hence, for retailers and brands, taking sustainable practices is not only morally correct, but also a tactic to attract younger generations and drive long-term brand loyalty.

Moreover, a new Capgemini Report shows that 79% of consumers are changing their purchase preferences based on social responsibility, inclusiveness, or environmental impact shown by a brand.

A decorative graphic consisting of several overlapping circles in shades of teal and green. The largest circle is dark green and contains the text '79%'. Other circles in lighter shades of teal and green are scattered around it, creating a modern, clean aesthetic.

79%

of consumers are changing their purchase preferences based on social responsibility, inclusiveness or environmental impact

Companies **MUST ACT NOW** to provide products that align with consumer's values

Key solutions employed by companies now include:

1. Cancelling free return guarantees
 - The practice results in a completely unnecessary and wasteful shuttling of goods back and forth between retailers and shoppers
2. Adopting digital delivery
 - Offering customers the option of digital delivery of a product and the ability to customize their order
 - This buys time for the delivery of the physical item, allowing the retailers to ship the item in an ecologically efficient way and schedule. Reducing emissions and waste generated by global or local shipments
3. Use sustainably harvested materials in their products and recycled materials in their packaging

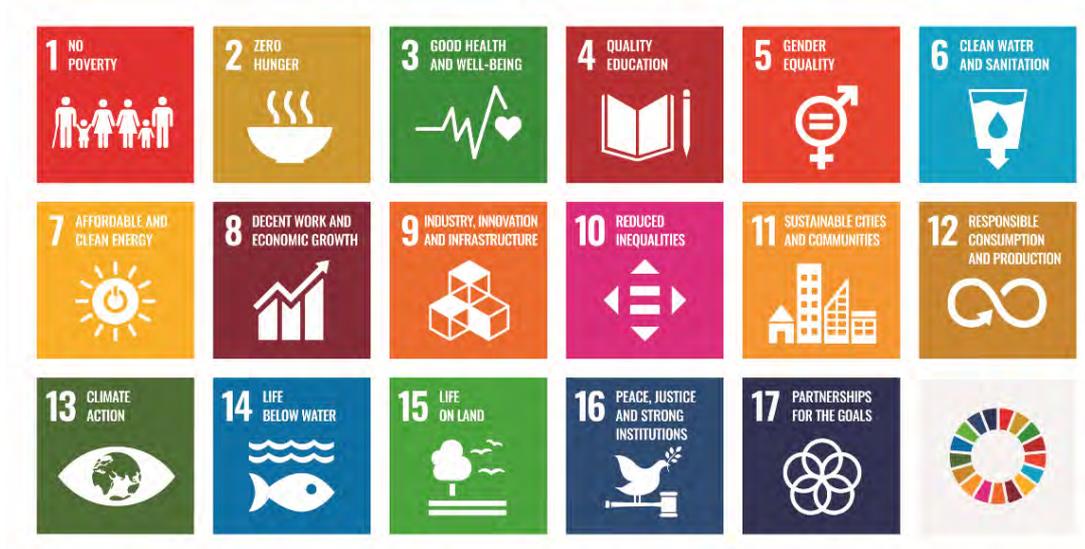




THE GLOBAL INITIATIVES

The Sustainable Development Goals or Global Goals are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all". The 2030 agenda is a plan of action which seeks to have all stakeholders to act in collaborative partnership to shift the world onto a sustainable and resilient path. Many companies have joined suit and mention these goals in their business plans or value propositions.

SUSTAINABLE DEVELOPMENT GOALS





SUSTAINABILITY IN THE SUPPLY CHAIN INDUSTRY

Recently, more and more companies try to tackle the problem of sustainability from their supply chains, and aim to create a set of sustainable practices that connect various aspects along the supply chain, and create an environmentally conscious supply network.

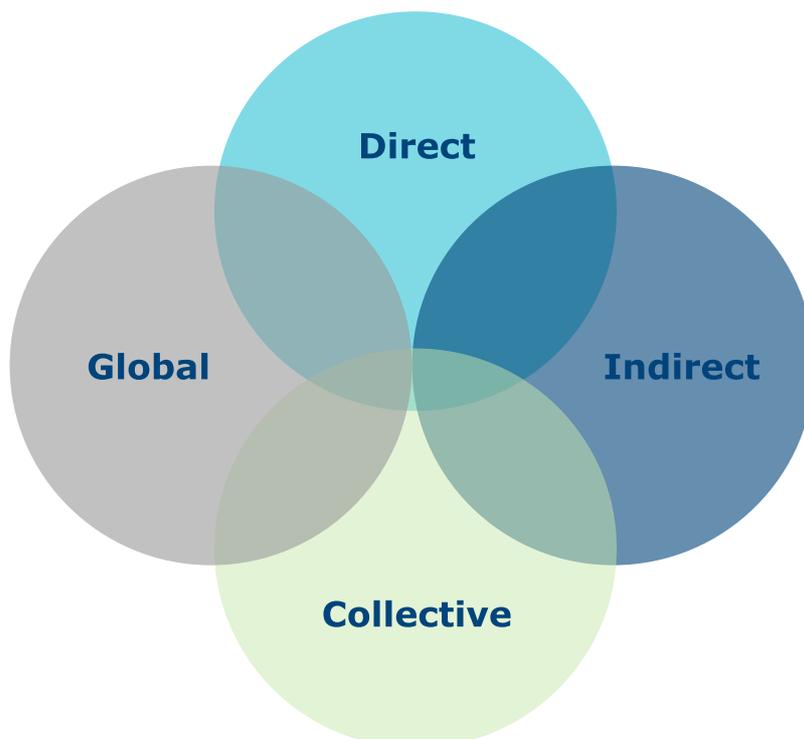
A typical consumer supply chain creates far greater social and environmental costs than a company's own operation, accounting for more than 80% of greenhouse-gas emissions and more than 90% of the impact on air, land, water, biodiversity, and geological resources.

SUSTAINABILITY IN THE SUPPLY CHAIN INDUSTRY

Possible best practices that could be adopted by companies may include:

- Establishing long-term sustainability goals
- Applying various measurement frameworks and instruments to help them pinpoint sustainability pain points in their supply chains
- Requiring first-tier suppliers to set their own long-term sustainability goals
- Including lower-tier suppliers in their overall sustainability strategy
- Allocating a point person to extend the firm's sustainability program to lower tier suppliers
- Reaching out to service providers who are able to design and operate sustainability programs for their supply chain (e.g recycling programs)

There are four approaches companies may adopt to manage their lower-tier suppliers





SUSTAINABILITY IN THE FASHION INDUSTRY

The fashion industry experienced unprecedented growth in recent years with global apparel revenues doubling between the years 2001 and 2019. The industry employs over 75 million people globally and is expected to continue to grow at a 7% compounded annual rate until 2024. On the other hand, consumers' environmental and social consciousness is also growing. In response to that, many fashion companies have taken steps to improve their operations. This includes defining customised sustainability goals, increasing the traceability for their products along the supply chain, investing in transparency and consumer education and many more.

Fashion is on par to become a quarter of the global footprint of carbon, and despite on-going initiatives by the industry, its greenhouse gas emissions are on track to rise more than 50% by 2030.

Synthetic Textiles are the top source of ocean microplastics

Making up of **35%** of microplastic source in global oceans

INDUSTRY EXAMPLE:

The Fashion Pact is a collaborative effort led by CEOs representing a third of the fashion industry, it is a coalition of magnitude joined by 60+ competitors and partners across regions and cultures. The project believes that multi-sector collaboration is the only way the fashion industry can adopt more sustainable practices. They have 1 common agenda across 3 pillars - Climate, Biodiversity and Oceans.

After one year of consistent collaboration and efforts by all fronts, the project achieved the following:

Climate	40-45% of all energy consumed by members comes from renewable energy
Biodiversity	Created first comprehensive industry commitment to set "Science based Targets for Nature" enabling measurable decrease of impact on biodiversity
Oceans	70% of members have reduced unnecessary and harmful plastic packaging and actively worked on other options in replacing plastic packaging with sustainable alternatives

THE FASHION PACT

First Steps to Transform Our Industry

CN LOGISTIC'S SUSTAINABILITY STRATEGY

Retailers, garment producers and the fashion industry as a whole are all seeking to better use the earth's resources with a renewed sense of environmental consciousness. Therefore, we as an international logistics solutions provider in the high-fashion industry with a network of international freight forwarding partners and agents, have also joined forces with the world in supporting the UN's sustainable development goals and provided professional waste solutions to our clients.

CN Logistics holds certificates issued by United Nations Framework Convention on Climate Change (UNFCCC) in accordance with the procedure for voluntary cancellation in the Clean Development Mechanism (CDM) Registry by committing to contribute to climate action and offset greenhouse gas emissions.

Waste reduction is much more than simply recycling, it should also involve avoiding the generation of waste in the first place and minimising waste production in daily operations which are both integral to any waste reduction strategy. CN Logistics participates in the recycling programs by the world's leading retail garment manufacturers and works in partnership with our customers to reduce and recycle. We are not only a world leading provider of professional logistic services but also waste solutions and recycling programs. CN Logistics hopes to promote community participation in waste reducing, reusing and recycling; because whatever we do, we do better than others.





OUR SCOPE

- **Plastic hangers**
- **Plastics**
 - **Poly Bags**
 - **Bubble wrap**
 - **Shrink Wrap**
- **Paper products**
 - **Cardboard**
 - **Paper stuffing**
 - **Papers**

PAPER RECYCLING

Existing Solutions

Landfills/incineration

Currently, most garment waste produced in China is directly buried or burned. Since most of the waste is made from chemically synthesized fibre materials which make them extremely difficult to be degraded naturally.

Combustion of these materials will release a large amount of toxic gases and harmful substances which could pollute and irreversibly damage the environment.

Recovery

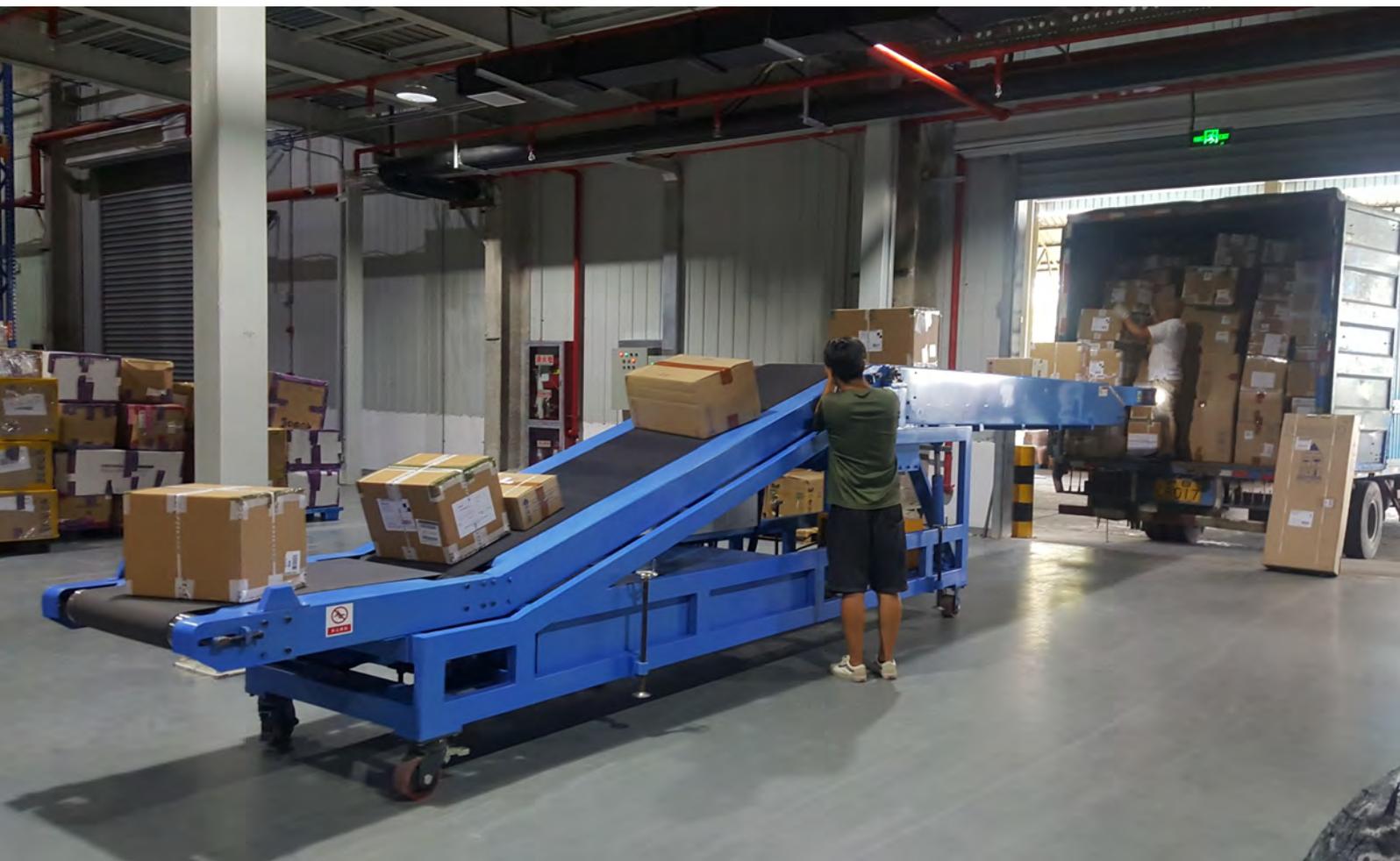
Through physical and chemical methods, garments' chemical composition and caloric value could be partly recovered. However, a varying degree of secondary pollution may be produced with this method.

Reuse

Cloth donation or second-hand sell is another common method to maximise the value of waste clothing. However the process of disinfection, is costly; and the efficiency of the method heavily relies on consumer participation and behavior.

Recycle

The fiber material could be used in the production of other textile products. The method requires high technical equipment and skill, but could yield higher recycling rate and has a lower environmental impact.



RECYCLE AND REVERSE LOGISTICS BY CN LOGISTICS



OUR SERVICES

As a leading logistics and freight forwarding service provider, CN Logistics is proud to provide our professional logistics advice and services on our recycling program.

We provide a range of value-added services throughout your supply chain. Our expert team will assist your corporation in waste management and implement effective recycling to minimize waster production and maximize utility in your operations.

Collection - Cost effective - Paperless - Simplified Operations
Sorting - Well-trained staff - Maximize recyclable materials - Minimize waste generation
Processing - Well- equipped logistic units - Maximize production volume
Delivery - Consolidation of materials - Cost effective
Reporting - Summarized report - Cost analysis - Project review





LOOKING AHEAD

Going ahead into 2021, sustainability will definitely be table-stakes for most companies, especially those catering to consumers. It is not surprising to see companies investing into sustainable projects, for example, at the end of 2019, McKinsey put the value of sustainable investment at \$30 trillion, a 68% increase since 2014. According to Coyote Logistics, 81% of companies are more focused on sustainability today than they were three years ago.

Being sustainable brings huge growth opportunities to companies, IRI found that sustainability-marketed products in fact grew faster in terms of CPG than non-sustainable products. There is also a growing trend where consumers are more willing to pay a higher price for sustainable products and services and could possibly offset the additional expense that sustainability adds.

Consumers want to see proof that brands are actually giving back to the community and the environment. Companies could integrate media and experiences to help consumers be informed, aware and involved. Being transparent also helps, Kering has proactively created an Environmental Profit & Loss (EP&L) Account that measures carbon emissions, water consumption, air and water pollution, land use, and waste production along their supply chains for full transparency to all their stakeholders. Educational engagement and participatory experiences could also help your brand stand out as one who not only cares about their customers and also the earth.



ABOUT US

CN Logistics Limited is the No. 1 distributor in the logistics market for high-end fashion products in both China and Hong Kong, as well as the no.1 in the integrated freight forwarding market for wine in Hong Kong. Our business scope includes air freight, ocean freight and distribution and logistics. Our service networks cover over 100 countries, showing our capability in consolidating global freight forwarding resources. We can also be the stepping stones for our customers' expansion with our far-reaching global network. We are also one of the earliest companies to establish our own semi-automated distribution centers to provide tailor-made logistics solution for high-end fashion products.

We established long-standing relationships with major customers who have relatively low propensities to switch freight forwarding service providers, brands we serve include Kering, Lane Crawford, Gucci, Balenciaga, Alexander Wang, Alexander McQueen, Saint Laurent and many more.

We are also the leader in the wine logistics industry in Hong Kong. We manage a storage and distribution space of approximately 58,000 sq.ft dedicated to wine storage, of which the temperature and humidity are kept at an optimal level, we also own a Wine Storage Management Systems qualification certified by the Hong Kong Quality Assurance Agency.

Looking ahead, we are planning to upgrade the semi-automated distribution centre of over 90,000 sq. ft in China and establish a new centre and refurbish the existing distribution centres in Hong Kong.

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CN Logistics International Holdings Limited

***Whatever we do,
We do better than others***
- A Passion for Service

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