



RCS
LOGISTICS

2018
Sustainability Report



A Global Direction

The success of our company is tied directly to the success of our people and the planet on which we live. With that in mind, we are committed to operating our business responsibly. Our aspiration is to be recognized as a leading freight forwarder, achieving that goal by:

- Collaborating with stakeholders, customers, logistics partners, and competitors,
- Engaging actively with advocacy groups seeking to advance industry progress,
- Seeking innovative technology and processes to reduce our sustainability impact, and
- Supporting our customers' efforts to improve their own footprint

Doing so will help us achieve our triple bottom line of
People, Planet, and Profit.

The scope of our program applies to all US operations and international locations which are wholly owned by RCS. We will share our program and strategies to help drive awareness and action consistent with our own direction.



RCS is undergoing an evolutionary change, one which will enhance our already stellar reputation as a logistics company setting the standard in quality, service, and on-time performance. Through this evolution, we will create a smarter, more integrated operational platform, deliver a better experience to our customers, ensure our employees receive proper training and attention, and engage more directly with the communities in which we operate, all while ensuring we do our part to help protect the environment and mitigate our sustainability impact.

RCS acknowledges our responsibility to understand and manage our Environmental, Social and Governance (ESG) profile – or our Sustainability Footprint. This, our first Sustainability Report, documents our work and communicates our commitment to future improvement. We intend to identify our impact and lead our industry in driving toward continual performance improvement.

Though RCS owns little in the way of physical assets, we maintain strategic relationships with the world's foremost carriers, and it is our intention to leverage our influence to help improve our customers' environmental footprints. For example, our top ten airline partners account for 72% of our total business (i.e., carbon emissions) while the top 20 cover 88%. By working these strategic relationships, we will strive to reduce carbon emissions, document our progress, and deliver these results to our customers.



We also value our people, those who work tirelessly each day to ensure shipments under our care are delivered efficiently and on time. That can only be accomplished by a healthy, safe, and engaged employee base. To achieve that, we established a confidential feedback mechanism allowing employees to freely comment on the company's performance. We are also emphasizing the importance of a safe workplace and tracking safety performance with goals for achievement.

Finally, we are renewing our commitment to operational excellence. A foundational element is our establishment of Business Continuity plans for each of our locations to ensure uninterrupted service to our customers in the event of unplanned emergency situations. We are also exploring innovative ways to leverage our expertise to deliver greater efficiency and pass those savings on to our customers. Reducing emissions and costs benefits everyone.

2019 will be a watershed year for RCS, one that reflects an increased commitment to sustainability while providing for increased growth. We look forward to partnering with our carriers to serve our customers and communities far into the future.

Please join me in embracing Sustainability, and in helping us deliver on our long-term goals.

Brian Heaney
President, RCS Logistics

Founded in 1985, RCS Logistics grew through acquisition and organic expansion to include company-owned offices in the United States, Asia, and Europe as well as affiliate locations in more than 80 countries worldwide. With revenue of more than \$250 million, RCS serves a diverse customer base specializing in apparel, footwear, accessories, telecommunications, and electronics.

founded **1985**
Patrick Heaney
•
H&M International Airfreight
New York

company-owned offices in

The Netherlands
Hong Kong
Indonesia
United States
Vietnam
Cambodia
China
United Kingdom

& affiliate locations in **80+** countries

Airfreight Forwarding Co.
Philip Liu, Hong Kong

merged, **1994**
Patrick Heaney - CEO
Philip Liu - Managing Director of Asia
Brian Heaney - President, RCS (2004)

ABOUT RCS



TODAY

\$250M privately held company

Springfield Gardens, NY (JFK)
Hong Kong (HKG)

Diverse Customer Base

in Apparel, Footwear, Accessories,
Telecommunications, Electronics



Sustainable Air Freight Alliance (SAFA)*

SmartWay Transport Partnership

Global Logistics Emissions Council (GLEC)*



* SAFA and GLEC are programs of Business for Social Responsibility (BSR) and the Smart Freight Centre respectively



SUSTAINABILITY GOVERNANCE

Sustainability oversight is the direct responsibility of the President and Chief Executive Officer. To achieve the goals and objectives of the program, they are supported by the Leadership team, consisting of the Chief Operating Officer, Vice President of Key Accounts, IT Operations Manager and the Compliance Specialist – Sustainability. This team meets monthly to review progress and provide future direction. In addition to this executive team, each RCS location has a Sustainability Champion whose daily activities include providing program feedback to the leadership team, leading local initiatives, and educating their fellow team members on the goals and intent of sustainability.





The sustainability strategy focuses our attention on the company's impact to the environment, how we will build and serve our employees, and ensure our business is operated efficiently to deliver value to our customers. Each of these elements; Planet, People, Profit; work in concert to deliver on our commitment to reducing our overall sustainability impact.

RCS considers our Code of Ethics (CoE) a top priority. To support our focus, we include CoE information (including anti-bribery and anti-corruption) in all new hire materials and conduct annual refresher training for all employees. We also have an anonymous employee feedback vehicle to accept comments throughout the year on any matter on which employees have interest or concerns.

SUSTAINABILITY STRATEGY DEVELOPMENT

Building off emissions reporting in 2016, RCS developed its first-ever sustainability strategy, one centered on operational leadership leading to environmental efficiencies and taking care of our people. We will do this while setting performance goals and reporting regularly on our progress.

We developed our strategy by surveying external stakeholders (customers & advocacy groups) and internal management on topics important to RCS and the broader logistics industry. Scores were collected and mapped according to importance. We developed initiatives in support of medium or high priority topics.

Delivering Sustainable Value
We will meet our goals through:

**Investing in
Our People**

**Protecting
the Environment**

**Advancing
Operational Leadership**

With a foundation built on:
Transparency & Financial Success

Investing in Our People

Build an effective and engaged talent pool

- Leverage tools from LeanIn.org to advance equality in the workplace
- Include an introduction to our Sustainability program in all new-hire materials
- Offer competitive health and wellness benefits
- Encourage anonymous employee feedback
- Reduce employee turnover rate
- Be an industry leader in workforce diversity
- Encourage employee volunteerism

Protecting the Environment

Improve company efficiency

- Improve RCS carbon efficiency metric
- Investigate RCS sustainability footprint goals based on carrier data
- Give preference to SmartWay transport partners
- Explore opportunities to improve facility efficiency

Advancing Operational Leadership

Establish efficient business processes to better serve customers

- Improve intra-company data transfers
- Increase the use of system-generated reports
- Increase the use of Electric Data Interchange with external stakeholders

Cultivate a culture of safety

- Minimize Recordable Injuries
- Minimize Lost-Time Injuries
- Minimize Injuries
- Zero Fatalities

Customer engagement and efficiency

- Offer customers carbon footprint reduction opportunities
- Survey strategic carriers on select RCS materiality indicators
- Offer customers carbon footprint reports

Identify and implement innovative technology

- Expand CargoWise1 (CW1) enterprise use at domestic and international RCS locations
- Expand CW1 Warehouse Management System use at domestic and international RCS locations
- Expand use of the CW1 auto-rating feature
- Increase the use of 'paperless' US air export shipment processing ("eFreight")

Emphasize ethical behavior

- Include Code of Ethics (CoE) in new-hire materials
- Conduct CoE refresher training
- Disclose CoE violations

Drive logistics partner efficiency

- Expand carrier survey participation
- Explore collaborative logistics industry initiatives

Protect company and customer data

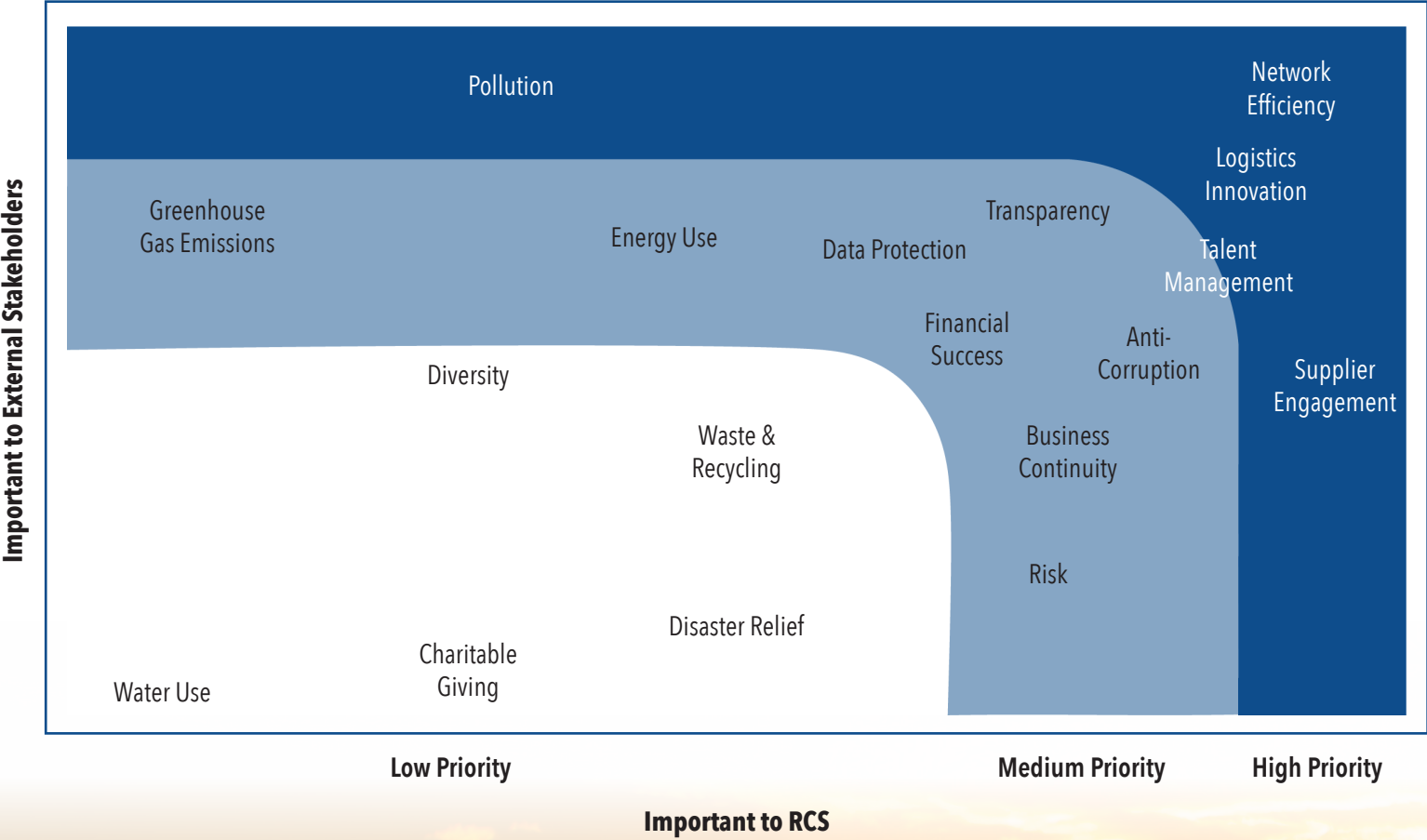
- Share IT Security policy with and conduct background checks on all new-hires
- Conduct IT Vulnerability Testing

Sustainability Initiatives

Secure sites for continuous operation

- Ensure each CFS and office can mobilize (staff and workload) during disruptive events
- Review all office and CFS security procedures

RCS Materiality Matrix



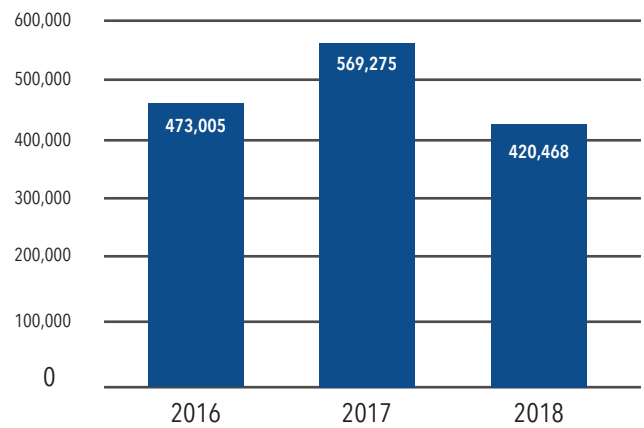
PROTECTING the ENVIRONMENT

As a logistics service provider, we recognize air emissions represents our primary environmental impact. While we are committed to reducing that impact, we don't own any of the aircraft, ships or trucks that transport the products we ship. That presents both challenges and opportunities.

The first step in addressing our impact is understanding what our contribution is. We use an extensive emissions modeling program to identify 100% of our CO₂e emissions based on trade lane. These emissions are estimated using the Defra/ DECC* GHG Conversion Factors for Company Reporting based on a great circle distance between airports. The resulting figure is total CO₂e emissions in metric tons.

*Department for Environment, Food and Rural Affairs (DEFRA) & Department of Energy and Climate Change (DECC) (<https://ghgprotocol.org/Third-Party-Databases/Defra>)

Total CO₂e Scope 3 Emissions (Metric Tons)



Based on this information, our goal is to efficiently manage the emissions associated with our consumers' products.

CO₂e

Another aspect of our operations is serving our customers by partnering with our strategic air, land, and ocean carriers. Understanding what our customers need allows us to tailor shipping options to meet those needs. Logistics partners who can help us efficiently achieve those needs will increase their business while we decrease our emissions. That will deliver dividends across the value chain.

Scope 3 CO2e emissions (by percent)

| TOP LANES | 2016 | 2017 | 2018 |
|--------------------------------|------|------|------|
| Hong Kong - Columbus | 18% | 12% | 14% |
| Hong Kong - New York | 8% | 8% | 11% |
| Ho Chi Minh City - Columbus | - | 5% | 6% |
| Shanghai - Columbus | 8% | - | 5% |
| Ho Chi Minh City - New York | 4% | 5% | 5% |
| Ho Chi Minh City - Los Angeles | - | 5% | - |
| Ho Chi Minh City - Chicago | 5% | - | - |
| <i>Total</i> | 43% | 35% | 41% |
| <i>All Others</i> | 57% | 65% | 59% |



We also intend to manage our Container Freight Stations (CFS) to reduce the total environmental footprint to include energy, water, waste, and recycling. By leveraging our local sustainability champions, we hope to collect and share best practices between stations, working together to reduce our combined footprint.

Scope 2 CO2e emissions (pounds)^a

| US Container Freight Stations | 2017 | 2018 |
|-------------------------------|---------|---------|
| Atlanta (ATL) ^b | 0 | 88,719 |
| Chicago (ORD) ^c | 74,201 | 91,506 |
| Columbus (CMH) | 245,132 | 260,968 |
| Los Angeles (LAX) | 92,773 | 83,771 |
| Miami (MIA) | 32,277 | 32,100 |
| New York (JFK) | 96,798 | 89,344 |
| <i>Total</i> | 541,181 | 646,408 |

^a Emissions

^b No data for 2017

^c 2017 data annualized for comparison



Investing in Our People

Employees are our most valuable resource. Our sustainability program provides the vehicle to educate on their role in influencing our footprint, promote a culture of safety and well-being, and drive engagement to build on success.

A study by the Boston Consulting Group in January of 2018¹ found that companies with more diverse leadership generated roughly half their revenue from innovative business practices enacted in the prior three years. As customers change their approach to sustainability, that fresh perspective can help protect a company's competitive advantage.

Today, roughly half the RCS US workforce is female, a figure that has remained consistent in recent years. Building on that, we will work with **LeanIn.org** to leverage their tools and encourage mentorship, advice, and support for women at work. According to the Peterson Institute for International Economics, companies which move from 0% to 30% female leaders is associated with a 15% increase in net revenue margin. A more diverse workforce results in an organization with a better informed and defined business strategy.

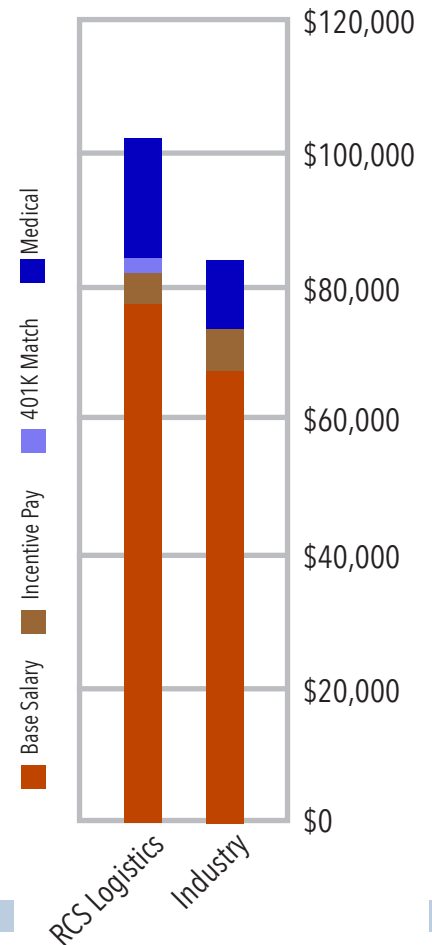
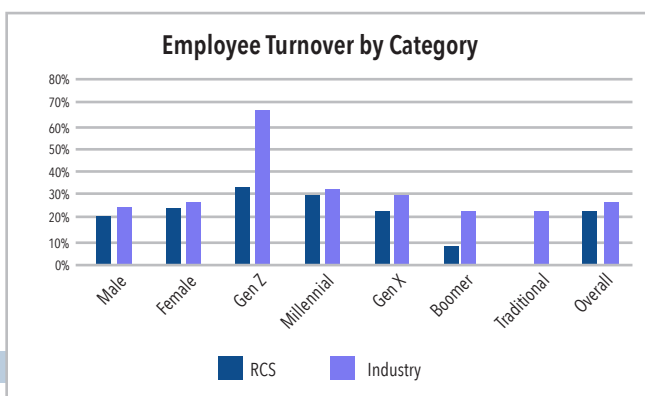
To retain quality employees, we also recognize the importance of delivering a robust, competitive, and comprehensive compensation and benefits package. RCS average pay is 15% higher than the industry average and our total compensation package far exceeds the logistics industry as reported by ADP, a leading provider of HR services.

We also recognize the value of our employees' opinions. Our first annual employee survey conducted in 2019 demonstrated our team appreciates the RCS benefits plan, the clean and safe work environment, and being part of a family-oriented company.

The most often cited concerns were communications, training, and recognition. To address this, we have:

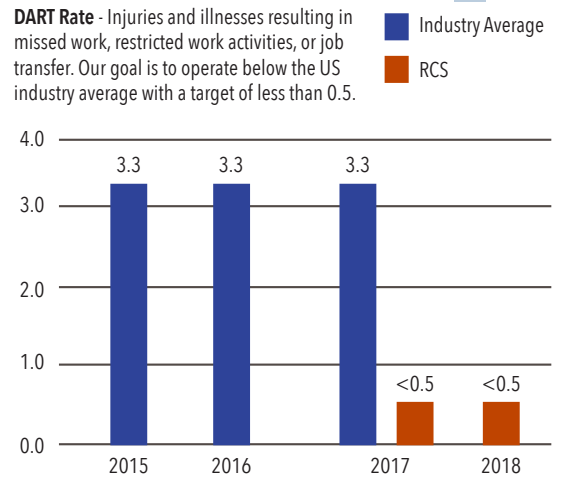
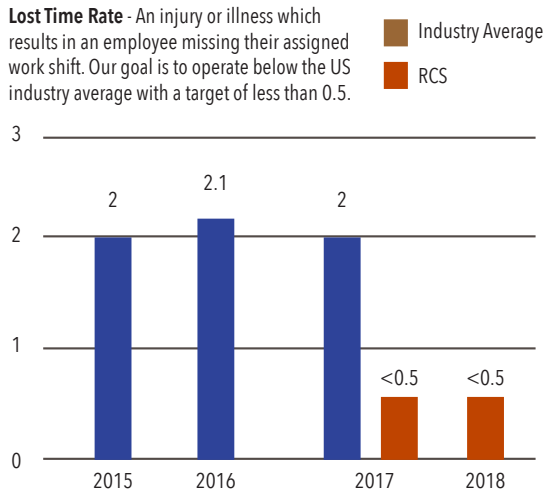
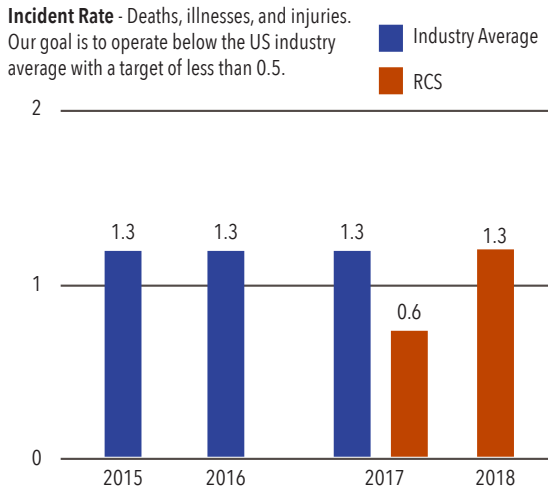
- Held "town hall" during senior leadership visits, encouraged station managers to meet at least monthly with staff, published a company newsletter, and established an anonymous employee feedback portal,
- Established training for CargoWise Certified Operator, general management, and Microsoft Office productivity tool, and
- Rewrote our employee handbook with updated review forms to encourage better and more frequent recognition.

Our efforts appear to be effective. Over all categories, employee turnover rates are below industry averages. Our employees recognize and appreciate the value of being part of the RCS team.



RCS emphasizes a culture of safety through educating our employees and focusing on injury reduction.

Safer employees are more productive. In 2017, our Incident; Days Away, Restricted or Transferred (DART); and Lost Time Rates registered below industry average. We will update this report once 2018 industry rates are published later this year.



Incidence rates represent the number of injuries and illnesses per 100 full-time workers and were calculated as: $(N/EH) \times 200,000$, where N = # of injuries and illnesses; EH = total hours worked by all employees during the calendar year; 200,000 = base for 100 equivalent full-time workers (working 40 hours per week, 50 weeks per year).²

Advancing Operational Leadership

At RCS, we pride ourselves on operating an efficient and profitable business placing customers as our top priority. Like any company in business for more than 30 years, we have legacy programs and processes which are continually being updated. The greatest challenge facing the entire logistics industry is the collection and sharing of accurate data. By working with our transport providers (air, truck, and ocean) we intend to connect the varied data sources to better understand efficiencies to deliver carbon and economic savings.

Carbon emissions account for much of our environmental footprint. To report on that footprint, we need better, more accurate information. A key component of our plan is CargoWise One (CW1), the leading, single platform management solution that integrates all aspects of the supply chain. Expanding CW1 to all locations (domestic and international) will give us a more accurate picture of our emissions through robust reporting capabilities. Better, more accurate shipping data will allow us to offer customers a range of shipping options which balance cost versus carbon. Where possible, these solutions will be put in place with no additional costs.

From auto-rating to eFreight, our goal is to lead the industry in adoption of tools to help advance freight forwarding. As we upgrade our processes, we do so with special attention to data collection to advance environmental protection as well as protection of customer data, particularly as data breaches in recent years have become more prevalent.

We are also accelerating our engagement with external industry organizations focused on efficiency and environmental protection. Through groups like the ***Sustainable Air Freight Alliance*** and the ***Global Emissions Logistics Council***, we will work with other logistics companies, airlines, and ocean freight companies on collaborative initiatives to improve operational efficiency.

Business Continuity and Data Protection are also important to serving our customer's needs. As disruptive global events have increased, our attention is focused on ensuring business continues with limited interruption. RCS has successfully navigated events in recent years and has focused greater attention on ensuring we continue delivering on customer expectations regardless of disruption.



Key Performance Indicators

Moonshot Goal - Improve emissions efficiency 50% by 2050

| Type | KPI | Activity | Goal | Target |
|-------------------------|--|---|--|--------|
| Investing in Our People | Build an effective and engaged talent pool | Leverage tools from LeanIn.org to advance equality in the workplace | Initiate LeanIn Circles at all US locations | 2020 |
| | | Include an introduction to our sustainability program in all new-hire materials | 100% of all new hires receive RCS sustainability introduction | Annual |
| | | Offer competitive health and wellness benefits | Report on any significant changes to the prior year's results | Annual |
| | | Encourage anonymous employee feedback | Report summary of results annually | Annual |
| | | Reduce employee turnover rate | Maintain our turnover rate below industry average with a stretch goal to achieve an overall rate below 15% | 2025 |
| | | Be an industry leader in workforce diversity | Report on any significant changes to the prior year's results | Annual |
| | Encourage employee volunteerism | 75% of employees reporting | 2025 | |
| | Emphasize ethical behavior | Include Code of Ethics (CoE) in new-hire materials | 100% of new hires receive CoE materials | Annual |
| | | Conduct CoE refresher training | 100% existing employees receive CoE update | Annual |
| | | Disclose CoE violations | Report on any CoE violations | Annual |
| | Cultivate a culture of safety | Minimize DART rate | Maintain DART rate below industry average - goal of less than 1.0 | Annual |
| | | Minimize Lost-Time Injuries | Maintain Lost Time rate below industry average - goal of less than 1.0 | Annual |
| Minimize Injuries | | Maintain incident rate below industry average | Annual | |
| Zero Fatalities | | Disclose any fatalities and cause | Annual | |

| Type | KPI | Activity | Goal | Target |
|----------------------------|------------------------------------|--|--|--------|
| Protecting the Environment | Customer engagement and efficiency | Offer customers carbon footprint reduction opportunities | 30% of shipments using customer-selected green shipping options | 2025 |
| | | Survey strategic logistics partners on select RCS Materiality Indicators | Report on response rate of shipping partners | Annual |
| | | Offer customers carbon footprint reports | Develop client-specific CO ₂ footprint reports and report total emissions | Annual |
| | Drive logistics partner efficiency | Expand carrier survey participation | Survey completed by carriers transporting 80% of shipments | 2025 |
| | | Explore collaborative logistics industry initiatives | Maintain an active presence in industry associations focused on sustainability | Annual |
| | Improve company efficiency | Improve RCS carbon efficiency metric | 20% improvement of Total # MAWB/Total Scope 3 CO ₂ e | 2025 |
| | | Investigate sustainability footprint goals based on partner data | Set goals based on logistics partner survey results and industry initiatives | Annual |
| | | Give preference to SmartWay Transport partners | 80% of shipments carried by SmartWay partners | 2025 |
| | | Explore opportunities to improve facility efficiency | 15% reduction in energy use at US CFS sites | 2025 |





| Type | KPI | Activity | Goal | Target |
|----------------------------------|--|---|---|-----------|
| Advancing Operational Leadership | Establish efficient business processes to better serve customers | Improve intra-company data transfers | 95% data validity compliance for intra-company data transfers | 2025 |
| | | Increase the use of system-generated reports | 95% of clients receiving system-generated reports | 2025 |
| | | Increase use of Electronic Data Interchange (EDI) with external stakeholders | 95% of all supply chain data transmitted and received via EDI | 2025 |
| | Identify and implement innovative technology | Expand CargoWise1 (CW1) enterprise use at domestic and international RCS locations | All locations using CW1 | 2025 |
| | | Implement CW1 Warehouse Management System (WMS) use at domestic and international RCS locations | All locations using CW1 WMS | 2025 |
| | | Expand use of the CW1 auto-rating feature | 20% improvement of the percent of shipments where auto-rating was successful | 2025 |
| | | Increase the use of 'paperless' US air export shipment processing ("eFreight") | 30% increase in the application of eFreight shipping process | 2025 |
| | Protect company and customer data | Share <i>IT Security</i> policy with and conduct background checks on all new-hires | 100% of all new hires pass background checks and receive the IT Security Policy | Annual |
| | | Conduct IT Vulnerability Testing | 2% improvement in our Client Risk and Security Risk scores | Annual |
| | Secure sites for continuous operation | Ensure each CFS and office can mobilize (staff and workload) during disruptive events | Review Business Continuity Plans quarterly and update as needed | Quarterly |
| | | Review all office and CFS security procedures | Report on state of and/or improvements made to site security | Annual |

¹ Lorenzo, R.; Voigt, N; Tsusaka, M.; Krentz, M.; and Abouzahr, K. (2018, January 23). *How Diverse Leadership Teams Boost Innovation*. Retrieved from <https://www.bcg.com/en-us/publications/2018/how-diverse-leadership-teams-boost-innovation.aspx>

² *Industry Injury and Illness Data*. Retrieved from <https://www.bls.gov/iif.oshsum.htm>