

### **CONTENTS**

- 03 / LETTER FROM OUR PRESIDENT
- **04** / GLOBAL THEME
- 05 / SUSTAINABILITY GOVERNANCE
- 06 / SUSTAINABILITY STRATEGY

  MATERIALITY MATRIX

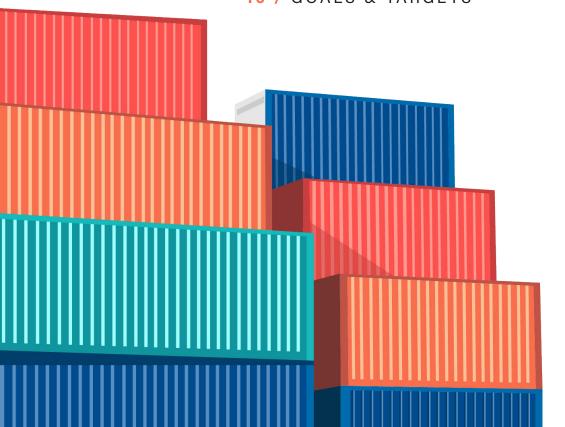
  SUSTAINABILITY INITIATIVES
- 08 / INDEPENDENT ECOVADIS REVIEW
- O9 / ACTIONABLE INITIATIVES

  PROTECT THE ENVIRONMENT

  SUPPORT OUR COMMUNITIES

  ADVANCE OPERATIONAL LEADERSHIP

16 / GOALS & TARGETS







In our 2018 report, I committed to advancing our operations, improving the customer experience, serving RCS employees, and engaging in the communities in which we operate – and I am sincerely proud of our 2019 sustainability advancements. By examining our business more intently and considering our sustainability impact, RCS became a stronger, more connected organization. We discovered the power in engaging not only our own employees but also with our customers, logistics partners and even our competitors.

As I consider what we have done over the past year and how we are approaching the coming months, I am reminded of Peter Drucker's comments, "Efficiency is doing things right; effectiveness is doing the right things." What are those "right things" we have done over the last twelve months and what we will do in the next several?

We made marked gains on our progress toward operating more sustainably. Throughout 2019, we continually adjusted our planning to reflect our evolving understanding and awareness. Some highlights from last year include:

- Our shipping carbon efficiency metric improved more than 41% from our baseline, exceeding our 20% goal. We achieved this through increased use of charter flights and by consolidating shipments.
- Our employee volunteerism goal is to have 75% participation by 2023.
   Our participation rate at the end of 2019 was 15%. With our Paid Time Off incentive, we expect to make significant gains this year toward achieving our 75% participation goal.
- We recognized the value of leveraging SmartWay trucking partners to reduce over the road emissions and changed our procurement patterns accordingly. At the end of 2019, we were almost halfway to achieve our goal of 80% shipments by 2023.

A more detailed analysis can be found in the body of this report.

2020 has started much differently than anyone had imagined. RCS recognizes our role in helping get the world back on its feet, and we stand ready to do so. Like all companies facing the uncertainty brought on by the pandemic, RCS leadership's first order of business was to ensure continued operation while considering the safety of our employees. As an essential business we are working with our customers, airline partners, and relief agencies to ensure critical products are delivered on time, safely, and efficiently. I am profoundly proud of the RCS family as we all work on this most important mission.

# LOCALLY CONNECTED, GLOBALLY RESPONSIBLE

Our global connection has never been more apparent than now. We remain committed to operating our business mindful of our responsibility to operate more efficiently and with less impact to the environment. To achieve this commitment, we will strive to:

- Collaborate with a broad range of stakeholders,
- Advance industry progress on sustainability,
- Implement innovative technology and processes, and
- Support others' sustainability progress.

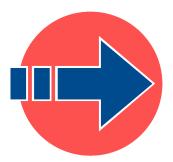
Doing so will help us achieve our goals of environmental protection, supporting communities and efficient operations.



**PROTECT**THE ENVIRONMENT



SUPPORT OUR COMMUNITIES



ADVANCE
OPERATIONAL LEADERSHIP

Sustainability at RCS applies to all wholly owned operations and locations. Where we have strategic relationships, we will share our program and strategies to help drive awareness and action consistent with our own direction.



#### SUSTAINABILITY GOVERNANCE

Sustainability oversight is the direct responsibility of the President and Chief Executive Officer. To achieve our goals and objectives, the Executive Leadership team consisting of all VP and director-level appointments (Sustainability, Operations, Key Accounts, Sales, and Strategy). This team meets monthly to review progress and drive 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. This is how we will deliver on our commitment to reducing our overall sustainability impact. To reinforce our position and educate our employees on sustainability, new hires receive training and existing employees receive refresher training annually.

Strict enforcement of our Code of Ethics remains a top priority. To support our focus, we include our Code of Conduct, Ethics & Compliance Policy (including anti-bribery and anti-corruption) in all new-hire materials and conduct annual refresher training for all employees. Closely related to our Code of Ethics is our employee feedback vehicle which allows for anonymous comments throughout the year on any matter on which employees have interest.



**GOVERNANCE** 

Our strategy is centered on environmental protection and engagement with emissions reporting and reduction forming the foundation of our plan. We will achieve our goals through performance goals and regular progress reporting.

By surveying external stakeholders (customers and advocacy groups) and internal management on topics important to RCS and the broader logistics industry, we are able to direct our attention to the opportunities most impactful to our company, the industry, our customers, the communities in which we operate, and the broader stakeholder community.

Sustainability initiatives were ranked in a range of medium to high priority. Results of that exercise are reflected in the materiality matrix below. The materiality matrix will be refreshed in 2020.

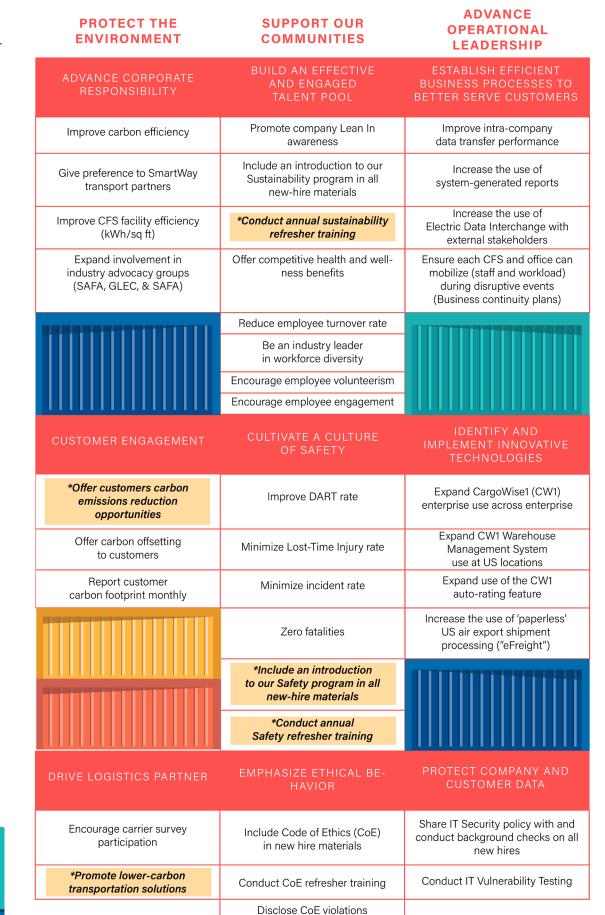
#### MATERIALITY MATRIX



IMPORTANT TO EXTERNAL STAKEHOLDERS

SUSTAINABILITY INITIATIVES CHART

\*New 2019 initiatives





#### INDEPENDENT REVIEW

The true test of any initiative is an independent review. We selected EcoVadis, the world's most trusted provider of business sustainability ratings, intelligence, and collaborative performance improvement tools for global supply chains. Their system allowed us to input our data and processes which they reviewed relative to others in the freight forwarding industry.

Our efforts earned us a Silver rating with a score of 53, the 73rd percentile. While pleased with our score, we now have a roadmap to help improve our standing and our sustainability footprint. Our intention is to reassess in 2020 and achieve a higher rating.



#### PROTECT THE ENVIRONMENT

Air emissions are our most significant environmental impact. Though we remain non-asset based, we are committed to documenting, tracking, and reducing the emissions associated with each mode of freight transportation.

We continue to evolve our emissions modeling program, using improved factors and industry-driven factors to increase the accuracy of estimated CO2e emissions. We arrive at these estimates by using the Defra/DECC\* GHG Conversion Factors for Company Reporting (https://ghgprotocol.org/Third-Party-Databases/Defra) based on a great circle distance between airports providing total CO2e emissions in metric tons. As emissions are directly related to distance traveled and shipment weight, the following graph shows our emissions (CO2e as a function of weight (kgs). This metric increases as cargo is consolidated on fewer flights. While this metric moderately declined from 2016 to 2018, our progress in consolidating freight in 2019 really paid off.

		2016	2017	2018	2019	
	Total Emissions	502,057.60	606,222.66	333,587.09	223,862.37	
	Total kgs	41,396,395.28	49,150,810.48	42,561,161.20	30,673,742.48	No. of the last
Elia.	CO2e/kgs	0.012	0.012	0.008	0.007	
	kgs/CO2e	82.45	81.08	127.59	137.02	
						9

The emissions in table XX are used in discussions with carriers to transport our product most efficiently. These discussions will lead to greater strategic relationships with air, land and ocean carriers. We will direct contracts to those who operate more efficiently and who are more responsive to our and our customers' expectations. Logistics partners who can help us efficiently achieve those needs will increase their business while we decrease our emissions.

We also understand that collaborative efforts on non-competitive opportunities (like emissions reductions) will move the industry much more quickly than if we worked alone. A good example is our intent in 2020 to strongly encourage our airline partners to join the Sustainable Air Freight Alliance (SAFA) and get more directly engaged in dialogue around air freight emissions reductions. Future contracts may well hinge on airline membership.

Critical to managing our supply chain is knowing the trade lanes on which most of our freight travels. The table below shows our top five lanes since 2016, with 2019 data showing more than 40% of our freight moving on those top lanes. In fact, 37% of our emissions in 2019 took place on charter flights with no layovers – minimizing fuel which could be used in additional take offs and landings.

Scone	3	C026	amissions	(by percent)
acobe	- 3	LUZE	GIIII2210112	lbv berteilti

Top Lanes         2016         2017         2018         2019           Hong Kong - Columbus         18%         12%         14%         19%           Ho Chi Minh City - Columbus         5%         6%         10%           Hong Kong - New York         8%         8%         11%         9%           Shanghai - Columbus         8%         5%         8%           Ho Chi Minh City - New York         4%         5%         5%         6%           Ho Chi Minh City - Los Angeles         5%         5%         6%           Ho Chi Minh City - Chicago         5%         5%         5%           Total         43%         40%         41%         52%           All Others         57%         60%         59%         48%	Scope 3 CO2e emissions (by per	cent)				
Ho Chi Minh City - Columbus  Hong Kong - New York  Shanghai - Columbus  Ho Chi Minh City - New York  Ho Chi Minh City - New York  Ho Chi Minh City - Los Angeles  Ho Chi Minh City - Chicago  Total  43%  40%  41%  50%  10%  8%  5%  8%  5%  6%  6%  6%  10%  5%  5%  5%  5%  6%  4%  5%  5%  5%  70tal	Top Lanes	2016	2017	2018	2019	
Ho Chi Minh City - Columbus  Hong Kong - New York  Shanghai - Columbus  Ho Chi Minh City - New York  Ho Chi Minh City - New York  Ho Chi Minh City - Los Angeles  Ho Chi Minh City - Chicago  Total  43%  40%  41%  50%  10%  8%  5%  8%  5%  6%  6%  6%  10%  5%  5%  5%  5%  6%  4%  5%  5%  5%  70tal	Hong Kong - Columbus	18%	12%	14%	19%	
Hong Kong - New York 8% 8% 11% 9% Shanghai - Columbus 8% 5% 8% Ho Chi Minh City - New York 4% 5% 5% 6% Ho Chi Minh City - Los Angeles 5% Ho Chi Minh City - Chicago 5% 5%  Total 43% 40% 41% 52%						
Shanghai - Columbus 8% 5% 8% Ho Chi Minh City - New York 4% 5% 5% 6% Ho Chi Minh City - Los Angeles 5% Ho Chi Minh City - Chicago 5% 5%  Total 43% 40% 41% 52%		8%				
Ho Chi Minh City - New York 4% 5% 5% 6% Ho Chi Minh City - Los Angeles 5% Ho Chi Minh City - Chicago 5% 5%  Total 43% 40% 41% 52%		8%		5%	8%	
Ho Chi Minh City - Los Angeles  Ho Chi Minh City - Chicago  5%  Total  43%  40%  41%  52%			5%			
Ho Chi Minh City - Chicago 5% 5%  Total 43% 40% 41% 52%						
		5%	5%			
	Total	43%	40%	41%	52%	
			7			
		3				

#### "ALL EMISSIONS COUNT."

All emissions count. Though our Scope 2 (electricity use) emissions are only a fraction of our total Scope 3, we have greater control over how that energy is consumed. In 2019, CO2e emissions at our Container Freight Stations (CFS) decreased in all but one station, with total CO2e emissions reduced by 10%. We achieved that through installation of LED lighting and the use of motion sensors in all warehouses except for JFK, which will be upgraded in 2010.

2018 <sup>2</sup>	2019		
83,725	73,004		
85,844	85,379		
244,819	221,292		
78,838	51,132		
174,202	149,731		
148,245	154,318		
	83,725 85,844 244,819 78,838 174,202		

815,672

734,856

- <sup>1</sup> eGRID2018 Data, https://www.epa.gov/energy/power-profiler
- <sup>2</sup> 2018 data updated with new eGRID 2018 data

Scane 2 CO a amissions (nounds) 1

<sup>3</sup> 2018 data annualized for comparison

Each CFS has a designated Sustainability Champion who leads efforts to improve their station's environmental footprint. We intend to build off our achievements in energy and focus on waste and recycling in 2020. Through sharing of best practices between stations, we hope to collaborate and reduce our combined footprint.

Total

#### JFK CFS RECYCLING

In 2019, our freight station at JFK partnered with Trex Company, a leading manufacturer of composite board. The stretch film collected at JFK is purchased by Trex and made into boards used on decks, boardwalks and other applications. The baler is also used to collect and bale cardboard and allows the station to divert waste from the landfill. Since the baler was installed, the station has collected 4,686 pounds of plastic and 10,769 pounds of cardboard





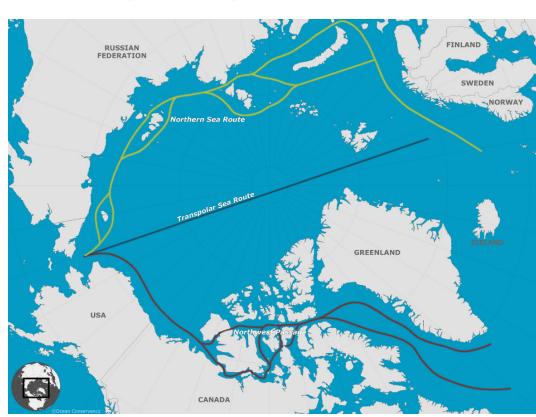
GOVERNANCE

## An RCS key 2020 initiative is to familiarize ourselves with the **Artic Pledge**, a campaign begun by the Ocean Conservancy (www.oceanconservancy. org) to encourage logistics stakeholders (commercial customers and logistics services providers) to not send ships through the Arctic. Science has clearly demonstrated the Arctic is warming at a rate two to three times faster than other parts of the planet. By avoiding these newly opened shipping lanes, RCS will help to preserve this critical ecosystem for future generations.

RCS shows special consideration to carriers of all kinds (air, truck, and sea) that prioritize the environment as part of their business practices. As shown earlier in Goals & Targets, we have set goals for the percentage of our business that travels by air on air carriers that are part of the **Sustainable Air Freight Alliance (SAFA)**, as well as cargo that travels by road via **SmartWay** carriers.

As the list of Arctic Pledge commitments grows, we will apply this same sort of preferred selectivity towards those carriers that embraces this ideal.

Although air freight is currently our predominant focus, expanding our ocean freight is one of our strategic initiatives. As we become better educated on the Pledge and as our ocean freight grows, we will do our part to encourage more carriers to make this commitment. As 2020 progresses, we will continue these discussions with a goal towards "alignment in purpose".



#### SUPPORT OUR COMMUNITIES

Our employees and the communities in which we operate, both domestically and internationally, are critical to the success of our company. By viewing community involvement through a sustainability lens, we can drive

engagement and promote a culture of safety & well-being.







54%

27%

13%

5%

2%

White

Hispanic

Asian

Black

Two Races

2

Today roughly half our US workforce is female, a figure that has remained consistent in recent years. Building on that, RCS will leverage resources from LeanIn.org to encourage mentorship, advice, and support at work.

We recognize that a more diverse workforce results in an organization with a more informed and defined business strategy. In 2019, Whites made up 54% of our population with other races being Hispanic – 27%, Asian – 13%, Black – 5% and Other – 2%.

Each RCS location, whether domestic or international, reflects the ethnic makeup of their local community. The result is a company rich with diverse points of view, backgrounds, and ideas.

To retain quality employees, we also recognize the importance of delivering a robust, competitive, and comprehensive compensation and benefits package. Non-executive average pay is roughly 64% higher than the industry average and our total compensation package far exceeds the logistics industry as reported by ADP, a leading provider of Human Resources 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.

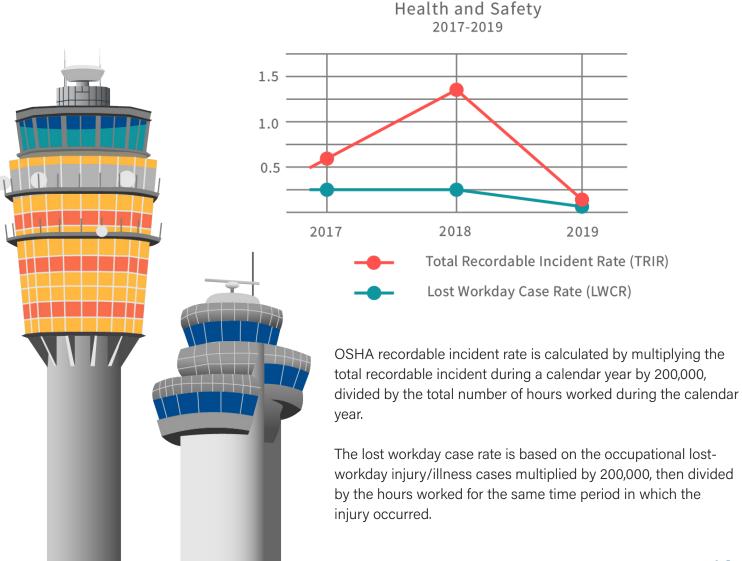
The most often cited concerns were communications, training, and recognition. To address this, we have:

- 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 Certified Operator training programs for CargoWise and additional training for management and Microsoft Office, and LinkedIn training
- Rewritten 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 more than 14% 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. Reflecting our commitment to keep our employees safe, in 2019 we had ZERO incidents that required any reassignments or lost time. Updated government data was not available at the time of publishing this report.



#### ADVANCE OPERATIONAL LEADERSHIP

For more than 30 years, we have operated a profitable business by placing customers and employees as our top priority. We continue to update processes and programs to make our business even more efficient.

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 will continue to integrate CargoWise One (CW1) into our operations. CW1 is the leading single platform management solution which integrates all aspects of the supply chain enabling a more accurate picture of our emissions and more robust reporting capabilities. Better, more accurate shipping data will allow us to offer customers a range of shipping options to balance cost versus carbon. Where possible, these solutions will be put in place at no additional charge.

In addition to eFreight and CW1, we will build off our efforts in 2019 to improve data collection and accuracy and work with our transport providers (air, truck, and ocean) to analyze data sources with the goal of replacing estimates and factors with actual information.

Our engagement with industry-focused environmental advocacy groups like the Sustainable Air Freight Alliance (SAFA), Clean Cargo Working Group (CCWG), and Global Emissions Logistics Council (GLEC) accelerated in 2019 and continues in 2020. RCS is active on committees including Reporting and Decarbonization. Under the guidance of these groups, and in collaboration with other members (including other freight forwarders, airlines, ocean freight, and customers) we will make significant strides toward emissions reductions and operational efficiency.

As ProLogis manages all but one of our freight stations, we work closely with them to understand the footprint of our facilities and the opportunities to improve. In 2019 we joined their Corporate Sustainability Advisory Committee (CSAC) and look forward to engaging with other warehouse operators to share and learn from each other's experiences.

Planning for the unexpected is a critical part of ensuring our continued operation. Our Business Continuity and Data Protection Plans enable us to react quickly to local or global disruptive events. We have operated throughout past and current events, effectively maintaining our customer service while protecting our employees. Our adaptability has become a key strength.



#### **Goals and Targets**

Moonshot Goal - Carbon Neutral by 2050

Metrics		Goal				eline	2019
	metrics	Activity	Year	Target	Year Value		Progress
	Carbon emissions reduction opportunities	Green shipping as a percent of chargeable kilograms	2025	30%	2018	0%	55.2%
	Offer carbon offsetting to customers	Carbon offsetting offered to customers	2021	100%	2019	0%	N/A <sup>1</sup>
	Expand carrier survey participation	Survey completed by volume	2023	80%	2018	0%	32.0%
Planet	Carbon Efficiency - RCS	Improve #MAWB/Carbon metric	2025	20%	2017	24.2	41.8%
급	Reduce carbon emissions	Reduce Scope 2 emissions (lbs/ft2)	2030	30%	2017	2.80	2.64 (5.6%)
	SmartWay Carriers (truck)	Shipments carried by SW partners	2023	80%	2019	37%	37.0%
	Promote lower-carbon transportation solutions	Explore road freight emissions reduction strategies	2020				
	Improve CFS facility efficiency (kWh/sq ft)	Reduce energy use	2023	25%	2017	0.33	12.1%

Metrics		Goal				eline	2019
		Activity	Year	Target	Year	Value	Progress
	Employee Turnover	Turnover rate below industry avg	2023	< 15%	2019	0%	6.2%
	Employee Volunteerism	Increase participation	2023	75%	2019	0%	14.2%
	Sustainability training, new hires (NH)	New hires trained	Annual	100%			100%
	Sustainability refresher	Refresher training	Annual	100%			100%
a	Code of Ethics - New Hire Training	New hires trained	Annual	100%			100%
People	Code of Ethics - Refresher Training	Refresher training	Annual	100%			100%
Pe	OSHA - New Hire Training	New hires trained	Annual	100%			100%
	OSHA - Refresher Training	Refresher training	Annual	100%			100%
	DART rate	Below industry average	Annual	< 1.0	2019	0%	N/A <sup>2</sup>
	Lost-Time Injury rate	Below industry average	Annual	< 1.0	2017	< 0.5	N/A <sup>2</sup>
	Incident rate	Below industry average	Annual		2017	< 0.5	N/A <sup>2</sup>

Metrics		Goal				eline	2019
		Activity	Year	Target	Year	Value	Progress
	Intra-Company Data Transfer Performance	Data validity compliance	2023	95%	2018	17%	85.0%
	System-generated reports	Clients receiving reports (% of chargeable kgs)	2022	95%	2018	4.3%	55.9%
	Increase use of EDI w/ external stakeholders	EDI data transmitted & received	2023	95%	2018	23.0%	89.0%
	CW1 usage across enterprise	All locations using	2025	100%	2018	46.2%	46.2%
Profit	CW1 WMS usage at US locations	All locations using	2025	100%	2018	16.7%	33.3%
4	Auto-Rating Usage	Improve % of successful use	2022	20%	2018	6.7%	25% <sup>3</sup>
	Use of E-Freight (US Exports)	Increase application	2024	30%	2018	11.1%	9.3%
	IT security policy & background checks, New Hire	Policy and background checks	Annual	100%		100.0%	100%
	IT Vulnerability Testing Results	Improve client risk score each year	Annual	2%	2017	51	23 (54.9%)



- 1 Baseline set in 2019
- <sup>2</sup> Annual goal, score reported each year
- <sup>3</sup> Exceeded goal early, will restate in 2020