



ON TIME LOGISTICS HOLDINGS LIMITED 先達國際物流控股有限公司

Incorporated in the Cayman Islands with limited liability
Stock Code : 6123



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2016

Environmental, Social and Governance Report 2016

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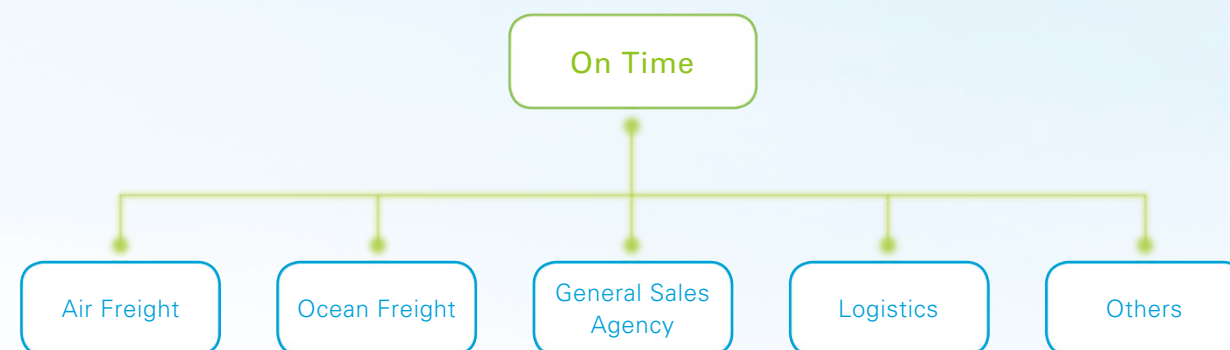


ABOUT ON TIME

Based in Hong Kong, On Time Logistics Holdings Limited and its subsidiaries (On Time or the Group) is principally engaged in the provision of freight forwarding services. Besides airfreight and ocean freight, the Group provides warehousing and value-added logistics and distribution services. With over 20 years' development, On Time has grown to an international logistics corporation with over 50 offices covering more than 16 countries.

On Time specialises in providing local and international logistics solutions. Its core businesses are air and ocean freight forwarding, complemented by a wide range of logistics and distribution services, enabling it to meet customers' diverse needs.

Business Structure of the Group



ABOUT THIS REPORT

This is the first Environmental, Social and Governance Report issued by On Time. It sets out the Group's actions and performance on sustainability issues in a transparent and open manner with the intention of increasing stakeholders' confidence in and understanding of the Group.

Reporting Year

Information in the report reflects the performance of On Time in environmental stewardship and social responsibility from January 2016 to December 2016. In future, the Group will publish the Environmental, Social and Governance Report on an annual basis and make it available to the public at any time to enhance transparency and accountability.

Reporting Boundary

The report focuses on the operation of air freight and ocean freight services in Hong Kong. The Group will extend the scope of disclosures and will ultimately cover all operations of the Group when the data collection system is better established and the environmental, social and governance work is strengthened. The report excludes the disclosure of environmental Key Performance Indicators (KPIs). The Group will conduct carbon assessment next year to further refine and standardize the indicators for reporting.

Reporting Guideline

The report is published in accordance with the Environmental, Social and Governance Reporting Guide (ESG Guide) issued by The Stock Exchange of Hong Kong Limited (HKEx). The report outlines the environmental, social and governance performance of On Time in a concise manner. Information contained herein is sourced from the official documents and statistical data of the Group, and is aggregated from the monitoring, management and operational information provided by the subsidiaries in accordance with the relevant rules of the Group. A complete index is inserted in the last chapter of the report for reference. The report is written in Chinese and English language and both are uploaded onto the Group's website at www.ontime-express.com. In case of any conflict or inconsistency between the Chinese version and the English version, the English version shall prevail.

WE VALUE YOUR FEEDBACK

Our continuous improvement relies on your valuable feedback on both the content and the form of this report. If you have any questions or comments, please send us your views via esgreport@chq.ontime-express.com to help with our continued improvement in environmental, social and governance performance.

STAKEHOLDER ENGAGEMENT

The HKEx has set forth four principles for reporting in the ESG Guide: Materiality, Quantitative, Balance and Consistency, which should form the basis for preparing the Environmental, Social and Governance Report. As the HKEx emphasizes, stakeholder engagement is the method by which materiality is assessed. Through stakeholder engagement, companies can understand wide-ranging views and identify material environmental and social issues.

For On Time, stakeholders refer to groups and individuals materially influencing or affected by the Group’s business. The Group’s stakeholders include employees, management and directors, as well as external stakeholders such as clients, business partners, investors, regulatory authorities and various types of community groups. In the past year, we communicated with the key stakeholders through a variety of methods. While preparing the report, we commissioned a professional consultancy firm to conduct the materiality analysis in the form of management interview. With expert advice, we identified the material aspects for this report and these will in turn guide the formulation of the Group’s sustainability roadmap.

Methods of Stakeholder Engagement in the Reporting Period

Internal Stakeholders	External Stakeholders
Board of Directors	Shareholders
Management	Investors
Administration staff	Customers
General staff	Contractors/partners
	Suppliers
	Banks
Engagement methods: Post, E-mail, Meeting, Face-to-face interview	

The business of On Time affects different stakeholders, and these stakeholders have various expectations of the Group. To enhance the materiality analysis, the Group will in future continue and expand stakeholder engagement, and collect a diverse range of stakeholders’ views through various activities. At the same time, the Group will consider advancing the reporting principles of Quantitative, Balance and Consistency in order to present the report in a way that continues to improve alignment with stakeholder expectations.

LETTER TO STAKEHOLDERS

“By listening to and enhancing stakeholder involvement in the future, we commit to shape our business in a better, more sustainable way.”



At On Time, our success depends on the clients we serve and the stakeholders that we are responsible to. We recognise that merely being a profitable business is insufficient in this new era; one must also do one’s part to find solutions to our world’s greatest challenges, such as climate change, resource scarcity and poverty.

As responsible corporate citizens, On Time commit ourselves to practice what we preach. We strive to follow the best of international practices and conform to statutory requirements and client expectations. In terms of environmental actions, we adhere to international standards including ISO 9001 and ISO 14001, signifying our commitment to comply with environmental requirements. From next year on, we will start conducting carbon assessments and disclosing our key environmental performance indicators. With this solid foundation established, we will look for improvement opportunities in carbon reduction across our multiple service areas, including hardware upgrades and operating practice improvements.

Ultimately, freight forwarding is a people business. Our mission is to prevent work-related incidents. In order to provide our employees with a healthy and safe working environment, we commit to provide training to equip our employees with sufficient knowledge and skills about maintaining safety.

Following the historic Paris Agreement signed by over 190 country leaders, businesses around the globe have been given a green signal to go ahead with their sustainability initiatives. With our first-ever Environmental, Social and Governance Report, we hope to establish a good precedent for future reports to follow and improve upon. Together with our dedicated employees, we are proud that we have taken the initial steps to embark on our sustainability journey. By listening to and enhancing stakeholder involvement in the future, we commit to shape our business in a better, more sustainable way.

Going forward, we will seek further opportunities to interact with our stakeholders, and encourage employees to integrate sustainability into our daily operations.

Lam Chun Chin, Spencer
Chairman and Chief Executive Officer
On Time Logistics Holdings Limited



PROTECTING THE ENVIRONMENT

Use of Resources

Since 2011, On Time has committed to comply with requirements of ISO 14001 standards and treat resource conservations as a critical consideration within the Group's core management processes in "ISO Policies". The Group set forth "Environmental and Social Responsibility Policy of On Time Group" in 2016 with the intention of ensuring the Group consistently operates in a manner that contributes to the environment and society positively.

On Time ensures resources are not wasted, materials are reused or recycled, and that waste is disposed of in a responsible and environmentally friendly manner. To achieve this, the Group adopted a "Reduce, Reuse, Recycle" approach in daily operations.

Energy conservation will not be effective without the support of employees. The Group has strived to achieve optimum energy consumption through encouraging employees to establish energy-saving habits, such as turning off electronic appliances including personal computers, monitors, printers and photocopiers after work. The Group also requires employees to reduce waste generation and use recycled materials where possible.

Emissions

The Paris Agreement entered into force in November in 2016, aiming to keep a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C.

On Time's office does not emit large amounts of air pollutants. Nevertheless, the Group is committed to comply with relevant environmental laws and the Group considers pollution prevention in business decisions. The Group strives to reduce greenhouse gas emissions by encouraging employees to minimise usage of energy and carbon-dependent resources. The Group also monitors and records its annual consumption of A4 paper. During the reporting period, the Group used 82 kg less A4 paper than in 2015, which equals greenhouse gas reduction of 0.4 tonnes of CO₂ equivalent.

Apart from greenhouse gas emissions, solid waste is another type of emission of the Group. The Group commissioned a collector to collect and recycle used toner, cartridge and lighting products such as florescent lamps and reflectors.

During the reporting period, On Time's operation of air freight and ocean freight services in Hong Kong has had no non-compliance cases regarding violation of relevant environmental laws and regulations.

Environment and Natural Resources

On Time is mainly act as forwarding company. Desktop work is the main type of activity that the Group performs for its air freight and ocean freight services. The Group commissions contractors for goods loading, un-loading and transportation. Therefore, air and sea transportation systems are beyond the Group's direct control and the scope of this report. Although the Group does not has direct significant impact on the environment and natural resources beyond the resource consumption and emissions issues discussed above, the Group will explore ways of integrating environmental considerations into its business decisions, the services it provides, including promoting, and supporting ways to combat climate change. The Group will identify and evaluate its impact on environment and natural resources and manage impact, which is identified as significant.

OPERATING WITH RESPONSIBILITY

Product Responsibility

In today's competitive market environment, the quality of products and services that customers demand continues to increase. On Time understands that the Group can only gain and maintain their trust and support by creating the most value for customers.

On Time's mission is to offer fast and reliable solutions for customers' freight and logistics demands. The establishment of an efficient quality management system has become an indispensable element of sustaining the Group's competitiveness. The Group has committed to comply with the requirements of ISO 9001 standards for its business. The Group regularly conducts performance reviews to ensure the quality policies, objectives, and requirements of ISO 9001 are met. In this way, the quality of the services is kept up to standard.

To ensure On Time's services meet customers' requirements, the Group placed importance on managing its vendors' performance. The Group has been collaborating with a variety of vendors, such as carriers, co-loaders, transportation companies, warehousing service companies and so forth. The Group set forth "Vendor Management Policy" aiming to provide written guidelines to manage the procurement of third-party services and products.

During the reporting period, On Time's operation of air freight and ocean freight services in Hong Kong has had no non-compliance cases regarding violations of relevant laws and regulations on product responsibility.

Supply Chain Management

Outsourcing is a common business practice around the globe, and On Time acknowledges its responsibility to ensure ESG performance of suppliers and contractors along the supply chain and throughout its service lifecycle. Comprehensive and effective supply chain management can enhance the Group's brand reputation and business sustainability performance while controlling its operating costs.

On Time aims to work with its business partners to implement sustainability practices. The Group ensures that the processes applicable to supplier activities respect, promote and advance international principles for fair business practices and human rights. The Group encourages its suppliers and contractors to take environmental and social responsibility seriously. To achieve this goal, the Group makes efforts to persuade suppliers and contractors to follow the Group's "Environmental and Social Responsibility Policy" and to operate their business in a sustainable manner.

On Time considers business partner's willingness on respecting human rights and fair business practices as an important factor when selecting suppliers and contractors. The Group encourages its business partners to accept these criteria. The Group also ensures that co-operation between the Group and its business partners respect human rights and accords with fair business practices.

Anti-corruption

On Time believes that the integrity of business is a foundation of corporate social responsibility, as well as a fundamental element for a business's competitive advantage and sustainability. The Group has incorporated anti-corruption management principles into its operations.

On Time adopts a policy of zero tolerance towards any form of corruption, including bribery and extortion. All employees must fully comply with relevant local laws as well as the Group's policies on the prevention of corruption. As stated in the "Code of Conduct", employees are prohibited from offering advantages to any person or company for influencing such person or company in obtaining or retaining business or directing business to the Group. The Group also prohibits all employees from soliciting and accepting an advantage from clients and business partners without permission of the Group. In certain circumstances, employees are allowed to accept gifts offered voluntarily if the refusal of which could be seen as unsocial or impolite. Employees should seek advice and instructions from the senior management when in doubt.

A "Policy for Employees to Raise Concerns about Improprieties" has been in place since 2014. Employees are encouraged to report any suspected misconduct or malpractice. The Audit Committee ensures fair and independent investigation as well as appropriate follow-up actions.

During the reporting period, On Time's operation of air freight and ocean freight services in Hong Kong has had no non-compliance cases regarding violations of relevant laws and regulations on anti-corruption.

CARING FOR EMPLOYEES

Employment

Employees are On Time's one of most valuable assets and the cornerstone of its business growth. The Group believes that every employee should be respected. The Group ensures that all employees of air freight and ocean freight services in Hong Kong are under protection of the Hong Kong Employment Ordinance. The Group has included employment policies in employment contracts, the "Employee Handbook", the "Recruitment and Hiring Policy" and its "Promotion Guideline", covering aspects of salary, compensation, recruitment, working hours, leave, promotion and benefits.

On Time offers competitive pay and benefits to employees according to their job requirements and individual performance. The Group also provides medical insurance, discretionary bonuses, transportation allowances and tuition fee reimbursements to employees. In addition, the Group has adopted the Share Option Scheme for providing incentives and rewards to eligible employees.

On Time is committed to equal and fair opportunities in recruitment and promotion. The Group only evaluates the applicants' academic background, working experiences, technical skills/knowledge and personality objectively during recruitment process.

During the reporting period, On Time's operation of air freight and ocean freight services in Hong Kong has had no non-compliance cases regarding violation of any laws and regulations on employment.

Health and Safety

Regulatory authorities have established basic requirements for health and safety in the workplace, both in terms of Hong Kong laws and international standards. However, the effectiveness of supervision depends heavily on the establishment and implementation of internal systems within each organization.

On Time set forth an "ISO Policy" and committed to provide a safe working environment for employees and prevent occupational safety and health incidents. Work activities with high risks were not identified within the Group's scope of operation. The Group strictly abides by the Occupational Safety and Health Ordinance and insures all employees according to Hong Kong Employees' Compensation Ordinance.

During the reporting period, On Time's operation of air freight and ocean freight services in Hong Kong has had no non-compliance cases regarding violation of relevant laws and regulations on occupational health and safety.

Development and Training

Personal development is one important pillar of On Time's human resources policy. On Time deeply believes that nurturing and retaining talent is a central part of ensuring the development and strengthening the competitiveness of enterprises.

On Time views its employees as strategic partners. Hence, the Group set forth a "Group Training and Development Policy" to plan staff development in a systematic way. From basic training of new recruits to job-related skills training, the Group provides different types of training according to the actual needs of various departments and job functions so that employees can continuously improve their work skills and professional abilities.



Labour Standards

The International Labour Organisation (ILO) is the United Nations specialised agency that promotes working and living standards around the world through the promulgation of labour standards through a range of International Labour Conventions and Recommendations. China is a founding member of the ILO and a permanent member. Hong Kong has currently adopted 41 International Labour Conventions, which therefore apply to working conditions and employment policies.

On Time is fully aware that child labor and forced labor violate fundamental human rights, International Labour Conventions and Recommendations and pose a threat to sustainable social and economic development. Therefore, the Group strictly complies with relevant laws and regulations. The Group prohibits the use of child labour by reviewing the actual age of interviewee during the recruitment process, including examination of identity documents and detailed records. The Group only carries out the requirements of employment contracts and does not use any means to unfairly restrict the employment relationship between employees and the enterprise by, for example, withholding a deposit or identity documents.

During report period, On Time's operation of air freight and ocean freight services in Hong Kong has had no non-compliance cases regarding violations of relevant child labour or forced labour laws.

INVESTING IN THE COMMUNITY

On Time believes it can act effectively to help with environmental and social problems and responds positively with charitable programmes. The Group invested in community initiatives in order to make positive impact on the communities where it operates.

During the reporting period, On Time provided sponsorship totaling HKD39,000 to different charitable programmes organized by registered charitable institutions, including "HeroesToo Foundation", "China Care Fund" and "Apple Daily Charitable Foundation". The Group will consider establishing a policy on community investment and ensure its activities take into consideration the communities' interests.

ESG REPORTING GUIDE CONTENT INDEX

Material Aspects	Content	Page index
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.	6
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	6
A3 Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	6
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.	8
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.	8
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	8
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.	9

Material Aspects	Content	Page index
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	7
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.	7
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.	7
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.	9



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