



WORLDGATE GLOBAL LOGISTICS LTD

盛良物流有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8292

2016

Environmental, Social and Governance Report

Environmental, Social and Governance Report

Overview

This is the first Environmental, Social and Governance (the “**ESG**”) Report (the “**Report**”) issued by WORLDGATE GLOBAL LOGISTICS LTD (the “**Company**”) for the year ended 31 December 2016 (the “**Year**”). This Report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “**ESG Guide**”) issued by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The policy document, declaration and data set out in this Report cover the Company and its major subsidiaries (collectively the “**Group**”). The information presented in this Report provides a material, balanced and reliable disclosure of the Group’s environmental and social performances.

The Group’s Principal Activities

The Group is an integrated logistics solution provider in Malaysia. The Group offers a comprehensive and wide range of services to meet its customers’ needs, including air/sea freight forwarding and related services, trucking and warehousing related services. In addition, the Group provides value-added services such as supply chain management services including pick & pack, distribution and stock & inventory report, security escort services and tracking services. These services are complementary to one another, and provide customers a wide range of services with cost savings.

Scope of this Report

This Report focuses on the operation of the Group at its principal places of business in Malaysia. The disclosures in this Report are mainly extracted from the Group’s statistical reports and relevant documents. The Group will extend the scope of disclosures and will ultimately cover all operations when the data collection system is better established and the ESG work is strengthened. The Company has complied with the “comply or explain” provisions set out in the ESG Guide for the Year. This Report does not include the disclosure of environmental key performance indicators. The Group will conduct a carbon assessment at the forthcoming year.

Stakeholders’ Feedback to this Report

The Group welcomes stakeholders’ feedback on its ESG approach and performance. For any suggestions or opinions, questions or comments, please kindly send to the Company through the communication channels as stated in our Company’s website.

Identification of and Communication with Stakeholders

The Stock Exchange has set forth four principles for reporting in the ESG Guide: Materiality, Quantitative, Balance and Consistency, which should form the basis for preparing the Report. As recommended, through stakeholder engagements, our Company can understand wide-ranging views and identify material environmental and social issues.

The Group is committed to operating in a sustainable manner while balancing the interests of its various stakeholders whom are communicated through meetings, enquiries, interviews and discussions, including: shareholders, employees, customers, suppliers and subcontractors, regulatory authorities and the local communities in which the Group operates.

Environmental, Social and Governance Report (continued)

A. Environmental

The Group understands the importance of environmental sustainability and protection. We are committed to reducing the impact of our environmental footprint while continuing to deliver optimal logistics services for our customers. In view of our operation, the consumption of fuels and energy while provision of air/sea freight forwarding, trucking and warehousing services is a significant contributor to greenhouse gas emissions and other environmental concerns. Our focus is on improving fuel efficiency for the fleets of trucks, and the energy usage. The Group has adopted policies on pollution prevention, preservation of natural resources and adherence to environmental laws and regulations and we also puts green ideas into practice in our daily operations and office renovations.

Emissions

The Group is committed to operating in compliance with applicable environmental laws and regulations in all material respects and protecting environment by minimizing the negative impact of the Group's operation on the environment. The major emissions of the Group are from vehicles and we have adopted the following measures in achieving our goal in reducing of emissions:

- Deploying low emission trucks (with Euro V Vehicle Emission Standards) in the Group's daily operations;
- Training our drivers to better anticipate the driving task, keep within ideal engine rev ranges; minimize vehicle idling behavior and ban idling vehicle with running engine;
- Planting of trees, greenery, and landscaping in our offices.

Use of Resources

The Group has strived to adhere our policy to enhance the efficiency in consumption of resources including fuel, water and electricity though advocating the use of high performance equipment and streamline our operating procedures, we have adopted the following measures in achieving our goal in using of resources:

- Minimizing waste and increasing recycling (such as double side printing);
- Controlling flow from tap and avoid turning it to the full;
- Controlling of temperature of the air-conditioner in the office;
- Turning off idle office equipment;
- Using the low friction tyres and lightweight materials;
- Eliminating excessive packaging and wastages;
- Using LED lighting and other energy efficient equipment.

Environmental, Social and Governance Report (continued)

The Environment and Natural Resources

Our Company does not involve in any activities that has direct or significant impact on the environment or natural resources in the course of our business operation. The effectiveness of the above mentioned measures relies on the support of our internal and external stakeholders. Therefore, we are obligated to take responsibility for the environmental and natural resources of the local community with the following adopted measures:

- Ensuring compliance with all applicable environmental and related legislation and encouraging staffs, business partners and other stakeholders to meet the environmental obligations;
- Identifying environmental impacts associated with our operations, and set targets to continually improve our environmental performance;
- Applying new eco-friendly technology and practices to reduce the consumption of non-renewable resources such as diesel/petrol, water, electricity and reduce their associated greenhouse gas emissions;
- Minimizing waste generation in daily operations through reduction, recycling and recovery; and
- Encouraging our employees to adopt environmentally responsible behaviour and promoting environmental protection in our operations.

Due to the nature of our business, the Group does not directly generate industrial pollutants and is not aware of any significant generation of hazardous waste. During the Year, the Group did not have any material non-compliance issues in respect of any applicable laws and regulations on environmental protection relating to air, greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste.

B. Social

Employment

The Group has put in place human resources policies and guidelines in compliance with the relevant labour laws and regulations of the local governments. The Group's philosophy in regard to employee's relations is linked to the "Asian Culture of Trust and Respect" where relationships are key to business success hence it is the Group's intention to keep employees and develop them continuously. Consequently, career development is enshrined in the Group's Philosophy and Values. The policies covers on remuneration and dismissal, recruitment and promotion, working hours, leaves, equal opportunity, diversity and other fringe benefits. The Group recognizes that its success in the freight forwarding and logistics industry is dependent on its employees of whom are its valuable assets. The Group recruits its employees based on their industry experience and interpersonal skills. Part of the Staffs Retention Program is to attract and retain talent. The Group reviews the performance of its employees and the review results will be taken into account in the annual salary review and promotion appraisal. The Group evaluate the development of competencies in the context of each person's role yearly. Additionally our best measure of training effectiveness is in the development of the top to bottom line of the Company. Performance expectations for employees are systemized via a "KPI" system that we practice in the Group. The KPIs are linked to their respective objectives for each employees and evaluated along 4 criterias namely, "(FEE) Far Exceeds Expectations", "(EE) Exceeds Expectations", "(ME) Meets Expectations", and "(BE) Below Expectations".

Environmental, Social and Governance Report (continued)

The employees are one of the key stakeholders of our Group, the policies conducive working environment, development opportunities and employee benefits have contributed to employees' satisfaction levels and retention level. We aim to provide a good environment of a workplace free from discrimination and harassment. As part of its human resources policies, the Group organises recreational activities, such as team building & training programs, celebration of Chinese New Year, "Malay Eid Fitri", Indian Festivals and Staffs' annual dinners, to allow employees to interact and to strengthen their bonding.

Health and Safety

Human capital is one of the key pillars of the Group's success. We follow the Malaysian health and safety-related rules and regulations set out in the Occupational Safety and Health Act 1994 (the "**Occupational Safety and Health Act**"). To ensure our employees work in a safe and healthy environment, the Group has a policy on safety, health, environmental, security (the "**SHES Policy**") and a team headed by Mr. Chan Kah Chong, senior vice president of operation of the Group. In addition, the Group provides occupational safety education and trainings, conducted by external trainers, to raise employees' awareness on safety issues. The SHES Policy serves as a guidance, building awareness for best practices.

The Group is also required, under the Occupational Safety and Health Act, to prepare and revise (as often as may be appropriate) a written statement of its general policy with respect to the safety and health at the work place of the employees, as well as the current arrangements for carrying out such policy. The Group has prepared its written statement entitled Safety & Health Policy whereby all employees are required to report any injury or work related illness to their immediate superior regardless of the seriousness of the injuries, the supervisor will then investigate and report it back to the management for further corrective and preventive actions to be taken.

The Group strives to provide a pleasant, safe and healthy workplace for its staffs. During the Year, the Group was in compliance with the requirements of the relevant laws and regulations relating to employment, health and safety. Besides, the Group did not experience any strike or labour dispute with its staffs which had caused significant disruption to the Group's business operations.

Development and Training

The Group values its employees as human capital and invest resources to educate and maintain their standards so that they can make a greater contribution to the Group's success.

Employees are provided with appropriate training to enhance their capability. The Group provides both internal and external training regarding the basic logistics knowledge, relevant regulations, internal quality audit and other useful topics. For new hires, the Group provides an induction training programme followed by on-the-job training during their six-month probation period, and continually monitors their progress throughout the probationary period. Department managers are responsible for identifying and evaluating the training needs of their subordinates. Applications to the human resources department shall be submitted for training courses arrangements.

During the Year, the Group also organized a director training to all directors and company secretary on the topics relating to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and other applicable regulations to ensure compliance and enhance their awareness of good corporate governance practices.

Environmental, Social and Governance Report (continued)

Labour Standards

The Group fully agreed that employing child labour and forced labour is a violation of basic human rights and international labour conventions, and poses threats to the sustainable development of the society and economy. We have put in place human resources policies and guidelines in compliance with the relevant employment laws and regulations of the local governments. During the Year, the Group strictly complies with the employment ordinance and did not employ any child labour nor forced labour in accordance with the relevant laws and regulations of the local governments.

Supply Chain Management

The Group has a supply chain management system consisting of suppliers of cargo space, suppliers of overseas freight and logistics services, subcontractors such as local ground transportation and other logistics services providers, fuel and equipment vendors. We engage with suppliers fairly, transparently and ethically. The Group maintains close communication with its suppliers to allow better understanding of their operations. We will review the qualifications and performance of suppliers including quality, price, delivery lead time, complaint history and financial stability on a regular basis and we will take all reasonable efforts to conduct appropriate inspections and checks to our suppliers. We expect that they adhere to the same high social, ethical and environmental standards that we do.

During the Year, the Group was not aware of any key suppliers and/or subcontractors that has any significant (actual and/or potential) negative impact on the business ethics, environmental protection and labour practices.

Product Responsibility

We principally provide comprehensive international freight services, transportation services as well as warehousing services to customers worldwide. The Group had registered a series of trademarks and domain names in Malaysia and Hong Kong to maintain and protect our rights to these brands. The Group's mission statement of "Service with Security" emphasises the Group's focus on helping customers to manage their cargo in a safe and secure manner, so as to minimise the risk of theft hijacking and loss.

The Group's facilities are located in a secured area with closed circuit surveillance system. The Group also adopts risk management measures, such as global position system. The Group's management team members have equipped themselves with risk management knowledge by having attended risk management training, including understanding of ISO 9001 quality management system. The Group has also formulated and implemented security policies and procedures as well as setting up a security task force headed by Mr. Chin Seng Leong, our Chief Executive Officer, to ensure compliance of such policies and procedures. Moreover, the Group strives to provide customers with viable options on better and more cost effective means to transport their cargo.

The Group has set up a customer services department that are in charge of handling customer complaints. All complaints will be recorded essentially on our internal system which records the details of complaint, monitors the handling and progress of the complaint and records the results of the resolution. We are also committed to protecting customer's personal data. The Group takes all necessary steps to ensure that all customer's data processed by us are processed fairly and lawfully. All of our employees and third party service providers who have access to customer's data are required to respect its confidentiality.

During the Year, the Group was not aware of any incidents of non-compliance with relevant laws and regulations regarding health and safety, advertising, labelling, privacy matters relating to products and services provided and methods of redress that have significant impact on the Group.

Environmental, Social and Governance Report (continued)

Anti-Corruption

The Group attach great importance to the corporate culture of honesty and integrity to positively maintain our corporate image. We have established anti-corruption policies which are set out in our human resources policies and guidelines. All employees are fully briefed on the relevant anti-corruption laws and guidelines upon entering into their employment contracts so as to ensure that they comply strictly with them and carry out their duties in good faith. All employees are expected to discharge their duties with integrity and to follow relevant local laws. The Group monitors closely the conduct of its management staffs to prevent wrong-doings among the Board, senior management and staff, such as prohibiting transfer of benefits while considering new customers, suppliers or any project investment.

The Group has implemented the whistle blowing reporting procedures. Any person may report allegations of suspected serious misconduct or any breach or suspected breach of law or regulation that may adversely impact the Group, the Group's customers, shareholders, employees, investors or the public at large.

- Acts of misconduct may be disclosed in writing, telephonically or in person. However, all reports are encouraged to be made in writing, so as to assure a clear understanding of the issues raised;
- Individuals are recommended to self-identify, though it is not a requirement of the policy;
- All reports shall be sent directly to the chairman of the Board; and
- The Group will conduct an internal investigation where criminality is suspected, any suspected corruption or other forms of criminality will be reported to the relevant authorities.

During the Year, the Group was not aware of any incidents of non-compliance with relevant laws and regulations regarding bribery, extortion, fraud and money laundering.

Community Involvement

We believe in giving back to the society and we engaged in various activities that could make positive impact in the livelihood of the communities in which we operate in. Through charitable giving and volunteerism, we seek to create value for the society and bring joy and happiness to people's lives.

During the Year, we made contributions to the community included:

- visiting to orphanage home "RUMAH KAMI"
- visiting to handicapped and disabled home "PUSAT JAGAAN KURANG UPAYA KIRTARSH"
- hosting industry visits for logistics undergraduates from Ngee Ann Polytechnic, Singapore and National University of Taiwan
- making cash donations to charitable organizations in Malaysia.

Environmental, Social and Governance Report (continued)

“Environmental, Social and Governance (ESG) Reporting Guide” Content Index

| Aspects | Description | Page index |
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| 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. | 2 and 3 |
| A2: Use of Resources General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | 2 |
| A3: The Environment and Natural Resources General Disclosure | Policies on minimising the issuer’s significant impact on the environment and natural resources. | 3 |
| 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. | 3 and 4 |
| 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. | 4 |
| B3: Development and Training General Disclosure | Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities. | 4 |
| 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. | 5 |

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| Aspects | Description | Page index |
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| B5: Supply Chain Management General Disclosure | Policies on managing environmental and social risks of the supply chain. | 5 |
| 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. | 5 |
| 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. | 6 |
| 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. | 6 |