



Supplier Due Diligence (HK)

APPLIES TO
UDB Logistics Limited

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CONTACT
compliance@udb.com.hk

1. Purpose

This Supplier Due Diligence framework describes how UDB Logistics Limited ("UDB") screens, approves, and periodically re-assesses suppliers and operational partners to reduce compliance, security, and service risks in connection with logistics services arranged by UDB in Hong Kong.

For air cargo security workflows, this framework operates alongside UDB's Regulated Agent / RAR controls, RASP, CAD requirements, and applicable airline/terminal/security procedures.

2. Scope

This framework applies to suppliers and third parties engaged by UDB to support shipment execution and related services, including (as applicable):

- airlines / GSA / carrier-related counterparties;
- ground handlers, GHA, CTO, cargo terminal operators, and airline/terminal acceptance parties;
- trucking / transport partners;
- contracted warehouses, cargo processing facilities, and storage/staging providers;
- RACSF, screening/security service providers, and air cargo security service providers;
- DG service partners and packing/repacking vendors;
- customs / C&ED / Tradelink / declaration support partners where used;
- strategic commodities / permit / licence support partners where used;
- IT/communications service providers supporting operational processing where relevant;
- any subcontractor with custody access to cargo, shipment documents, security status information, or customer data.

This document is intended for onboarding and risk controls. It does not replace shipment-specific operational decisions or third-party contractual terms.

3. Due diligence approach and tiers

UDB applies a tiered due diligence approach based on risk profile, custody exposure, and regulatory sensitivity.

3.1 Tier A - Standard

Use when: low-to-moderate risk supplier, established market participant, limited custody exposure, low compliance complexity.

Typical examples: established trucking partner for standard routes, basic service vendors with limited access.

3.2 Tier B - Enhanced

Use when: supplier has direct custody access, handles sensitive documentation, operates in higher-risk lanes, or supports regulated workflows (DG/export controls).

Typical examples: contracted warehouse partners, transport partners with custody, DG packing/repacking, screening/security service providers, customs/declaration interface support, Tradelink/TID support where used.

3.3 Tier C - Critical (High-Value / High-Risk)

Use when: supplier is involved in high-value shipments, theft-attractive commodities, sensitive routings, security incident history, or strategic goods controls.

Typical examples: high-value warehouse custody, high-risk trucking, RACSF/screening/security workflows, regulated/strategic commodities workflows, special security chain-of-custody requirements, or suppliers involved in RA/RAR-controlled workflows.

Tier assignment is determined by UDB based on custody access, value exposure, compliance risk, routing, and supplier history. UDB may upgrade or downgrade tiers at any time based on new risk information.

4. Minimum onboarding pack (supplier information)

Unless not feasible due to market structure (e.g., certain monopoly/authority-operated facilities), UDB requests the following baseline information before approval:

4.1 Supplier identification (minimum)

- Legal name and trade name, if different
- Company registration / business registration evidence in Hong Kong or relevant jurisdiction
- Registered address and operational site(s)
- Authorized signatory / management contact
- Tax / business registration status, where applicable
- Bank account details for payments, where relevant

For Hong Kong suppliers, UDB may verify company status through Companies Registry / Business Registration evidence where appropriate.

4.2 Operational capability (minimum)

- Description of services provided
- Coverage (locations, routes, operating hours)
- Primary contact(s) for operations and escalation
- Any special capabilities (DG, temperature handling, bonded/controlled handling, RACSF/screening, air cargo security, high-value handling)

4.3 Insurance and liability (where applicable)

For custody, transport, warehouse, screening/security, or high-value workflows, UDB may request evidence of applicable insurance, standard liability terms, and incident reporting/escalation contacts where available.

5. Compliance screening and checks

UDB performs compliance checks proportionate to the supplier tier and role.

5.1 Sanctions and restricted party screening

UDB screens supplier legal name and relevant principals, where available, against:

- UN sanctions lists;
- Hong Kong applicable legal and regulatory requirements; and
- where commercially required, additional lists such as OFAC / UK / EU or other bank, carrier, insurer, or customer-required lists.

Potential matches are escalated for manual review. Confirmed matches result in rejection or termination, subject to applicable law.

5.2 Export control / strategic goods exposure

Where the supplier supports export control, strategic commodities, customs/declaration, or controlled goods workflows, UDB may assess:

- ability to support TID / strategic commodities licence / permit workflows where applicable;
- ability to support Tradelink / declaration / customs interface requirements where applicable;
- operational controls to prevent unauthorized release;
- documentation handling discipline and escalation process for incomplete or inconsistent documents.

5.3 Adverse media and integrity flags (risk-based)

For Tier B/C suppliers (and where reasonable), UDB may perform basic adverse media review and consider integrity risk indicators (e.g., fraud, theft allegations, repeated compliance issues).

6. Security & quality controls (operational due diligence)

For suppliers with custody access (especially Tier B/C), UDB assesses operational security and quality controls proportionate to risk. This may include:

6.1 Cargo security and access discipline

- access control to cargo areas (restricted access / role-based control where feasible);
- visitor, staff, and driver controls where applicable;
- measures to reduce dwell time and unauthorized access;
- RASP / RA/RAR / CAD / airline / terminal security procedures where applicable.

6.2 Evidence and chain-of-custody (where applicable)

For Tier C or high-value workflows, UDB may require or prioritize:

- ability to provide handover proof / acceptance record;
- piece count / condition checks at key handover points;
- seal / tamper-evidence / transport record support where applicable;

- SPX/UNK, screening, RA/RAR, CTO/RACSF, terminal/airline, or warehouse references where applicable;
- incident evidence preservation support (e.g., CCTV retention request process, access logs, seal records).

6.3 Incident handling capability

- ability to raise irregularity reports where applicable;
- internal escalation contacts and response expectations;
- cooperation on S1/S2 evidence preservation, including CCTV/access/seal/screening/security records where available and permitted;
- ability to support security incident / suspected unlawful interference escalation where applicable.

6.4 Quality and performance signals

UDB may track and review supplier performance using:

- on-time execution reliability;
- recurring exception causes;
- documentation error rate;
- incident frequency and responsiveness;
- security-screening delays or repeated SPX/UNK/security-status issues where applicable;
- claim/incident responsiveness and evidence availability.

Where supplier evidence is not available due to terminal/authority restrictions, UDB will rely on available handover documentation and internal records.

6.5 Critical supplier controls (approved list)

For high-value custody, transport, warehouse, screening/security, and terminal handling, UDB uses only suppliers that are approved under this framework.

- For suppliers used in RA/RAR-controlled workflows, UDB may require evidence of suitability, applicable declarations, training/certification, or controlled disclosure records consistent with UDB's RASP and CAD/RAR requirements.
- Approved suppliers are reviewed at least annually (Tier B/C) and after material incidents; corrective actions are applied where required.
- Before the first high-value shipment, UDB may issue a written supplier assurance letter under NDA covering: supplier categories used for the customer's lane (e.g., trucking/warehouse/handler/screening/security), the due diligence tier (A/B/C), and the specific controls applied for the use case.

7. Approval, contracting, and onboarding outcome

Supplier onboarding outcomes may include:

- Approved (Tier A/B/C) - supplier may be used subject to operational feasibility;
- Approved with conditions - use is permitted only under stated constraints (e.g., limited commodities/routings, no DG, no high-value, SPX/UNK/security restrictions, limited operating hours, or specific handover requirements);
- Pending - additional information required before approval;

- Rejected - supplier cannot be used due to risk/compliance issues.

Approval under this framework does not guarantee use on every shipment. Operational selection remains subject to routing feasibility, carrier/terminal constraints, and customer requirements.

8. Re-assessment and monitoring

UDB re-assesses suppliers using:

- periodic review (typically at least annually for Tier B/C where feasible); and/or
- event-driven review, triggered by security incidents, repeated operational failures, sanctions/compliance changes, adverse media, ownership/management changes, licence/registration/insurance lapses, RA/RAR or screening/security-status failures, CAD/airline/terminal/security concerns, strategic commodities/TID/customs/Tradelink issues, or contractor declaration concerns.

UDB may suspend a supplier pending review where risk is material.

9. Red flags and escalation (stop/go discipline)

UDB escalates to Compliance (and may suspend use) if any of the following occurs:

- confirmed sanctions/restricted party hit;
- refusal to provide basic identity/license evidence (where reasonable);
- repeated theft/shortage allegations with unresolved evidence concerns;
- suspicious documentation behavior or integrity concerns;
- material safety or DG compliance failures;
- inability to provide minimal handover proof for custody services;
- failure to maintain required RA/RAR/RACSF/security capability where applicable;
- repeated SPX/UNK, screening, seal, access, or cargo integrity discrepancies;
- inability or refusal to support evidence preservation for custody/security workflows;
- material CAD, airline, terminal, customs, TID, Tradelink, or authority concern;
- unexplained licence / registration / insurance lapse.

Decisions may include: continued use, restricted use, suspension, or termination.

10. Recordkeeping and retention

UDB retains due diligence records and supporting evidence for operational and compliance purposes, typically at least 5 years, unless a longer period is required by law or business need.

Air cargo security / RA/RAR / RASP-related supplier records are retained in accordance with applicable CAD/RAR requirements and UDB's RASP. Where specific RASP retention periods apply, those periods govern the relevant security records.

11. Limitations and no legal advice

This framework describes UDB's internal due diligence approach and does not constitute legal advice. UDB may not be able to obtain all information for all suppliers due to market structure (e.g., authority-, airport-, terminal-, airline-, or monopoly-operated facilities) or operational/security constraints. UDB applies reasonable, risk-based efforts to maintain practical controls.



This framework does not replace mandatory CAD/RAR, airline, terminal, customs, DG, security, or legal requirements.

12. Contact

For supplier due diligence inquiries or onboarding requests, contact: compliance@udb.com.hk