



Union Medical Healthcare Limited

Incorporated in the Cayman Islands with limited liability
(Stock Code: 2138)



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2016/17

For the year ended 31 March 2017



COMPANY PROFILE

Union Medical Healthcare Limited (the “Company” or “UMH”) is a company incorporated in Cayman Islands with limited liability, the shares of which are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (stock code 2138). The principal activities of the Company and its subsidiaries (the “Group”) are (1) medical services, comprising aesthetic surgical procedures, minimally invasive procedures and energy-based procedures performed by Doctors and general consultation services, as well as dental, Chinese medicinal and ophthalmological services; (2) quasi-medical services, comprising energy-based procedures performed by our trained therapists who have completed mandatory internal training developed by our doctors; (3) traditional beauty services, comprising facials, massages and other non-invasive procedures; (4) skincare and beauty products, primarily of our private-label brands, PRODERMA LAB and Suissebeaute; (5) health management centre; and (6) chiropractic and physiotherapy services in Hong Kong. The places of our operations are mainly in Hong Kong, mainland China and Macau.

This environmental, social and governance (“ESG”) report covers the Group’s principal businesses for the year ended 31 March 2017 (the “Reporting Period”). This report is prepared in accordance with the requirements of “Environmental, Social and Governance Reporting Guide” as set out in Appendix 27 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange.

SUSTAINABILITY STRATEGY

We regard sustainability as a core strategy in maintaining and developing the Company for the long term and our efforts in fulfilling corporate and social responsibility will contribute to the long-term value to the Company and the community in which we operate.

ENVIRONMENTAL PROTECTION

Emissions

We believe that the businesses we operate are not a major source of environmental pollution and the impact of our operations on the environment is not significant. Nevertheless, our environmental objective is to operate and develop our business in a manner that minimises the impacts to the environment and natural resources. We also endeavor to improve our operation efficiency and our products and services in order to maximise productivity and minimize wastages. It is our policy to ensure that our operations comply with all relevant environmental laws, rules and regulations.

We proactively promote the environmental awareness and resources efficiency to our employees and propagate the Company’s environmental policies both internally and externally. The Group regularly circulates environmental protection news, such as energy saving tips, via email to raise awareness of employees and encourages them to save electricity, water and paper.

The Group believes that due performance of environmental responsibility will improve the utilisation of the resources and will enhance the efficiency of the Group. The Group handles pharmaceutical products and disposes chemical and clinical wastes with care. We deal with the disposal of pharmaceutical products in accordance with the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) and Waste Disposal (Clinical Waste) (General) Regulation (Chapter 354O of the Laws of Hong Kong).

Use of Resources

The Group has always placed great emphasis on energy and resources conservation, and continually applies efficient consumption strategy to improve energy saving and reduce energy consumption.

The Company has actively promoted the electronic operation and sales activities recently. Awarded as World Green Organization (“WGO”)’s “Green Office” Label, the United Nations Sustainable Development Goals’ “Better World Company” Label, and the core supporting organisation to Junior Chamber International (“JCI”) Hong Kong, the Company has successfully fulfilled the 150 feasible green criteria imposed by the WGO which grouped into the following 9 categories: energy savings, water savings, waste reduction, paper/printing reduction, green procurement, IT use and disposal, transportation, education and awareness, and green innovation.

To create a green workplace, we encourage reducing, reusing and recycling of materials to minimizing office wastage in daily operations. For energy saving and greenhouse emission reduction, LED lamps for offices and warehouse are installed, air conditioners filters are cleaned and maintained regularly, eco-friendly stationery are used, environmentally friendly paper to print financial reports, recycling bins are provided at our office with waste paper and used toner cartridges collected for recycling.

The Group encourages its employees to handle documents electronically. When the use of paper is required, documents are required to use double-sided printing. In addition, we arranged conference calls or video conference to reduce staff’s business trips.

The Environment and Natural Resources

The implementation of environmental protection procedures is in line with the Group’s objectives as the savings in energy, water and other raw materials are not just environmentally friendly but also bring in cost-savings. The Group firmly believes that these will facilitate the sustainability of both environment and the business of the Group.

Save as otherwise disclosed in this report, the Group’s operating activities have no significant impact on the environment and natural resources during the Reporting Period.

SOCIAL RESPONSIBILITIES

Employment and Labour Practices

Our business and our operations are expanding across the Asia Pacific region. We are compliant with local employment laws and regulations, and at the same time build in our company values into the corporate culture.

Retention of Employees

Our ability to retain staff is reflected in our voluntary turnover rates, which are relatively low compared to local market averages.

Culture

We encourage a culture of diversity of views and creative spirits. We believe that embracing differences in views foster empathy and teamworking across functional departments. We regularly collect feedback from employees on departmental co-operation and customer experiences and improve our processes towards customer satisfaction.

Diversity of thinking and having a balance of gender in our leadership group lends our decision making the agility and resilience we require in a fast-changing business environment.

Opportunities & Rights

At UMH, we are committed to providing a fair and equitable workplace where all individuals are treated equally in every aspect of their work, including remuneration, to attract and retain talents.

Our human resources policies and procedures are intended to ensure these principles and as they relate to compensation, dismissal, recruitment and promotion, working hours, rest periods, anti-discrimination and other benefits and welfare in the markets where we operate. Employees work and leave the Group at their own free will, in accordance with the terms of the employment contracts.

The Group was not aware of any material breach of labour laws and regulations during the Reporting Period.

Health and Safety

We have developed and implemented occupational health guidelines which include Fitness to Work Guideline, Communicable to Work Guidelines, Medical Emergency Response Plan, Communicable Disease Management and Customer Hygiene Regulations, which serve as work management regulations for optimal health at work conditions.

The Group pledges full compliance with relevant occupational health and safety legislations of Hong Kong, mainland China and Macau. Suitable insurance schemes which cover medical treatments and accidents have been provided to the staff members.

During the Reporting Period, the Group was not aware of any material non-compliance of applicable occupational health and safety laws and regulations.

Development and Training

The Group regularly updates the directors of the Company on the latest development regarding the Listing Rules and other applicable legal and regulatory requirements regarding subjects necessary in the discharge of their duties. We acknowledge the importance of training for the development of our employees as well as our Group. We encourage and support our employees in personal and professional training, through sponsoring training programmes, seminars, workshops and conferences, peer learning and on-the-job coaching, as well as reimbursement for external training courses to enhance their competencies in performing their jobs effectively and efficiently. We believe this is a mutually beneficial practice for achieving both personal and corporate goals as a whole.



To that end, the Group engaged APAC Impact Academy to conduct a series of design thinking workshops. "Design Thinking" is a powerful methodology based on insights from employees which seeks to optimize a truly collaborative journey, both for the employee at work, and customers' overall journey with the Group.

The principles of design thinking begin with:

Instilling Customer Empathy

Real empathy allows designers to respond to true underlying needs of customers, and further goes beyond what customers expect. Breakthrough creative thinking process is required and the workshops drew cross functional teams from the Group's frontline and back office teams to dialogue and feedback during the workshops.

Management was able to use the hard data and feedback to track operational deficiencies and operational gaps.

Immersion

Customer immersion involves a rich set of interviews and observations data. Customer immersion should be mandatory for everyone who works at the Group, not solely the responsibility of frontline employees. This approach differs from the traditional customer research but is needed for fresh insights. Team members started quoting from customers they have spoken to and issues may be tackled through the eyes of the customers.

The outcome of the immersion is a detailed depiction of the customer journey that highlights pain points and links them to process metrics, such as reception waiting time, desired appointment unavailable times and average number of interactions with customers per year.

Ideation

Ideation starts with brainstorming around the target journey. The goals are to resolve basic pain points and servicing issues as well as to develop "wow moments" that can drive customer loyalty and cross-selling. Examples could be emotional connection such as year-end thank-you cards and delight elements such as hot tea and coffee welcome drink. The vision then needs to be translated into actionable items, such as turnaround times.

Iteration

Iterations are built on customer perception of value. As the Group moves towards a lean and fit approach, it needs to use market feedback to spur the next consumer satisfaction level. The end product of the redesign process is a new customer experience that can combine radical changes with surprise elements and simple operational improvements.

Design thinking workshop is conducted to boost cross functional teams' closer collaboration as well. A daily routine time map was charted out in a quick and fun way and team members gave account of their own user experience linked to personal feelings. The shared feelings were instrumental to creating trust amongst co-workers. The workshops allow transformations in mindsets to change the way people think and act. Changing mindsets have been proven to lead to financial performance for firms.



Labour Standards

The Group has adopted clear policies of not using forced labour and child labour in the places where we have operations. The Group has instituted a comprehensive screening and recruiting process to prohibit the use of child labour.

During the Reporting Period, the Group was not aware of any material non-compliance of relevant child and forced labour laws and regulations.

Employees' working schedules are set up fairly within standard working hours. All employees are provided with appropriate leave entitlements including annual leave, sick leave, volunteer work leave, maternity leave and paternity leave etc.

The Group attaches great importance to and strictly abides by all applicable labour laws and regulations on employment such as Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) and their respective subsidiary legislations in Hong Kong.

Supply Chain Management

We have maintained strong relationships with our suppliers to meet our customer's needs in an effective and efficient manner. When selecting suppliers, the Group taking into account including but not limited to quality of products and functionality, price, reliability and anticipated market acceptance. The Group implements stringent due diligence measures during business partners screening process. Cost is one of the key parts in the selection processes but, nevertheless, the Group considers also other factors such as quality control, the compliance in local laws, rules and regulations, as well as their performance on corporate social responsibility.

Product Responsibility

The Group strictly complies with the laws, rules and regulations of relevant territories related to quality assurance and product safety. The Group respects and safeguard data privacy, both personal and business, of its employees, suppliers, business partners and customers. The Group has maintained complete record on the purchasing and selling of drugs and the traceability of drugs has established an effective recall mechanism therefore when needed.

During the Reporting Period, the Group have not received any cases of infringement of intellectual property rights. We are also not aware of any suspected cases of infringement of intellectual property rights of the products that we distributed during the Reporting Period.

The Group is also committed to abide by the Personal Data (Privacy) Ordinance. Personal data shall be highly protected. Employees are committed not to disclose confidential information, including information related to suppliers and customers whether orally or in writing or in any other media which are not publicly known.

During the Reporting Period, the Group did not identify material non-compliance with data privacy-related laws and regulations.

Anti-Corruption

We have created and nourished a corporate culture of honesty and integrity. It is the Group's policy to prohibit the Group and its employees from illegally offering giving, accepting money or cash equivalents in business engagements. We encourage and require our management and staff to maintain their conduct concerning obedience to the law, integrity, honesty and professionalism.

The Company implemented a whistleblowing policy in place since June 2015. An e-mail has been set to invite employees to reflect their concerns and provide opinions with respect to their roles or the Company that come to their attention on a no-name-basis or they are also welcome to provide to the senior management with their contact details. The senior management will follow up the matter in a confidential manner and only the chief executives of the Company are authorized to access such e-mail.

During the Reporting Period, the Group was not aware of any material breach of laws and regulations pertaining to the prevention of bribery, blackmailing, fraud and money-laundering.

Community Investment

Community engagement is deeply rooted in the culture and philosophy of the Company. To emphasize a holistic growth approach, our focus lies in sustainable development for our community and the general improvement of quality of life. We encourage our employees to participate in social and community events and to volunteer for good causes. The Group has the honor of being awarded the Caring Company Award twice in succession during the Reporting Period. We will continue to shoulder the social responsibility by caring the community, employees and the environment in order to build a cohesive society. The Group believes in being an active citizen in the communities in which they operate business. We look at broader influences in our markets and long-term success. Shared values with communities' growth connects company's success with social progress.

Shared value could reshape managers' perspectives and help drive the next wave of innovation and productivity growth in the global economy as it allows them to appreciate the immense human needs that must be met, large new markets to be served, and the internal costs of social deficit, together with the competitive advantages available for addressing them.

To this end we have supported "Flowers Here & Now", a flower recycling initiative bringing nature's beauty to cheer up needy communities, as well as Saint Glee International Foundation Limited for free medical surgeries to correct cleft lips for children in poverty in China.



*Flowers Here & Now :
Fresh Flowers Upcycling & Repurposing, 2016.*



*APAC Impact Academy Charity Dinner,
where UMH was recognized as a charity
partner, 2016.*



Cleft Surgeries for Children at Harbin City No. 1 Hospital Treatment in China, 2016.

During the Reporting Period, the Group made charitable donations of over HK\$3 million.