

**Wanjia Group Holdings Limited**

**Environmental, Social and Governance Report 2016/17**

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## REPORTING SCOPE

The Environmental, Social and Governance Annual Report covers some of the environmental, social and governance aspects of the pharmaceutical wholesales and distribution business and pharmaceutical retail chain business of Wanjia Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") in the People's Republic of China ( "China").

The Report covers the period of financial year 2016/17 (from 1 April 2016 to 31 March 2017), consistent with the time of the 2016/17 annual report of the Company.

The Report has been prepared in accordance with the *Environmental, Social and Governance Reporting Guide* set out in Appendix 27 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (the "Guide"), and has made general disclosures in accordance with the "comply or explain" provisions as set out in the Guide.

## STAKEHOLDER COMMUNICATION

The Company believes that effective communication with stakeholders is crucial in promoting stakeholder relationships and understanding of the Group's corporate social responsibility performance and strategy. The Group's website is made available as a channel to facilitate effective communication for posting information regarding the Company's environmental, social and governance, among others.

The Group is concerned about the views of different stakeholders including shareholders, customers, employees, suppliers and community and has therefore adopted a variety of channels to understand their views. Policies and measures have been formulated on such basis to lift the performance of the Group's environmental and corporate social responsibility, with the aspiration to enhancing operational efficiency and contributing more to society.

## A ENVIRONMENTAL

### Aspect A.1 Emissions

With rising global concern in climate change, local governments and the general public are paying more attention to low-carbon economy. In response to this, the Group has consistently carried out the operation objective of "Benefiting society and the populace" so as to enhance the Group's environmental performance. In the course of operating its pharmaceutical wholesales, distribution and retail business, the Group adheres to a series of environmental principles in order to minimize the direct and indirect impact on environment.

The Group strictly complies with all relevant environmental laws and regulations. It integrates the concept of environmental protection into the decision-making activities of the Group at all levels, guiding the Group to better environmental performance. Sufficient communication has been provided by the Group to raise awareness of carbon reduction among employees and to ensure effective implementation of various energy-saving and emission reduction measures.

In order to reduce waste, the Group has set up a drug warehousing management system. It adopts warehouse control measures for storage of different medicines to ensure product safety, while effectively preventing pharmaceutical waste. The Group has also developed a system for reporting damage and disposal/destruction of pharmaceuticals, by which pharmaceutical waste is to be delivered to qualified waste treatment operator for destruction so that hazardous waste can be appropriately managed. At the same time, in order to reduce general waste such as waste paper, the Group adopts advanced logistics equipment, warehouse facility and modernized enterprise resource planning system. They are equipped with electronic tag, radio frequency (RF) picking, tray storage and other modern equipment for its operation. The Group has also introduced advanced information technology programme management and technical support of modern information network, and strived to facilitate paperless office to effectively reduce paper waste.

The Group has strictly complied with the relevant environmental laws and regulations. During the reporting period, there has been no case of prosecution due to violation of any relevant laws and regulations on environmental protection.

#### **Aspect A.2    Use of Resources**

The Group deeply feels that over consumption of limited resources may hinder the future development of our world and believes in the importance of using resources with caution. To reduce the pressure on forestry resources caused by paper usage, the Group has utilized advanced logistical and warehousing equipment. In addition, the Group has also introduced advanced IT programme management and technical support of modern information network, to implementing a paperless office culture and easing the demand of paper by electronic management. The Group has promoted the conservation of resources internally by setting clear regulations within the office, encouraging employees to save electricity and water, thus effectively using resources while minimizing waste.

Effective use of resources could effectively reduce the Group's burden on natural resources while minimizing operating costs, and would help the Group and clients contributing to sustainable development in the long-run.

### **Aspect A.3      Environment and Natural Resources**

The Group understands that working with different stakeholders is the key to success. Internally, the Group has promoted sustainable development by providing environmental policy training and guidance to employees; externally, given that product quality and pricing are similar, suppliers located in close proximity have been given priority in order to reduce the effect on the environment caused by the transportation of goods.

The Group would continue to use advanced warehouse management technology to reduce or prevent the production of waste medicines. Moreover, on aspects such as storage, processing and logistics, the Group would carry out excellent legitimate management programmes. This ensures the safety of our products and to reduce the rate of waste, hence preventing negative impact on the environment.

## **B                      SOCIAL**

### **Aspect B.1      Employment**

The Group understands that a proactive management team, experienced and trained workforce are the basis of an operating strategy which will achieve a growing and successful business. We believe that employees is our valuable asset, at the same time, they are the company's cornerstone for future developments. The Group persists in a fair and transparent talents selection philosophy. The Group cares about life of its staff and helps its staff members to realize their self-value.

The Group provides equal opportunity for its staff. Employees would not be discriminated on gender, age, religion, ethnicity and disability. Each employee's right is respected and protected. In this way, a diversified and good working environment is achieved.

The Group has implemented a competitive remuneration and benefits system, an incentive scheme and a performance management policy. Staff remuneration is linked with the value job position, ability and work performance. In addition, we also make reference to the market trend. The principle for remuneration adjustments and staff promotion is based on staff performance appraisal which is carried out annually. To reflect the Group's emphasis on employees' health and well-being, we have provided competitive employee benefits which include statutory social insurance and medical insurance, education allowance, training programmes, maternity leave and other benefits. To promote the sustainable development of the Group's business hand in hand, we have built a comprehensive management system of labour relationship. The aim is to openly communicate with staff and to create a win-win situation.

We have strictly complied with the relevant employment regulations. During the reporting period, there has been no case of prosecution against the Group due to violation of any relevant employment regulations.

## **Aspect B.2     Health and Safety**

To provide a proper and safe working environment is the Group's priority. Through effective management, the Group has formulated a set of safety code of practice and provided safety training. This is to ensure that employees will fully understand the requirements of work safety and would strictly adhere to them. The Group would appoint a person in charge to check and assess workplace safety and hygiene regularly to address potential hazards. A set of code of practice for natural disaster and fire disaster has also been established so that incidents could be prevented to best extent and could be remedied immediately.

The Group provides labour protection supplies according to the relevant regulations e.g. sunscreen, rain gear and warm supplies to employees who have to work outdoor. The Group arranges annual medical check-up for employees who have direct contact with medicines. To ensure that their health and safety are well protected, the Group has set up a health record to continuously monitoring their health status. For those whose health conditions do not meet with the requirements, they would be transferred from such positions.

We have strictly complied with the relevant safety regulations. During the reporting period, there has been no case of prosecution against the Group due to violation of any relevant occupational safety regulations.

## **Aspect B.3     Development and Training**

The Group places great importance on talents development and considers that as its strategic investment. We are committed to invest in the sustainable training for all levels of staff through which they can upgrade their skills and knowledge, while the Group can improve its competitive edge. We also emphasize on internal staff training and have continuously selected talents with good performance and high potential to become our key employees holding prominent positions. This is in accordance with our strategy and business development.

The Group is committed in developing staff training. We encourage employees to promote self-value, improve specialized knowledge, technical skills and work performance through various training programmes drew up by the Group annually, so as to create a high caliber management team and professional workforce which are targeted at the Group's business development and cohesiveness, and to facilitate the migration to a learning-oriented organization.

The training and development plan of the Group allows the company's development needs and employee personal career goal to work in harmony. In this way, the Group and its employees can grow mutually and can enable employees to realize their value of life through an upgrade of knowledge and skills.

#### **Aspect B.4 Labour Standards**

The Group opposes to any form of child labour or forced labour and upholds labour standards in compliance with morality. We do not directly or indirectly support the foregoing employment. We prohibit employing any candidates who have not reached the age of sixteen. Before employing any applicants, the Group thoroughly checks the certified documents to effectively prevent child labour. We also forbid any form of forced labour. We adopt labour contracts to establish both parties' rights and responsibilities and to ensure all employees work on a voluntary basis.

During the reporting period, there has been no case of child labour or forced labour.

#### **Aspect B.5 Supply Chain Management**

The Group undertakes to develop itself and also hope to grow and achieve mutual benefits with the suppliers. We have established a long term and stable partnership with large and medium -sized pharmaceutical manufacturers and suppliers in different provinces and cities in China. Cooperation in different types of medicines has reached a significant number.

We have strict requirements on pharmaceutical supply chain to ensure that the procurement quality is up to the Group's standards. Annually, we hold review meetings to assess the suppliers. The Group will sign a code of practice with the suppliers requesting them to abide by the applicable environmental laws and regulations in countries where we operate. The Group also regularly conducts inspection of the foregoing.

#### **Aspect B.6 Product Responsibility**

The Group places great importance in product quality and high standards of customer service. We adhere to the principle of "providing professional service, enhancing the wealth of the society, allowing our partners to develop with us on an equal basis" as our values to advance business of the Group. Apart from establishing a comprehensive customer management system, medicine sales and after sales service are standardized by an existing mechanism. Based on customer feedback, we improve our services continuously, strengthen our communication with them and strictly protect their personal information

In accordance with the Directive no. 13 by China Food and Drug Administration, the

Group established *Code for Quality Control of Pharmaceutical Products* and has standardized the job responsibilities of all levels of staff to ensure operations are in compliance with the regulations. To adhere strictly to the relevant standards is also required. At the same time, quality guarantee agreements with the suppliers have been signed to ensure quality safety of the products.

The Group has established a control system of returned goods in the *Code for Quality Control of Pharmaceutical Products*. The system prescribed the quality control procedure of returns on purchased medicines. Meanwhile, an operating process to document damaged goods and to destruct out-of-specification medicines record has also been formulated. Returned goods and those with dates expired would be sent to qualified treatment plant for destruction in a centralized manner.

The Group has strictly complied with the relevant product responsibility regulations. During the reporting period, there has been no case of prosecution due to violation of relevant product responsibility regulations.

On top of upgrading the service standard of the Company, the Group also commits to promote the industry standard on the whole. The Group currently serves as the director of the 1<sup>st</sup> session of the committee of Fujian Provincial Pharmacists Association, and the deputy director of the 8<sup>th</sup> session of the committee of the Pharmaceutical Society of Fuzhou City. We are striving at the robust development of the pharmaceutical industry in the long term.

#### **Aspect B.7     Anti-corruption**

The Group bears zero tolerance in any kinds of corruption and has clearly postulated the principle of working with integrity and fair competition. The Group has also stipulated that any form of bribery is prohibited to ensure that employees comply with the relevant regulations and guidelines. The Group strictly monitors employees' conduct, prohibits favouritism and to receiving benefits such as rebates. The Group has clearly prescribed the employee code of conduct and has requested employees to actively apply for avoidance when there is a potential conflict of interest between the Group and the employee.

We have strictly complied with relevant anti-corruption and bribery regulations. During the reporting period, there has been no case of prosecution due to violation of any relevant regulations.

#### **Aspect B.8     Community Participation**

To support charity and invest resources into the community have always been sought by the Group. This allows them to become a major part of our corporate culture and brings sustainable contribution to the development of the community. Under



feasible circumstances, the Group actively cooperates with community groups with same values to reciprocate the society. On a yearly basis, we also cooperate with community service centers to provide gratuitous treatments to patients, promote healthy life and donate cash and medicines at various pharmacies and community.

The Group, together with Shantou Mebo Group and Jiangsu Kanion Pharmaceutical visited two primary schools in Luxia and Yangwei in Nanping district. To show our benevolence, teachers and students there were given bruises and heatstroke prevention medicines. Moreover, during the summer season, herbal tea has been provided free to community residents at the Group's key shops and actively participated in the "1007 Caring Station" charitable activity.

## **OUTLOOK**

In the operations of the Group, we will continue to adopt more measures which are beneficial to the environmental, social and governance aspects. These measures include guidelines formulated in response to relevant government policies and participation in activities to be held by relevant community.

Apart from adhering to general disclosures in *Environmental, Social and Governance Reporting Guide* set out in Appendix 27 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*, the Company plans to extend the scope of reporting to the key performance indicators in its 2017/2018 environmental, social and governance report to reflect our commitment to the environmental and social aspects.

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