



北京市春立正達醫療器械股份有限公司

Beijing Chunlizhengda Medical Instruments Co., Ltd.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock code:1858



2017

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT

* For identification purpose only

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (ESG)

1. ABOUT THIS REPORT

Beijing Chunlizhengda Medical Instruments Co., Ltd., founded in 1998, has been focusing on research and development, production and sales of implantable orthopedic medical devices for 20 years. We are one of the medical device enterprises that holds the most comprehensive registration certificates for joint prosthesis products in China and the first enterprise in mainland China to obtain BIOLOX® ceramic joint prosthesis, covering both full-ceramics and half-ceramics joint prosthesis.

Over the past 20 years, the Company is committed to fulfil corporate social responsibility while maintaining a healthy and rapid development and serving orthopedic patients all over the world. This report is a consolidated summary about the environmental, design and governance performance of the Company in the financial year 2017, which is prepared in accordance with the related requirement of Appendix 27 “Environmental, Social and Governance Reporting Guide” of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and has complied with the “comply or explain” provision set forth in the Guide.

2. ENVIRONMENT

1. Management of emissions and wastes

The Company attaches great importance to the management of emissions and wastes. We strictly comply with the relevant laws and regulations, such as “Environmental Protection Law of the People’s Republic of China” (《中華人民共和國環境保護法》), “Water Pollution Prevention and Control Law of the People’s Republic of China” (《中華人民共和國水污染防治法》), “Detailed Rules for the Implementation of the Water Pollution Prevention and Control Law of the People’s Republic of China” (《中華人民共和國水污染防治法實施細則》), “Integrated Wastewater Discharge Standard” (《污水綜合排放標準》), “Atmospheric Pollution Prevention and Control Law of the People’s Republic of China (new)” (《中華人民共和國大氣污染防治法(新)》), “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste” (《中華人民共和國固體廢物污染環境防治法》) by such doings: dust-proof treatment and recycling system are set up to improve the working environment; professional waste recycling companies are engaged to recycle hazardous wastes. We keep optimizing the management approaches of emissions and wastes at institution level and specific implementation level.

The Company’s products are Class III orthopedic implant products and Class I surgical tools while the emissions and wastes incurred are mainly titanium production wastes, CoCrMo production wastes, water-based cutting fluid, polyethylene wastes and hazardous wastes.

The Company has installed dust removal equipment in benchwork workshops, which could eliminate above 98% of dust, being higher than the national standard of environmental requirement such as Integrated Emission Standard of Air Pollutants and the Hygienic Standard for the Design of Industrial Enterprises of the People’s Republic of China. We have also entrusted a third-party inspection institution to conduct environmental inspection on workshops and the result is above the standard.

We have entrusted Beijing Eco-island Science and Technology Co., Ltd. (北京生態島科技有限責任公司) to recycle the hazardous wastes produced from production and issued the Receipts of Hazardous Wastes Transfer (《危險廢物轉移聯單》), which has enabled hazardous wastes produced from production to be recycled effectively and reasonably. The Company has entered into waste recycling contracts with professional firms to recycle 100% of harmless wastes including titanium production wastes, CoCrMo production wastes, and polyethylene wastes.



In 2017, 1.2 tons of titanium production wastes (per output value of RMB10,000 was 0.04kg); 0.8 tons of CoCrMo production wastes (per output value of RMB10,000 was 0.0267kg); 2.952 tons of cutting fluid (per output value of RMB10,000 was 0.0984kg); and 50kg of polyethylene wastes (per output value of RMB10,000 was 0.00167kg) were produced from production; 6 tons of harmless waste in total; and 0.924 tons of hazardous waste were produced from production.

Greenhouse gases emission profile in 2017: carbon dioxide emissions for Scope 1 (energy direct emissions) were 996.60 tons, carbon dioxide emissions for Scope 2 (energy indirect emissions) were 18.77 tons and carbon dioxide emissions for Scope 3 (other indirect emissions) were 2.69 tons. The carbon dioxide emissions per product of RMB10,000 were 0.0339 tons. Waste emissions include 0.001 tons of ammoniacal nitrogen (NH₃) and 0.095 tons of suspended solids (SS).

2. Water saving

Water is the source of life and the indispensable resources used in production and used domestically. The Company always pays special attention to the water preservation and water saving as well as sewage treatment, recycling and reuse. As for sewage treatment, the Company has established sewage treatment stations, so that the standard of water used in production and used domestically discharged after filtration and sedimentation can satisfy, and be even higher than, the national discharge standard. The Company hires professionals to conduct maintenance on sewage treatment equipment per annum to ensure the quality of the water treatment. The Company will pay continuous attention to these issues.

In 2017, 2,000 tons of sewage were produced and treated during production and 3,600 tons of water resources were used (volume of water usage per output value of RMB10,000 was 0.12 tons).

3. Energy saving

The Company's products are Class III orthopedic implant products and Class I surgical tools and the raw materials used are titanium alloy, CoCrMo alloy, polyethylene and stainless steel.

The Tongzhou Second Production Base of the Company has built up geothermal heat pump air-conditioning. No water is consumed or polluted and no boiler, cooling tower and areas for piled up fuel waste is required during the operation of geothermal heat pump unit, which achieves in effective energy saving and environmental protection.

The Company built lots of solar power generation facilities during the construction of Daxing New Production Base, which will result in effective power saving in the future.

In 2017, we used 13.23 tons of titanium alloy, 13.22 tons of CoCrMo alloy, 5.5 tons of polyethylene and 31.9 tons of stainless steel while 1.32 million kwh electricity was consumed.

In 2017, packaging materials used include 5.6 tons of carton box, 3.9 tons of product packaging box and 1.9 tons of plastic film; the packaging material consumption per product of RMB10,000 was 0.38kg.

3. EMPLOYEE

1. Recruitment and promotion

The Company insists on the recruitment concept of “persons with both virtue and talent should be given accelerated promotion; persons with virtue but no talent should be retained with training; persons with talent but no virtue should be retained with revision on virtue; and persons with no virtue but with talent should never be retained” (有德有才、提拔重用；有德無才，培養使用；有才無德，修正使用；無德有才，堅決不用) and recruits and trains its employees based on their virtue and ability. We strongly opposed discrimination against employees for their nationality, race, sex, age, marriage, etc.. The Company recruits its employees through diversified channel in order to give fair chance to each applicant. We emphasize the legal rights of the employees and the employees are managed through contract. Our working hours comply with the requirement of the laws and regulations while our holidays are in accordance with the national statutory holidays. Employees that work for more than a year would have additional 5 days annual leave with pay. The Company is concerned about the development of employees and thus there are numerous channels for promotion, such as the technological path and the management path.

In 2017, the Company had a total of 460 employees, of which 454 employees were employed with labor contract, while 6 employees were retained with service agreement. 329 employees were male and the other 131 employees were female. As employees aged 20-35 consists of 77%, Chunli Company is a young team that full of passion and energy.

2. Health and safety

The Company adopts specific measures to ensure the health and work safety of employees while ensuring the fairness in recruitment and a smooth promotion channel.

The Company adopts medical examination policy for both new employees and old employees. Newly recruited employees are required to bring along medical examination report when they report to work. Welfare medical examination card is issued to employee that work for more than a year to ensure employees' medical examination result and build personal health record.

In order to ensure employees' health, the Company provides 3 daily meals on normal working days. The 3 meals are arranged by the administrative department which ensure employees' nutritional balance. The Company strictly supervises the procurement of food so that food unfit for health will not be procured. The canteen has been equipped with a set of advanced range hood equipment and hires professional range hood facility cleaner to conduct care and maintenance on range hood every two months, which eliminates the pollution of fumes to the external environment.

The Company pays attention to employees' sport activities and provides table tennis, basketball, badminton sports ground and other facilities. The administrative department of the Company held interesting sports competition every month to enrich the employees' life and motivate employees to actively persist in sport activities.



We place great emphasis on our responsibility for safety. Production safety is the lifeline of the Company, which we always hang on to. As a responsible medical instruments company, the Company communicates with relevant departments on its responsibilities to ensure that safe and high standards are maintained during production. The Company has signed the Safe Production Target Letter of Responsibility (《安全生產目標責任書》), which stipulates the main steps and targets for safe production. All departments shall abide by and implement the measures and activities stipulated in the Letter of Responsibility. The Company carries out production safety inspection activities every month to investigate whether there is any safety risk in the workplace. Based on the results of investigation, corrective and preventive recommendations will be passed on to responsible departments within a pre-determined period of time for rectification. At the same time, in order to protect the safety of the employee and enhance their self-help ability, fire safety trainings are held on a half-yearly basis to train the team to achieve “safety development, prevention first” (安全發展·預防為主). The Company will continue to provide safety funds annually for the upgrade of protective equipment and the maintenance of safety and protective facilities.

In order to reduce the rate of accidents, the Company has implemented a safety management system and formulated a safety manual, which covers various aspects including the duties and responsibilities of each department, organizations, trainings, inspection system, special equipment management, fire safety facilities management and hazardous substances management, as well as a set of contingency plans such as fire safety production, environmental protection, food poisoning, fights and electric shock. The Company has also established a contingency team for the immediate and effective control and treatment of emergency cases. In 2017, the Company was awarded the “Work Safety Standardization Certificate”(《安全生產標準化證書》).

The Company has conducted layout planning and alteration on the overall fire facilities. The fire facilities and equipment are divided into different areas and managed separately. According to the principle of “who is in charge, who bears the responsibility” (誰主管·誰負責), the Company ensures that the fire facilities and equipment will be in good standby condition at all time. Regular fire equipment inspection is conducted by the professionals on a yearly basis to ensure that they will be in a good standby condition.

In order to improve the working environment, the Company inputs significant manpower, materials and financial resources to grow different kinds of plants such as magnolia, chrysanthemum, boxwood and bamboo in the Company to purify air while concrete flooring is used in other areas to eliminate dust.

In 2017, neither the Company encountered any employees’ death and work injury in relation to work, nor did any losses in working days due to employees’ work injury and death.

3. Development and training

The Company insists on the principle of corporate culture development of “make the factory our home and be proud of it so as to build a harmonious development between corporate and employees” (以廠為家，以廠為榮，企業與員工和諧發展). The Company pays special attention to employees’ development and provides sufficient opportunities of internal and external training. The Company strongly believes that development of talent is the fundamentals of the development of the Company.

The Company has provided multiple development paths for the development of the employees, such as the technological development path and management development path and has established the employment qualification management system. The Company has also enhanced the ability of the employees through continuous internal training within the Company and external training. As for the newly recruited employees, the Company conducts corporate culture training to help the employees to understand the corporate culture and organizational structure of the Company, its main products, Company’s value, concept and quality principle and also the Company’s systems related to attendance and office environment management, etc.. Targeting employees with demands for different professional skills, the trainings are conducted in different approaches and channels. For example, the skill training provided to new workshop employees adopts a “one-to-one teaching” mode to ensure the learning efficiency and quality of the newly recruited employees.

In 2017, among those employees who received training, 71% of them were male and the average training hours were 55 hours while 29% of them were female and the average training hours were 45 hours. 100% of senior management received training and the average training hours were 66 hours, 98% of middle level management received training and the average training hours were 38 hours, 96% of basic-rank employees received training and the average training hours were 30 hours.

4. Employee care

The Company persists in the principle of corporate culture development of “a harmonious development between corporate and employees” (企業與員工和諧發展). We pay attention to the physical and mental health of the employees and build a healthy, safe and comfortable working environment so as to practically fulfil its duty of employee care.

The Company insists on holding monthly birthday party for employees during their birthday month to give the employees the feeling of home. Hostel is provided to employees who are in need. The newly constructed Daxing New Production Base is equipped with enough number of hostel to ensure the living environment of the employees.

5. Labor Standards

The Company has been paying attention to the prohibition of child labor and mandatory labor consistently. We strictly adhere to “Labor Law of the People’s Republic of China” (《中華人民共和國勞動法》), “Labor Contract Law of the People’s Republic of China” (《中華人民共和國勞動合同法》), and “Provisions on the Prohibition of Using Child Labor” (《禁止使用童工規定》) by the State Council. We also understand laws and regulations such as “Measures for Lump-sum Compensation to the Disabled or Deceased Employees of Entities Involving Illegal Employment” (《非法用工單位傷亡人員一次性賠償辦法》) formulated by Ministry of Human Resources and Social Security. The measures set out “Overtime/Compensatory Leave Management Measures” (《加班/調休管理辦法》). The Labor Contract specifies the prohibition against the use of child labor and sets out the time, protection and conditions of labor, etc.



4. OPERATION

1. Product responsibility

The Company's products are Class III orthopedic implant and Class I and Class II surgical tools, which are closely linked with patients' health. The Company persists in the quality principle of "as if it is for self-use and keep innovating" (視如己用、不斷創新) and strictly complies with laws and regulations such as "Regulation on the Supervision and Administration of Medical Devices" (《醫療器械監督管理條例》), "Good Manufacturing Practice Rules for Medical Devices" (《醫療器械生產質量管理規範》), "Measures for the Administration of Medical Device Recalls" (《醫療器械召回管理辦法》). We have built a comprehensive quality management system and corresponding procedures and systems, we have also passed the GMP and obtained the ISO13485 certification.

In order to ensure that quality control is implemented on raw materials procured/products externally procured in the aspects of product intake, process, inspection and release of final products and product recall and to safeguard the adequacy and effectiveness of quality inspection process, the "Procedure for Product Quality Control" (產品品質控制程序) is formulated. Quality inspection process is divided into inspection of product intake, process inspection, final product inspection and product recall inspection process. In order to satisfy the requirement of the China Food and Drug Administration on the monitoring of adverse events, product recall and release of advisory notice and control the PRC listed products of the Company in the activities such as monitoring adverse events, product recall and release of advisory notice, the "Procedure for CE Alert System, Adverse Events, Product Recall and Release of Advisory Notice" (《CE警械系統、不良事件、產品召回及忠告性通知發佈程序》) is formulated. According to the procedure, the quality management department is responsible for filling in the "Report of Medical Device Recall Events" (醫療器械召回事件報告表) for the recalled products while departments such as market department, sales department and international department would release the information of product recall to relevant customers and report to the competent drug regulatory department. The quality management department is responsible for tracking the implementation of product recall and ensure that all products that required to be recalled are reasonably disposed. In order to achieve identification, verification and protection on orthopedic property controlled or used by the Company, the Company formulates the "Procedure for Orthopedic Property Control" (骨科財產控制程序).

The Company insists on the strategy of innovative research and development and establishes the operational concept of "relying on employees to manage the corporate, relying on technology to enhance ability, relying on quality to win customer, relying on innovation to promote development" (靠員工管理企業，靠科技提高能力，靠質量贏得客戶，靠創新促進發展). In 2017, we had applied for the registration of several innovative medical devices successively, two of which received approval document from National Center for Medical Device Evaluation (國家局醫療器械審評中心) and examined in accordance with the "Special Approval Procedure for Innovative Medical Devices (for Trial Implementation)" (創新醫療器械特別審批程序(試行)). The customized and personalized pelvic prosthesis, which was jointly developed by the Company and several top oncology experts in China, is awarded "First Prize of Chinese Medical Science and Technology Award in 2013" (2013年中華醫學科技獎一等獎) and "Second Prize of State Science and Technology Improvement Award in 2014" (2014年國家科學技術進步獎二等獎) successively. In order to protect the intellectual property of the Company's products, according to the "Patent law of the People's Republic of China" (《中華人民共和國專利法》), the Company currently has 35 authorized patents, 16 of which are invention patents and 19 of which are utility model patents.

In 2017, no complaint was received by the Company.

2. Supply chain management

In order to ensure that the material procured are up to our requirement, and that we can control the procurement process and suppliers, the Company establishes the “Procedure for Procurement Control” (採購控制程序) in accordance with relevant laws and regulations. This procedure is applicable to the procurement of material that the Company needed for producing products and control on outsourced sterilization as well as the raw materials that the Company needed and the selection, assessment and control on suppliers of supplementary production materials.

The Company manages its materials by dividing them into Class A, B and C according to their level of impact on the quality of the finished products. Class A is materials with high risk (raw material for implant), class B is materials with moderate risk (raw material for device) and class C is materials with low risk (neither implant into human body, nor in contact with patients). If on-site examination is necessary for class A materials, the procurement department will organize on-site examinations for the suppliers and fill in the “supplier investigation form” (供方調查表). The procurement department will organize various departments to conduct examination and complete the “supplier assessment form” (供方評價表) and the qualified suppliers would be enlisted in the “qualified supplier list” (合格供方名單), which is subjected to reassessment annually. The suppliers for Class B materials will be enlisted in the “qualified supplier list-Class B” upon recommendation by the procurement department after approval of factory director and dynamic tracking and control would be conducted. Class C is recommended by procurement staff and will be enlisted in “qualified supplier list-Class C” after approval of the manager of procurement department and dynamic tracking and control would be conducted. Monitoring department conducts strict examination and daily supervision on whole process such as all design development, production process and quality control.

3. Anti-corruption

The Company requires all of its employees to conduct their work in accordance with the “Prevention of Bribery Ordinance” (《防止賄賂條例》) of Hong Kong and the “Criminal Law of the People’s Republic of China” (《中華人民共和國刑法》). The entry training of new employees of the Company and the “Staff Handbook” (員工手冊) expressly provided that all employees of the Company should comply with the anti-corruption requirement and set out the penalty for non-compliance.

In 2017, the Company had no corruption litigation cases.

5. INVESTMENT IN SOCIETY

The Company is fully aware of the importance of joint development between the Company and the community. We integrate social contribution into corporate development. In the past, the Company has been initiating proactive collaborations with various charity groups by donations of different approaches (such as donations to The Community Chest (香港公益金), China Health Promotion Foundation (中國健康促進基金會), etc) and is proud of our effort in paying back the society.

Since August 2009, the Company and China Charity Federation have been joining hands in a key medical project, the “Chunli Sunshine Plan (春立陽光計劃)”. Chunli Medical donates joint prosthesis products of RMB1 million to China Charity Federation per annum, providing free internal fixation material needed in joint prosthesis replacement surgery to poor patients with serious joint disease. For the past decade, the charitable project of Chunli Sunshine Plan had become partners with more than 50 project designated hospitals in 18 provinces, cities and special administrative regions in China. The aiding program successfully implemented more than 500 joint prosthesis replacement surgeries, which helped patients to relief pain and medical burden and received good social feedback.